

Dated

2015

- (1) The Secretary of State for Transport
- (2) [*FRANCHISEE*]

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**FRANCHISE AGREEMENT – NORTHERN**

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**BETWEEN**

- (1) **THE SECRETARY OF STATE FOR TRANSPORT**, whose principal address is at 33 Horseferry Road, London SW1P 4DR (the "**Secretary of State**"); and
- (2) **[FRANCHISEE]** (Company Number [•]), whose registered office is at [registered address] (the "**Franchisee**").

**WHEREAS**

- (A) The Secretary of State wishes to appoint a franchisee to provide railway passenger services within the Franchise and expects his franchisee, on the terms of the Franchise Agreement, actively to seek, in all reasonable business ways, greatly improved performance over the Franchise Term from its employees, its Train Fleet and other assets, and from Network Rail and its other suppliers, so as to deliver to the passenger the best railway passenger service that can be obtained from the resources that are available to it.
- (B) The Franchisee wishes to be appointed as the Secretary of State's franchisee for the Franchise and intends, on the terms of this Agreement, actively to seek, in all reasonable business ways, greatly improved performance over the Franchise Term from its employees, its Train Fleet and other assets, and from Network Rail and its other suppliers, so as to deliver to the passenger the best railway passenger service that can be obtained from the resources that are available to it.
- (C) The following provisions of this Agreement are intended to reflect and give effect to the matters referred to in Recitals (A) and (B) inclusive.

**1. INTERPRETATION**

- 1.1 In the Franchise Agreement, except to the extent the context otherwise requires:
  - (a) words and expressions defined in Part I of the Act have the same meanings when used therein provided that, except to the extent expressly stated, "railway" shall not have the wider meaning attributed to it by Section 81(2) of the Act;
  - (b) words and expressions defined in the Interpretation Act 1978 have the same meanings when used in the Franchise Agreement;
  - (c) the words "include", "including" and "in particular" are to be construed without limitation;
  - (d) references to any person include its successors, transferees or assignees;
  - (e) the words "subsidiary", "subsidiary undertaking" and "parent undertaking" each have the same meaning in the Franchise Agreement as in Section 1162 of the Companies Act 2006;
  - (f) references to documents "in the agreed terms" are references to documents initialled by or on behalf of the Secretary of State and the Franchisee. As at the date of this Agreement the documents "in the agreed terms" are as follows:

<sup>1</sup> <b>ABD</b>	Actual Benchmark Data;
<sup>2</sup> <b>CBS</b>	Co-Branded Stations
<sup>3</sup> <b>CSES</b>	Customer & Stakeholder Engagement Strategy;
<b>DAA</b> <sup>4</sup>	IEP Requirements
<sup>5</sup> <b>DL</b>	Depot Lease;
<sup>6</sup> <b>ERTMSP</b>	Proposed ERTMS Implementation Plan;
<sup>7</sup> <b>FF</b>	Financial Formats;
<sup>8</sup> <b>FM</b>	Financial Model;
<sup>9</sup> <b>IAD</b>	Infrastructure Assumptions Document
<sup>10</sup> <b>IAC</b>	Innovation Account Charge;
<sup>11</sup> <b>ISDP</b>	Initial Sustainable Development Plan;
<sup>12</sup> <b>IS</b>	Innovation Strategy;
<sup>13</sup> <b>OM</b>	Operational Model;
<sup>14</sup> <b>PC</b>	Passenger's Charter;
<sup>15</sup> <b>PPFD</b>	PTE/Protected Fares Document;
<sup>16</sup> <b>PSM</b>	Passenger Survey Methodology;
<sup>17</sup> <b>POA</b>	Power of Attorney;

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<sup>1</sup> To be supplied by the DfT.

<sup>2</sup> To be supplied by the DfT

<sup>3</sup> To be supplied by Bidders as part of Delivery Plan 4.1

<sup>4</sup> To be supplied by the DfT.

<sup>5</sup> To be supplied by the DfT

<sup>6</sup> To be supplied by the DfT

<sup>7</sup> To be provided only to the winning bidder.

<sup>8</sup> To be supplied by Bidders as required by Section 6 of the ITT

<sup>9</sup> To be supplied by the DfT

<sup>10</sup> To be supplied by the DfT

<sup>11</sup> To be supplied by Bidders as part of Delivery Plan 1.4

<sup>12</sup> To be supplied by Bidders as part of Delivery Plan 1.5

<sup>13</sup> To be supplied by Bidders as required by Section 6 of the ITT

<sup>14</sup> To be supplied by Bidders as part of Delivery Plan 4.1

<sup>15</sup> Final version to be supplied by the DfT to the winning bidder only

<sup>16</sup> To be supplied by the DfT

<sup>17</sup> To be supplied by the DfT



<sup>18</sup> <b>RBTA</b>	Remapping Business Transfer Agreement;
<sup>19</sup> <b>ROA</b>	Record of Assumptions;
<sup>20</sup> <b>SCDP</b>	Social and Commercial Development Plan;
<sup>21</sup> <b>SDS</b>	Sustainable Development Strategy;
<sup>22</sup> <b>SL</b>	Station Lease;
<sup>23</sup> <b>TCTSA</b>	Train Crew Trading Services Agreement;
<sup>24</sup> <b>TSR1, TSR2 and TSR3</b>	Train Service Requirements; and
<sup>25</sup> <b>TWFD</b>	T&WPTF Fares Document

- (g) references in any of the agreements comprising the Franchise Agreement to Recitals, clauses, Schedules, Parts, paragraphs and Appendices are to Recitals, clauses, Schedules, Parts of Schedules, paragraphs of Schedules and Appendices of Schedules of that agreement, unless expressly specified to the contrary, and the Schedules and Appendices form part of the agreement in which they appear;
- (h) references in any Schedule in any of the agreements comprising the Franchise Agreement to a Part, paragraph or Appendix are references to a Part, paragraph or Appendix of that Schedule (or the relevant Part of a Schedule), unless expressly specified to the contrary;
- (i) headings and references to headings shall be disregarded in construing the Franchise Agreement;
- (j) references to any enactment include any subordinate legislation made from time to time under such enactment and are to be construed as references to that enactment as for the time being amended or modified or to any enactment for the time being replacing or amending it and references to any subordinate legislation are to be construed as references to that legislation as for the time being amended or modified or to any legislation for the time being replacing or amending it;

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<sup>18</sup> To be supplied by the DfT

<sup>19</sup> To be supplied by Bidders as required by Section 6 of the ITT

<sup>20</sup> To be supplied by Bidders as part of Delivery Plan 4.2

<sup>21</sup> To be supplied by Bidders as part of Delivery Plan 1.4

<sup>22</sup> To be supplied by the DfT

<sup>23</sup> To be supplied by the DfT

<sup>24</sup> To be supplied by the DfT

<sup>25</sup> Final version to be supplied by the DfT to the winning bidder only

- (k) references to an agreement or any other document shall be construed as referring to that agreement or document as from time to time supplemented, varied, replaced, amended, assigned or novated;
- (l) references to any particular provisions of any agreement or any other document shall be construed to include any other provisions of, or incorporated in, that agreement or other document which the Secretary of State reasonably considers have an equivalent effect or are intended to fulfil the same function;
- (m) words importing the masculine gender include the feminine and vice-versa, and words in the singular include the plural and vice-versa;
- (n) wherever provision is made for the giving or issuing of any notice, endorsement, consent, approval, waiver, certificate or determination by any person, unless otherwise specified, such notice, endorsement, consent, approval, waiver, certificate or determination shall be in writing and the words "notify", "endorse", "consent", "approve", "waive", "certify" or "determine" and other cognate expressions shall be construed accordingly;
- (o) references to materials, information, data and other records shall be to materials, information, data and other records whether stored in electronic, written or other form;
- (p) references to the Franchisee bidding for Train Slots or a Timetable shall mean the final action incumbent on the Franchisee under the Network Code to confirm to Network Rail its interests in the Train Slots to which that confirmation relates, and "bid" shall be construed accordingly;
- (q) references to the period of validity of any Fare are references to its period of validity excluding any rights of any purchaser thereof to extend such period under the Passenger's Charter, any equivalent document, or the terms and conditions attaching to such Fare (including any applicable conditions of carriage) in the event of the cancellation or delay of any of the railway passenger services for which such Fare is valid;
- (r) references to stations at which any train calls include stations at which such train commences or terminates its journey;
- (s) references to "railway passenger services" are to be construed subject to Section 40 of the Railways Act 2005;
- (t) references to the provision of railway passenger services include the organisation of the relevant train movements and making the necessary arrangements with Network Rail or any other relevant Facility Owner;
- (u) references in lower case letters to terms defined in clause 2 shall be construed, where relevant, as being references to the terms defined as such in the franchise agreement or relevant agreement made under Section 30 of the Act or Section 6 of the Railways Act 2005 with any other Train Operator;
- (v) amendments to or variations of contracts or arrangements include assignments, novations or other transfers of rights and/or obligations (in whole or in part) under such contracts or arrangements;

- (w) references to sums of money being expended by the Franchisee shall be to such sums exclusive of Value Added Tax;
- (x) the words "shall not be liable" are to be construed as meaning that no contravention of the Franchise Agreement and no Event of Default shall arise as a result of the occurrence of the matter to which such words relate;
- (y) references to a "contravention of the Franchise Agreement" (and cognate expressions) are to be construed as meaning a breach of the Franchise Agreement;
- (z) wherever provision is made for the Franchisee to "procure" or "ensure" the delivery of an obligation under the Franchise Agreement, unless otherwise specified, that provision shall be construed as a primary obligation on the Franchisee to deliver that obligation;
- (aa) the Secretary of State is acting as part of the Crown;
- (bb) references to "profit" shall be construed as meaning profit before corporation tax, determined in accordance with GAAP; and
- (cc) where there is a requirement on the Franchisee to "fully and effectively cooperate" with one or more other parties with regard to an objective, that requirement relates to the quality of cooperation to be provided by the Franchisee taking into account and subject to the response of the other parties concerned. It does not indicate an obligation on the Franchisee beyond cooperation, relating to the funding of detailed design and development of an infrastructure project, actual delivery or subsequent operation (including in each case performance, cost and revenue effects). It does indicate that the Franchisee shall participate actively in relation to the relevant objective including through the application of management time and internal resources, correspondence and attendance at meetings, in each case as the Franchisee reasonably considers in all of the circumstances to be an appropriate use of its resources and effective to achieve the relevant objective.

1.2 This Agreement and the Conditions Precedent Agreement together constitute a single agreement, which is a "franchise agreement" for the purposes of the Act.

## 2. DEFINITIONS

2.1 In the Franchise Agreement, except to the extent the context otherwise requires, the following words and expressions have the following meanings:

**"16 to 25 Railcard"** means a Discount Card issued under the Discount Fare Scheme referred to in paragraph (a)(ii) of the definition of Discount Fare Scheme;

**"2010 Nominal Ticket Sales"** has the meaning given to it in paragraph 3 of Schedule 5.4 (Regulation of Fares Basket Values);

<b>"2010 Ticket Revenue"</b>	has the meaning given to it in paragraph 4 of Schedule 5.4 (Regulation of Fares Basket Values);
<b>"Access Agreement"</b>	has the meaning given to the term "access agreement" in Section 83(1) of the Act;
<b>"Account Balance"</b>	means, at any time, the amounts standing to the credit of the Innovation Account, including any interest accrued thereon;
<b>"ACoRP"</b>	means the Association of Community Rail Partnerships whose principle place of business is The Old Water Tower, Huddersfield Railway Station, St Georges Square, Huddersfield, HD1 1JF or any successor body whose purpose is to support Community Rail Partnerships;
<b>"Act"</b>	means the Railways Act 1993 and any regulations or orders made thereunder;
<b>"Actual CaSL Performance Level"</b>	means, in respect of a Franchisee Year, the moving annual average CaSL Figures most recently published by Network Rail for that Franchisee Year in relation to the Franchisee;
<b>"Actual Consist Data"</b>	means information as to the type of individual vehicles of rolling stock in the Train Fleet which are actually used to form a train on any particular Passenger Service and the manner in which they are configured, which may or may not be the same as the Scheduled Consist Data for the same service;
<b>"Actual Innovation Cost"</b>	means, in respect of any Innovation Scheme, the total actual cost to the Franchisee of developing and implementing that Innovation Scheme calculated in accordance with paragraph 19.10 of Schedule 13 (Information and Industry Initiatives);
<b>"Actual Operating Costs"</b>	means: <ul style="list-style-type: none"> <li>(a) the Franchisee's total operating expenses for the period being reviewed as stated in its profit and loss account, including any of the following operating expenses that are payable during that period: <ul style="list-style-type: none"> <li>(i) amounts payable to the Secretary of State and Network Rail;</li> <li>(ii) taxation;</li> </ul> </li> </ul>

- (iii) shareholder distributions including dividends;
- (iv) interest;
- (v) capital expenditure (net of grants received);
- (vi) lease payments in relation to on-balance sheet leased assets; and
- (vii) the Annual Innovation Account Contribution to be set aside for the period,

but excluding any of the following expenses that are payable in that period:

- (A) interest relating to on-balance sheet leased assets;
- (B) depreciation;
- (C) amortisation; and
- (D) bad debt provisions;
- (E) any Actual Innovation Cost (or part thereof) that the Franchisee is entitled to withdraw from the Innovation Account in accordance with paragraph 19.13 of Schedule 13 (Information and Industry Initiatives); and

(b) either:

- (i) plus any reduction in the total amount owing by the Franchisee to creditors over that period; or
- (ii) less any increase in the total amount owing by the Franchisee to creditors over that period,

where creditors:

- (A) include any persons owed amounts by the Franchisee in respect of loans or funding agreements, operating expenses, including the types of expenses set out in paragraphs (a)(i) to (a)(v) inclusive, provisions and deferred income balances; but
- (B) exclude persons owed amounts by the Franchisee in respect of season ticket liabilities, lease liabilities in relation to on-balance sheet leased assets and liabilities in relation to grants received for the purchase of fixed assets and the amounts contained in the Innovation Account;

**“Actual Passenger Demand”** has the meaning given to it in paragraph 1.1 of Schedule 1.5 (Information about Passengers);

**“Actual PPM Performance Level”** means, in respect of a Franchisee Year, the moving annual average PPM Figures most recently published by Network Rail for that Franchisee Year in relation to the Franchisee;

**“Actuary”** has the meaning given to it in the Pension Trust;

**“Additional Expenditure”** has the meaning given to it in paragraph 2.8 of Schedule 7.2 (National Rail Passenger Surveys and Customer and Communities Improvement Fund);

**“Additional Rolling Stock”** means Specified Additional Rolling Stock and Unspecified Additional Rolling Stock;

**“Additional Whitby Branch Line Services”** has the meaning given to it in paragraph 6.2 of Schedule 6.2 (Northern Franchise Specific Provisions);

<b>"Administration Fee"</b>	has the meaning given to it in paragraph 4.3 of Schedule 10.3 (Events of Default and Termination Events);
<b>"Advance Purchase Train-specific Fares"</b>	has the meaning given to it under the Ticketing and Settlement Agreement;
<b>"AFA/DFR Components"</b>	has the meaning given to it in paragraph 1.1(a)(ii) of Schedule 9.1 (Financial and Other Consequences of Change);
<b>"Affected Party"</b>	has the meaning given to it in paragraph 6.3 of Schedule 12 (Financial Obligations and Covenants);
<b>"Affected Train Fleet"</b>	has the meaning given to it in paragraph 3.1(a)(ii)(B) of Schedule 6.2 (Northern Franchise Specific Provisions);
<b>"Affiliate"</b>	means, in respect of any person, any person by which that person is Controlled or which is Controlled by that person, or any person which is Controlled by any other Affiliate of that person;
<b>"Aggregated Qualifying Change"</b>	<p>means two or more Changes which:</p> <p>(a) are notified or agreed (in the case of a Change which is a Variation pursuant to paragraph 1.1 of Schedule 9.5 (Variations to the Franchise Agreement and Incentivising Beneficial Changes)); and/or</p> <p>(b) a party has become aware of (in the case of any other kind of Change),</p> <p>in a Franchisee Year (the "<b>Aggregation Year</b>") which individually do not exceed the Threshold Amount for the Aggregation Year taken alone but do exceed it when taken together. For the avoidance of doubt, where the Changes arise in different Franchisee Years, for the purposes of determining whether in aggregate they exceed the Threshold Amount:</p> <p>(i) the net present value of the adjustment in Franchise Payments which would result from a Run of the Financial Model (where Schedule 9.1 (Financial and Other Consequences of Change) applies) in respect of each Change shall be calculated in accordance with the process</p>

described in the definition of Qualifying Change; and

- (ii) there will be an Aggregated Qualifying Change where the aggregate of the net present values of those Changes exceeds the Threshold Amount for the Aggregation Year;

**“Alliance Agreement”** has the meaning given to such term in paragraph 11.2 of Schedule 13 (Information and Industry Initiatives);

**“Alternative NRPS”** has the meaning given to such term in paragraph 1.6 of Schedule 7.2 (National Rail Passenger Surveys and Customer and Communities Improvement Fund);

**“Alternative Scheme”** means a Committed Obligation proposed by the Franchisee in place of a Specimen Scheme in accordance with paragraph 8 of Part 2 of Schedule 6.1 (Committed Obligations and Related Provisions);

**“Ancillary Service”** means any service specified in paragraph 5 of Schedule 1.6 (Franchise Services);

**“Annual Audited Accounts”** means the accounts of the Franchisee which:

- (a) comply with paragraph 3.11 of Schedule 13 (Information and Industry Initiatives); and
- (b) are delivered to the Secretary of State by the Franchisee in accordance with paragraph 3.9(a) of Schedule 13 (Information and Industry Initiatives) and certified by the Franchisee’s auditors as true and fair;

**“Annual Benchmark”** means any of the Annual Cancellations Benchmark, the Annual TOC Minute Delay Benchmark or the Annual Short Formation Benchmark;

**“Annual Benchmark Table”** means, in relation to:

- (a) any Annual Cancellations Benchmark, the Annual Cancellations Benchmark Table;
- (b) any Annual TOC Minute Delay Benchmark, the Annual TOC Minute Delay Benchmark Table; and



(c) any Annual Short Formation Benchmark, the Annual Short Formation Benchmark Table;

**"Annual Business Plan"**

means the plan to be provided by the Franchisee to the Secretary of State in accordance with paragraph 2.3 of Schedule 13 (Information and Industry Initiatives);

**"Annual Cancellations Benchmark"**

means for each Franchisee Year, each of the benchmarks specified in the Annual Cancellations Benchmark Table for that Franchisee Year provided that where a Franchisee Year is shorter than 13 Reporting Periods then the Annual Cancellations Benchmark for that Franchisee Year shall be as determined pursuant to paragraph 5.1(a) of Schedule 7.1 (Performance Benchmarks);

**"Annual Cancellations Benchmark Table"**

means the table set out in Part 2 (Annual Cancellations Benchmark Table) of Appendix 1 (Cancellations Benchmarks and Annual Cancellations Benchmarks) of Schedule 7.1 (Performance Benchmarks);

**"Annual Cap Performance Level"**

means, in relation to an Annual Cancellations Benchmark or an Annual TOC Minute Delay Benchmark (as the case may be) for any Franchisee Year, the number set out in Column 2 of the Annual Cancellations Benchmark Table or the Annual TOC Minute Delay Benchmark Table (as the case maybe);

**"Annual CaSL Target Performance Level"**

means, in respect of a Franchisee Year, the number set out in Column 5 of the Annual Cancellation Benchmark Table and in the row in that table for that Franchisee Year provided that where a Franchisee Year is shorter than 13 Reporting Periods then the Annual CaSL Target Performance Level for that Franchisee Year shall be as determined pursuant to paragraph 5.1(d) of Schedule 7.1 (Performance Benchmarks);

**"Annual Financial Statements"**

means the final draft financial statements of the Franchisee which:

- (a) comply with paragraph 3.11 of Schedule 13 (Information and Industry Initiatives); and
- (b) are delivered to the Secretary of State by the Franchisee in accordance with paragraph 3.7 of Schedule 13 (Information and Industry Initiatives);

<b>"Annual Floor Performance Level"</b>	<p>means, in relation to:</p> <p>(a) an Annual Cancellations Benchmark or an Annual TOC Minute Delay Benchmark (as the case may be) for any Franchisee Year, the number set out in Column 4 of the Annual Cancellations Benchmark Table or the Annual TOC Minute Delay Benchmark Table (as the case maybe) for that Franchisee Year; and</p> <p>(b) an Annual Short Formation Benchmark for any Franchisee Year, the number set out in Column 3 of the Annual Short Formation Benchmark Table for that Franchisee Year;</p>
<b>"Annual Franchise Payment"</b>	<p>means, in relation to any Franchisee Year, the amount determined in accordance with Schedule 8.2 (Annual Franchise Payments);</p>
<b>"Annual Franchise Payment Components"</b>	<p>means the values of "FXD", "VCRPI", "VCAWE", "PRPI" and "RRPI" specified for each Franchisee Year in the table set out in the Appendix (Figures for Calculation of Annual Franchise Payments) to Schedule 8.2 (Annual Franchise Payments);</p>
<b>"Annual Innovation Account Contribution"</b>	<p>has the meaning given to it in paragraph 19.2 of Schedule 13 (Information and Industry Initiatives);</p>
<b>"Annual Intermediate Performance Level"</b>	<p>means, in relation to the Annual Short Formation Benchmark for any Franchisee Year, the number set out in Column 3 of the Annual Short Formation Benchmark Table and in the row of that table for that Franchisee Year;</p>
<b>"Annual Management Accounts"</b>	<p>means the management accounts of the Franchisee which:</p> <p>(a) comply with paragraph 3.10 of Schedule 13 (Information and Industry Initiatives); and</p> <p>(b) are delivered to the Secretary of State by the Franchisee in accordance with paragraph 3.6 of Schedule 13 (Information and Industry Initiatives);</p>
<b>"Annual PPM Target Performance Level"</b>	<p>means, in respect of a Franchisee Year, the number set out in Column 5 of the Annual TOC Minute Delay Benchmark Table and in the row of that table for that Franchisee Year provided that where a Franchisee Year is shorter than 13 Reporting Periods then the Annual PPM Target Performance Level for that Franchisee Year shall</p>

be as determined pursuant to paragraph 5.1(e) of Schedule 7.1 (Performance Benchmarks);

**“Annual Season Ticket”**

means a Season Ticket Fare which is valid in Standard Class Accommodation from (and including) the day on which it first comes into effect until (but excluding) the day which falls 12 months after such day;

**“Annual Short Formation Benchmark”**

means, for each Franchisee Year, each of the benchmarks specified in the Annual Short Formation Benchmark Table for that Franchisee Year provided that where a Franchisee Year is shorter than 13 Reporting Periods then the Annual Short Formation Benchmark for that Franchisee Year shall be as determined pursuant to paragraph 5.1(c) of Schedule 7.1 (Performance Benchmarks);

**“Annual Short Formation Benchmark Table”**

means the table set out in Part 2 (Annual Short Formation Benchmark Table) of Appendix 3 (Short Formation Benchmark and Annual Short Formation Benchmark Table) of Schedule 7.1 (Performance Benchmarks)

**“Annual Target Performance Level”**

means, in relation to:

- (a) an Annual Cancellations Benchmark or an Annual TOC Minute Delay Benchmark (as the case may be) for any Franchisee Year, the number set out in Column 3 of the Annual Cancellations Benchmark Table or the Annual TOC Minute Delay Benchmark Table (as the case maybe) for that Franchisee Year; and
- (b) an Annual Short Formation Benchmark for any Franchisee Year, the number set out in Column 2 of the Annual Short Formation Benchmark Table for that Franchisee Year;

**“Annual TOC Minute Delay Benchmark”**

means, for each Franchisee Year, each of the benchmarks specified in the Annual TOC Minute Delay Benchmark Table for that Franchisee Year provided that where a Franchisee Year is shorter than 13 Reporting Periods then the Annual TOC Minute Delay Benchmark for that Franchisee Year shall be as determined pursuant to paragraph 5.1(b) of Schedule 7.1 (Performance Benchmarks);

**“Annual TOC Minute Delay Benchmark Table”**

means the table set out in Part 2 (Annual TOC Minute Delay Benchmark Table) of Appendix 2 (TOC Minute Delay Benchmarks and Annual TOC

	Minute Delay Benchmarks) of Schedule 7.1 (Performance Benchmarks);
<b>"Approved CCIF Scheme"</b>	means a CCIF Scheme approved by the Secretary of State in accordance with paragraph 3.6 of Schedule 7.2 (National Rail Passenger Surveys and Customer and Communities Improvement Fund);
<b>"Approved Innovation Scheme"</b>	means an Innovation Scheme which is approved by the Secretary of State in accordance with paragraph 19.11 of Schedule 13 (Information and Industry Initiatives);
<b>"ATOC"</b>	means the Association of Train Operating Companies including any of its successors and assigns;
<b>"Average Weekly Earnings"</b>	means the United Kingdom average weekly earnings measure excluding bonuses as published from time to time by the Office for National Statistics or, if such measure shall cease to be published or if, in the reasonable opinion of the Secretary of State, there is a material change in the basis of such measure, such other alternative index as the Secretary of State may, after consultation with the Franchisee, determine to be appropriate in the circumstances;
<b>"Background Intellectual Property"</b>	means Intellectual Property Rights in existence and belonging to the Franchisee or a Collaborator prior to the date of notification by the Secretary of State to the Franchisee in writing that the Franchisee may undertake the relevant Innovation Scheme;
<b>"Bank"</b>	means a person which has a permission under Part 4A of the Financial Services and Markets Act 2000 to carry on the regulated activity of accepting deposits thereunder and which is reasonably acceptable to the Secretary of State;
<b>"Bank Holiday"</b>	means any day other than a Saturday or Sunday on which banks in the City of London are not open for business;
<b>"Barton-on-Humber Transfer Date"</b>	has the meaning given to it in paragraph 19.2(b) of Schedule 6.2 (Northern Franchise Specific Provisions);
<b>"Benchmark"</b>	means any of the Cancellations Benchmark, the TOC Minute Delay Benchmark or the Short Formation Benchmark (as the context may require);

**“Benchmark Table”**

means, in relation to:

- (a) any Cancellations Benchmark, the Cancellations Benchmark Table;
- (b) any TOC Minute Delay Benchmark, the TOC Minute Delay Benchmark Table; and
- (c) any Short Formation Benchmark, the Short Formation Benchmark Table;

**“Bid Profit Stream”**

means the estimated total operating profit of the Franchisee from the date that the Change of Control (pursuant to paragraph 2.3 of Schedule 10.3 (Events of Default and Termination Events)) is to occur until the Expiry Date as shown in the profit and loss forecast in the Initial Business Plan (without taking into account any Annual Business Plan) calculated in real terms as at the date of the Change of Control and applying the prevailing discount rate per annum (in real terms) stated in HM Treasury’s “Green Book Appraisal Guidelines” (such rate being 3.5 per cent per annum (in real terms) as at the date of the Franchise Agreement);

**“Bond Provider”**

means any person or persons who may provide or be an obligor under a Performance Bond or Season Ticket Bond from time to time and who shall, unless the Secretary of State otherwise agrees, be:

- (a) a Bank; or
- (b) an insurance company,

in each case with the Relevant Credit Rating;

**“Bond Year”**

means the period beginning on the Start Date and ending on 31 March 2017 and any subsequent period of 13 Reporting Periods beginning on the day after the end of the preceding Bond Year provided that:

- (a) the Franchisee and the Secretary of State may agree to vary the Reporting Period in which a Bond Year ends from time to time; and
- (b) the last Bond Year shall expire on the expiry of the Franchise Period and may be a period of less than 13 Reporting Periods;

**“Brand Licence”**

means a licence between the Secretary of State (or any company wholly owned by the Secretary

of State) and the Franchisee in respect of any registered or unregistered trade marks;

**“Breach Performance Level”** means, in relation to a Benchmark for any Reporting Period, the number set out in the relevant column of the Benchmark Table to Schedule 7.1 (Performance Benchmarks) relating to that Benchmark and in the row of that table for that Reporting Period;

**“Breach Period Performance Level”** means in relation to a Benchmark for any Breach Reporting Period, the numbers set out in the relevant column of the Benchmark Table relating to that Benchmark and in the row of that table for that Breach Reporting Period;

**“Breach Reporting Period”** means any of the 6<sup>th</sup> to 12<sup>th</sup> Reporting Periods in the first Franchisee Year;

**“British Transport Police”** means the British Transport Police created pursuant to Section 18 of the Railways and Transport Safety Act 2003 (or any successor or successors to its statutory policing functions);

**“Business Action Plan”** means an action plan produced by the Franchisee in relation to the delivery of any aspect of the Franchise Services (including in respect of any outcome anticipated by its Business Plan, in accordance with paragraph 2.7 of Schedule 13 (Information and Industry Initiatives));

**“Business Continuity Plan” and “BCP”** means a business continuity and disaster recovery plan (including a Force Majeure Events recovery plan) required to be produced, maintained and implemented by the Franchisee in accordance with paragraph 3.3 of Schedule 10.4 (Force Majeure);

**“Business Plan”** means the Initial Business Plan or any Annual Business Plan, as the context requires, to be delivered in accordance with paragraphs 2.1 and 2.3 of Schedule 13 (Information and Industry Initiatives);

**“Cancellation”** means a Passenger Service:

- (a) which is included in the Enforcement Plan of the Day and which is cancelled for reasons attributed to the Franchisee pursuant to its Track Access Agreement; or
- (b) which is included in the Enforcement Plan of the Day and which operates less than 50 per cent of its scheduled mileage (as prescribed in the

Enforcement Plan of the Day) for reasons attributed to the Franchisee pursuant to its Track Access Agreement;

- “Cancellations Benchmark”** means any of the performance levels in respect of Cancellations and Partial Cancellations set out in the Cancellations Benchmark Table;
- “Cancellations Benchmark Table”** means the table set out in Part 1 (Cancellations Benchmark Table) of Appendix 1 (Cancellations Benchmarks and Annual Cancellations Benchmarks) of Schedule 7.1 (Performance Benchmarks);
- “Cancellations Figures”** means the number of:
- (a) Cancellation and Partial Cancellation; and
  - (b) Network Rail Cancellation and Network Rail Partial Cancellation,
- in each case, relating to the Passenger Services operated in each Reporting Period;
- “Cancellations Performance Sum”** means an amount determined in accordance with paragraph 3.2 of Schedule 7.1 (Performance Benchmarks);
- “Capacity Mitigation Plan”** has the meaning given to it in paragraph 8.1(a) of Schedule 1.1 (Service Development);
- “Capital Expenditure”** has the meaning given to it in paragraph 2.4 of Schedule 9.5 (Variations to the Franchise Agreement and Incentivising Beneficial Changes);
- “Cascaded Rolling Stock”** has the meaning given to it in paragraph 2.5 of Schedule 2.2 (Security of Access Agreements, Rolling Stock Leases, Station and Depot Leases);
- “CaSL”** means the measure of the proportion of trains (expressed as a percentage of Passenger Services which are scheduled to be provided under the Plan of the Day) which are cancelled, or arrive significantly late at their final scheduled destination measured on the basis that for this purpose, “significantly late” means arriving thirty minutes or more after the scheduled public arrival time at destination, as produced and/or published by Network Rail;
- “CaSL Figures”** means the moving annual average percentage published by Network Rail in respect of CaSL;

<b>“CCIF Amount”</b>	means the sum of £2,300,000 (indexed by the Retail Prices Index in the same way as variable costs are indexed in Schedule 8.2 (Annual Franchise Payments)) per Franchisee Year within a CCIF Period (reduced pro-rata in respect of any Franchisee Year within a CCIF Period of less than 365 days) as adjusted in accordance with paragraph 3.10(a) of Schedule 7.2 (National Rail Passenger Surveys and Customer and Communities Improvement Fund);
<b>“CCIF Period”</b>	means each of the following periods: <ul style="list-style-type: none"> <li>(a) 1 April 2019 – 31 March 2021;</li> <li>(b) 1 April 2021 – 31 March 2023; and</li> <li>(c) 1 April 2023 – the Expiry Date.</li> </ul>
<b>“CCIF Scheme”</b>	has the meaning given in paragraph 3.3 of Schedule 7.2 (National Rail Passenger Surveys and Customer and Communities Improvement Fund);
<b>“CCIF Scheme Cost”</b>	means in respect of any CCIF Scheme, the total cost to the Franchisee of developing and implementing that CCIF Scheme;
<b>“CCIF Scheme Margin”</b>	means 5% of the applicable CCIF Scheme Costs;
<b>“CCIF Scheme Revenue”</b>	means in respect of any CCIF Scheme, the revenue earned by the Franchisee from that CCIF Scheme;
<b>“CCIF Scheme Shortfall”</b>	means, in relation to a CCIF Scheme, the amount (if any) by which the CCIF Scheme Revenue is less than the aggregate of the CCIF Scheme Costs and the CCIF Scheme Margin;
<b>“CCIF Underspend”</b>	has the meaning given in paragraph 3.8 of Schedule 7.2 (National Rail Passenger Surveys and Customer and Communities Improvement Fund);
<b>“Central Government Body”</b>	has the meaning given to it in paragraph 2.3 of Schedule 17 (Confidentiality and Freedom of Information);
<b>“Certificate of Commencement”</b>	means the certificate to be issued by the Secretary of State pursuant to the Conditions Precedent Agreement;
<b>“Change”</b>	means if and whenever any of the following occurs:



- (a) an event set out in any Secretary of State Risk Assumption specified in Schedule 9.3 (Secretary of State Risk Assumptions);
- (b) a Charge Variation;
- (c) a Change of Law (excluding any Change of Law to the extent that it results in an adjustment to the Franchise Payments pursuant to Schedule 8.4 (Track Access Adjustments and Station Charge Adjustments));
- (d)
- (i) the Secretary of State issues a TSR (TDR) Amendment pursuant to paragraph 5.7 of Schedule 1.1 (Service Development) but only to the extent that the Franchisee makes a saving as a consequence of the issue of such TSR (TDR) Amendment; or
  - (ii) the circumstances contemplated in paragraph 5.10(b) of Schedule 1.1 (Service Development) occur,
- except that a Change shall not occur where a TSR (TDR) Amendment has been issued by the Secretary of State in consequence of Network Rail exercising the rights referred to in any of paragraphs 5.6(b) or 5.6(c) of Schedule 1.1.
- (e) a change to the Train Service Requirement previously in force pursuant to the issue of an amended or new Train Service Requirement in accordance with paragraph 9.4 of Schedule 1.1 (Service Development);
- (f) the Franchisee is required to take any action pursuant to paragraph 12.1(a) and/or paragraph 12.1(b) of Schedule 1.1 (Service Development);
- (g) the circumstances specified in paragraphs 3.1 of Schedule 9.4 (Specified Infrastructure Related Change) occur;

- (h) the Secretary of State effects an amendment to a Discount Fare Scheme, introduces a new Discount Fare Scheme or ceases to approve a Discount Fare Scheme for the purposes of Section 28 of the Act;
- (i) the Secretary of State approves an amendment or proposed amendment to an Inter-Operator Scheme, as referred to in paragraph (a) of the definition of Inter-Operator Scheme to the extent and only to the extent that the Franchisee makes a saving as a consequence of such amendment or proposed amendment;
- (j) the imposition, subject to the provisions of paragraph 2.6 of Schedule 4 (Persons with Disabilities and Disability Discrimination), of any increased access charges in respect of EA Requirements at Franchisee Access Stations;
- (k) the Secretary of State exercises his power pursuant to paragraph 5 of Schedule 5.7 (Changes to Fares and Fares Regulation) to alter the obligations of and restrictions on the Franchisee under Schedule 5 (Fares);
- (l) the Franchisee is obliged to charge Value Added Tax on a Fare or there is an increase or decrease in the rate of Value Added Tax which it must charge on such Fare, in either case due to a change in the Value Added Tax treatment of the provision of Passenger Services;
- (m) the exercise by the Secretary of State of his rights pursuant to paragraph 1.7 of Schedule 7.1 (Performance Benchmarks);
- (n) the exercise by the Secretary of State of his rights pursuant to paragraph 17.2 of Schedule 13 (Information and Industry Initiatives);
- (o) the Secretary of State exercises his rights pursuant to paragraph 19.23 of Schedule 13 (Information and Industry Initiatives) occur;

- (p) a Variation to the terms of the Franchise Agreement pursuant to paragraph 1.1 of Schedule 9.5 (Variations to the Franchise Agreement and Incentivising Beneficial Changes);
- (q) the Start Date is a date that is later than 0200 on 1 April 2016 for reasons solely attributable to any act or omission by the Secretary of State including the exercise of his right to amend the Start Date pursuant to paragraph 1.10(a) of Schedule 9.5 (Variations to the Franchise Agreement and Incentivising Beneficial Changes) except where:
- (i) the Secretary of State exercises his rights pursuant to Clauses 4.2 or 4.3 of the Conditions Precedent Agreement to alter such Start Date; or
  - (ii) the relevant acts or omissions of the Secretary of State arise as a result of or in connection with any failure by the Franchisee to satisfy any of the conditions precedent set out in the Conditions Precedent Agreement;
- (r) the Expiry Date is a date that is later than 0159 on 1 April 2025 in consequence of the Secretary of State exercising his right to amend the Start Date pursuant to paragraph 1.10(a) of Schedule 9.5 (Variations to the Franchise Agreement and Incentivising Beneficial Changes);
- (s) the circumstances set out in paragraph 2.6 of Schedule 2.2 (Security of Access Agreements, Rolling Stock Leases, Station and Depot Leases) occur;
- (t) the Secretary of State exercises his right to vary the provisions of Schedule 7.3 (Northern Franchise Service Quality Regime) pursuant to paragraph 10.2 of Schedule 7.3 (Northern Franchise Service Quality Regime);
- (u) any of the events specified in paragraphs 3.1, 3.3 or 4.9 of Schedule

9.4 (Specified Infrastructure Related Change) occurs; or

- (v) any two or more of the foregoing that the Secretary of State groups together in accordance with any procedures issued by him pursuant to paragraph 1.4 of Schedule 9.5 (Variations to the Franchise Agreement and Incentivising Beneficial Changes) occur;

**“Change of Control”**

has the meaning given to it in paragraph 2.3 of Schedule 10.3 (Events of Default and Termination Events);

**“Change of Law”**

means the coming into effect after the date of the Franchise Agreement of:

- (a) Legislation; or
- (b) any applicable judgment of a court of Law which changes a binding precedent,

the terms of which apply only to the railway industry, a particular section of the railway industry or the provision of services to the railway industry and not to other transport modes or to industries other than the railway industry, and without limitation:

- (i) excluding any changes in Taxation;
- (ii) excluding any changes which were foreseeable at the date of the Franchise Agreement, and for this purpose, but without limitation, there shall be regarded as foreseeable any Legislation which on the date of the Franchise Agreement has been published:
  - (A) in a draft parliamentary bill as part of a government departmental consultation paper;
  - (B) in a parliamentary bill;

- (C) in a draft statutory instrument; or
- (D) as a proposal in the Official Journal of the European Union except to the extent that such proposal is intended to apply solely within member states other than the United Kingdom,

to the extent that the same is subsequently enacted in substantially the same form as the form in which it was previously so published. In relation to the application of this sub paragraph (ii), each TSI shall be considered separately.

Change of Law (1) includes any Legislation, which only applies to the railway industry, which is made under the Health and Safety at Work etc. Act 1974 and which is not excluded under (i) and (ii) (a **"Specifically Included Change of Law"**), but (2) excludes any Legislation (other than a Specifically Included Change of Law) which is made with the intention or effect of specifically applying to (or disapplying in relation to) the railway industry any other Legislation which does not apply only to the railway industry;

**"Charge Variation"**

means a variation:

- (a) to a Relevant Agreement; and
- (b) which is effected as a result of a Charging Review (including any variation in connection with an Incremental Output Statement Charge);

**"Charging Review"**

means:

- (a) the exercise by the ORR of its powers under:
  - (i) Part 7 of Schedule 7 of the Track Access Agreement to which the Franchisee is a party on the Start Date or any Replacement Agreement which is or is deemed to be a

- Relevant Agreement in accordance with the definition of that term;
- (ii) Condition F11.5 of the Station Access Conditions in relation to any station which is not an Independent Station; or
- (iii) Condition 42.5 of the Independent Station Access Conditions in relation to any station which is an Independent Station;
- (b) the following by the ORR of the procedure in Schedule 4A of the Act;
- (c) the exercise by the ORR of any of its powers or the following of any other procedure, which, in the Secretary of State's reasonable opinion:
  - (i) has an equivalent effect to; or
  - (ii) is intended to fulfil the same function as,
 any of the powers referred to in paragraphs (a) or (b) in relation to any Relevant Agreement. For this purpose, Relevant Agreement includes any Relevant Agreement which is not the subject of any previous Charging Review; or
- (d) any amendment to a Relevant Agreement, or entry into a new Relevant Agreement which is approved by the ORR to the extent that it relates to an Incremental Output Statement Charge or a scheme to which that charge relates;

**“Charter Service”**

means a railway passenger service, whether operated on the same routes as the Passenger Services or not:

- (a) which is not reflected in the Timetable;
- (b) which does not conform to the pattern of railway passenger services normally provided by the Franchisee;
- (c) for which the advance booking or booking arrangements for seats on the relevant service are, in the reasonable

opinion of the Secretary of State, materially different from those generally applicable to the Passenger Services;

(d) for which tickets are available on a restricted basis or on terms and conditions which, in the reasonable opinion of the Secretary of State, are materially different from those generally applicable to the Passenger Services; and/or

(e) for which the departure time, journey time and calling pattern are, in the reasonable opinion of the Secretary of State, materially different from those of the Passenger Services,

and which, in the opinion of the Secretary of State, is not a railway passenger service provided by the Franchisee as part of the Passenger Services;

**“Child Price”**

means, in relation to any Fare, the amount charged or chargeable to a person under the age of 16 in respect of such Fare;

**“City Line Station”**

means any station on the lines from Liverpool Lime Street to Hough Green, Newton-le-Willows and Garswood, being as follows:

Liverpool Lime Street, Edge Hill, Wavertree Technology Park, Broad Green, Roby, Huyton, Whiston, Rainhill, Lea Green, St Helens Junction, Earlestown, Newton-le-Willows, Mossley Hill, West Allerton, Allerton, Hunts Cross, Halewood, Hough Green, Prescot, Eccleston Park, Thatto Heath, St Helens Central and Garswood;

**“Closed Scheme Employees”**

has the meaning given to it in paragraph 2.2 of Schedule 16 (Pensions);

**“Closure”**

means a discontinuance or closure under Part 4 of the Railways Act 2005 of any of the Passenger Services or of any network on which the Passenger Services may be operated or of any of the Stations or of any part of such network or Station;

**“Code of Practice”**

means the code of practice for protecting the interests of users of railway passenger services or station services who have disabilities, as prepared, revised from time to time and

published by the Secretary of State pursuant to Section 71B of the Act;

<b>“Collaborator”</b>	means a person from whom the Franchisee requires a licence (express or implied) in order for the Franchisee to use the Innovation Scheme Output and whether or not such person is referred to by the Franchisee in the initiative, work or proposal proposed by the Franchisee as an Innovation Scheme;
<b>“Collateral Agreement”</b>	means an agreement which is required to be entered into by the Franchisee with Network Rail or any other franchisee as a condition to any Access Agreement of which the Franchisee is the beneficiary;
<b>“Commercial Return”</b>	a CCIF Scheme will have a “Commercial Return” where the CCIF Scheme Revenue equals or exceeds the aggregate of the CCIF Scheme Costs and the CCIF Scheme Margin;
<b>“Committed Obligations”</b>	means any of the Franchisee’s obligations listed in Part 1 (List of Committed Obligations and Related Provisions) to Schedule 6.1 (Committed Obligations and Related Provisions);
<b>“Community Rail Partnership”</b>	means any not-for-profit organisation of the same name that has an interest in the development of responsive and good quality railway passenger services;
<b>“Community Rail Report”</b>	has the meaning given to it in paragraph 9.5 of Schedule 6.2 (Northern Franchise Specific Provisions);
<b>“Community Rail Route”</b>	means any Route in respect of which the Secretary of State determines that any relevant Community Rail Partnership has an interest;
<b>“Compulsory Inter-available Flow”</b>	has the meaning given to it in the Ticketing and Settlement Agreement;
<b>“Computer System”</b>	means computer hardware and computer software, including licensed third party software and data protocols;
<b>“Conditions Precedent Agreement”</b>	means the agreement between the Secretary of State and the Franchisee of even date herewith specifying certain conditions to be satisfied or waived by the Secretary of State prior to the issue of a Certificate of Commencement;
<b>“Confidential Information”</b>	has the meaning given to it in paragraph 1 of Schedule 17 (Confidentiality and Freedom of Information);



<b>"Connection"</b>	means a connection (however described) between any of the Passenger Services provided by the Franchisee and any other railway passenger service provided by it or any other Train Operator or any bus, ferry or shipping service and cognate phrases shall be construed accordingly;
<b>"Connection Agreement"</b>	means any agreement entered into by the Franchisee and Network Rail on or before the Start Date relating to the connection of a Depot to the relevant part of the network;
<b>"Contingency Plan"</b>	has the meaning given to it in paragraph 1(a)(iv) of Schedule 10.4 (Force Majeure);
<b>"Continuation Document"</b>	means any franchise agreement, direct award, interim franchise agreement or other arrangement pursuant to which the Franchisee is required to provide services for the carriage of passengers by railway which is entered into by the Franchisee in respect of some or all of the same Passenger Services by way of direct or indirect continuation of the arrangement currently in place under the Franchise Agreement;
<b>"Contract Manager"</b>	means a person appointed from time to time by the Franchisee to fulfil certain duties including to manage the Franchise Agreement on behalf of the Franchisee and to facilitate the performance by the Franchisee of its obligations under the Franchise Agreement;
<b>"Control"</b>	<p>means, in respect of a person, that another person (whether alone or with others and whether directly or indirectly and whether by the ownership of share capital, the possession of voting power, contract or otherwise):</p> <ul style="list-style-type: none"> <li>(a) has the power to appoint and/or remove all or the majority of the members of the board of directors or other governing body of that person or of any other person which Controls that person;</li> <li>(b) controls or has the power to control the affairs and policies of that person or of any other person which Controls that person;</li> <li>(c) is the parent undertaking of that person or of any other person which Controls that person; or</li> </ul>

- (d) possesses or is, or will be at a future date, entitled to acquire:
  - (i) 30 per cent or more of the share capital or issued share capital of, or of the voting power in, that person or any other person which Controls that person;
  - (ii) such part of the issued share capital of that person or any other person which controls that person as would, if the whole of the income of such person were distributed, entitle him to receive 30 per cent or more of the amount so distributed; or
  - (iii) such rights as would, in the event of the winding-up of that person or any other person which controls that person or in any other circumstances, entitle him to receive 30 per cent or more of the assets of such person which would then be available for distribution,

and **“Controlled”** shall be construed accordingly;

**“Controlled Emission Toilet”** has the meaning given to such term in paragraph 3.4 of Schedule 1.7 (Train Fleet);

**“Creating”** has the meaning given to it in the Ticketing and Settlement Agreement and cognate expressions shall be construed accordingly;

**“CRM Data”** means Personal Data (including any or all of name, address, e-mail address and ticket purchasing history, credit and debit card details) collected by or on behalf of the Franchisee relating to persons travelling on or purchasing tickets for travel on the Passenger Services or other services for the carriage of passengers by railway;

**“CRM Data Processor”** means any Data Processor who, from time to time, is processing or has processed CRM Data on behalf of the Franchisee;

**“CRM Obligations”** has the meaning given to it in paragraph 3.4 of Schedule 1.5 (Information about Passengers);

<b>"CRM System"</b>	means any system (whether a Computer System or otherwise) for the collection of CRM Data and/or onto which CRM Data is input, processed and/or held as such system may be amended or altered from time to time;
<b>"CRP Amount"</b>	means the sum of £500,000 (indexed by the Retail Prices Index in the same way as variable costs are indexed in Schedule 8.2 (Annual Franchise Payments)) per Franchisee Year (reduced pro-rata in respect of any Franchisee Year of less than 365 days);
<b>"CS5 Remapping Date"</b>	has the meaning given to it in paragraph 19.2(a) of Schedule 6.2 (Northern Franchise Specific Provisions);
<b>"Current Franchisee Year"</b>	has the meaning given to it in paragraph 3.4 of Schedule 8.1 (Franchise Payments);
<b>"Customer and Stakeholder Engagement Strategy"</b>	means the Customer and Stakeholder Engagement Strategy in the agreed terms marked <b>CSSES</b> and any replacement Customer and Stakeholder Engagement Strategy revised in accordance with paragraph 3.11 of Schedule 7.2 (National Rail Passenger Surveys and Customer and Communities Improvement Fund);
<b>"Customer Report"</b>	means a report in the format and providing the information specified in the Customer and Stakeholder Engagement Strategy published in accordance with paragraph 3.2 of Schedule 7.2 (National Rail Passenger Surveys and Customer and Communities Improvement Fund);
<b>"Data Controller"</b>	has the same meaning as in the Data Protection Act;
<b>"Data Processor"</b>	has the same meaning as in the Data Protection Act;
<b>"Data Protection Act"</b>	means the Data Protection Act 1998 and any guidance issued from time to time by the Information Commissioner's Office;
<b>"Data Site Information"</b>	has the meaning given to it in paragraph 2.2(e) of Schedule 15.1 (Reletting Provisions);
<b>"Data Subject"</b>	has the same meaning as in the Data Protection Act;
<b>"Dataset"</b>	means the data specified in Appendix 1 (Environmental Impact Monitoring Dataset) to Schedule 13 (Information and Industry Initiatives) as the same may be amended from

time to time by the Secretary of State (acting reasonably);

**“Default Performance Level”** means, in relation to a Benchmark for any Reporting Period, the number set out in the relevant column of the Benchmark Table to Schedule 7.1 (Performance Benchmarks) relating to that Benchmark and in the row of that table for that Reporting Period;

**“Delayed Cascade Mitigation Plan”** has the meaning given to it in paragraph 2.7(c) of Schedule 2.2 (Security of Access Agreements, Rolling Stock Leases, Station and Depot Leases);

**“Departure Station”** has the meaning given to it in paragraph 2(b) of Appendix 2 (Alternative Transport) to Schedule 4 (Persons with Disabilities and Disability Discrimination);

**“Depot”** means a depot in respect of which the Franchisee has entered into a Depot Lease;

**“Depot Access Conditions”** has the meaning given to it in the relevant Access Agreement to which it relates;

**“Depot Lease”** means:

- (a) any lease of a depot to which the Franchisee is a party as at the Start Date; or
- (b) any other lease of a depot in relation to which the Franchisee becomes the Facility Owner at any time during the Franchise Period;

**“Derivative Output”** means Intellectual Property Rights that are derived from or generated by the RPC Database when querying the RPC Database (which includes, but is not limited to, the format of all reports and analysis);

**“Designated Employer”** has the meaning given to it in the Pension Trust;

**“Destination Station”** has the meaning given to it in paragraph 2(b) of Appendix 2 (Alternative Transport) to Schedule 4 (Persons with Disabilities and Disability Discrimination);

**“Direct Agreement”** means any agreement made, or to be made, from time to time between the Secretary of State and the counterparty of a Key Contract in relation to such Key Contract, including any agreement entered into by the Secretary of State under Schedule 14.3 (Key Contracts);

**“Disabled People’s Protection Policy”**

means the Franchisee’s policy for the protection of persons with disabilities which the Franchisee is required to establish and review from time to time in accordance with the conditions of its Licences in respect of the operation of railway passenger services and/or stations;

**“Disabled Person”**

is a reference to a person who has a disability as defined in the EA;

**“Disaster”**

means, other than those specified in paragraphs 1(a) or 1(b) of Schedule 10.4 (Force Majeure), any unplanned interruption or event which significantly prevents or impairs the ability of the Franchisee to provide the Franchise Services (in whole or in part) or the ability of the Franchisee to operate systems or equipment relevant to the provision of the Franchise Services (in whole or in part);

**“Discount Card”**

has the meaning given to it in the Ticketing and Settlement Agreement;

**“Discount Fare Scheme”**

means:

(a) each of the following discount fare schemes:

(i) ATOC Disabled Persons Railcard Scheme dated 23 July 1995 between the participants therein;

(ii) ATOC Young Persons Railcard Scheme dated 23 July 1995 between the participants therein; and

(iii) ATOC Senior Railcard Scheme dated 23 July 1995 between the participants therein; or

(b) any other discount fare scheme approved from time to time by the Secretary of State for the purposes of Section 28 of the Act,

in each case until such time as it may cease to be approved by the Secretary of State for the purposes of Section 28 of the Act;

**“Dispute Resolution Rules”**

means the procedures for the resolution of disputes known as “The Railway Industry Dispute Resolution Rules”, as amended from time to time in accordance with the terms thereof;

**“Disputed Cancellation”**

means a Passenger Service:

- (a) which is included in the Enforcement Plan of the Day and which is cancelled; or
- (b) which is included in the Enforcement Plan of the Day and which operates less than 50 per cent. of its scheduled mileage (as prescribed in the Enforcement Plan of the Day),

in either case, in circumstances where attribution of responsibility for the same is, at the relevant time, in dispute between Network Rail and the Franchisee pursuant to the Track Access Agreement;

**“Disputed Partial Cancellation”**

means a Passenger Service which is included in the Enforcement Plan of the Day and which:

- (a) misses a stop; or
- (b) completes 50 per cent. or more, but less than 100 per cent. of its scheduled journey as prescribed in the Enforcement Plan of the Day,

in either case, in circumstances where attribution of responsibility for the same is, at the relevant time, in dispute between Network Rail and the Franchisee pursuant to the Track Access Agreement;

**“Disputes Secretary”**

means the person appointed as disputes secretary from time to time in accordance with the Dispute Resolution Rules;

**“Driver Controlled Operation”**

means operation of a train by a driver alone without the need for a conductor (or any other Franchise Employee);

**“DOTAS”**

has the meaning given to it in paragraph 6.3 of Schedule 12 (Financial Obligations and Covenants);

**“EA”**

means the Equality Act 2010;

**“EA Claim”**

has the meaning given to it in paragraph 3.1 of Schedule 4 (Persons with Disabilities and Disability Discrimination);

**“EA Requirements”**

means the duties of a provider of services under Sections 20(3), 20(5) and Sections 20(9)(a) and 20(9)(b) in relation to Section 20(4), of the EA;

**“Efficiency Benefit Share Mechanism” or “EBS”**

means the route level efficiency benefit sharing mechanism introduced by the ORR in its determination for the control period commencing on 1 April 2014 or any similar arrangement under which the benefits of any outperformance (or downsides of failure to achieve efficiency targets) are to be shared between Network Rail and train operators whether or not at route level;

**“Emergency Events”**

has the meaning given to it in paragraph 1.2(e) of Schedule 10.4 (Force Majeure);

**“EMV”**

means contactless payment cards that conform to the international standards issued by EMVCo (owned by American Express, Discover, JCB, MasterCard, UnionPay and Visa) which manages, maintains and enhances the EMV1 integrated circuit card specifications;

**“EMT Franchise”**

means the rights to be tendered by the Secretary of State to operate certain railway passenger services identified by him as the East Midlands passenger services (or such other name as he may notify to the Franchisee for this purpose from time to time) after the expiry of any franchise agreement entered into by the Secretary of State in succession to the franchise agreement dated 21 June 2007;

**“EMT Franchisee”**

means the franchisee appointed by the Secretary of State to operate the EMT Franchise;

**“Enabling Works”**

has the meaning given to it in paragraph 8.2 of Schedule 6.2 (Northern Franchise Specific Provisions);

**“Enforcement Plan of the Day”**

means the Plan of the Day except for any:

- (a) additions to such Plan of the Day of any railway passenger services which are not included in the Timetable;
- (b) omissions from such Plan of the Day of any Passenger Services included in the Timetable; and/or
- (c) rescheduling in such Plan of the Day of any Passenger Services from their scheduling in the Timetable,

in each case:

- (i) as proposed by the Franchisee in breach of its obligations in paragraph 4 of

	Schedule 1.2 (Operating Obligations); or
	(ii) as agreed by the Franchisee in breach of its obligations in paragraph 3 of Schedule 1.2 (Operating Obligations);
<b>“Environmental Data Implementation Plan”</b>	has the meaning given to it in paragraph 17.1(c) of Schedule 13 (Information and Industry Initiatives);
<b>“Environmental Information Regulations”</b>	means the Environmental Information Regulations 2004;
<b>“Equipment”</b>	means any load-weigh, infrared, CCTV or other type of equipment as may from time to time be installed on any train in the Train Fleet for the purposes of (amongst other things) passenger counting, including that specified in paragraph 1.6 of Schedule 1.5 (Information about Passengers);
<b>“Equivalent Fare”</b>	has the meaning given to it in paragraph 6.1 of Schedule 5.7 (Changes to Fares and Fares Regulation);
<b>“Equivalent Flow”</b>	has the meaning given to it in paragraph 6.1(b) of Schedule 5.7 (Changes to Fares and Fares Regulation);
<b>“ERTMS”</b>	means the European Rail Traffic Management System;
<b>“ERTMS Enabled Network”</b>	has the meaning given to it in paragraph 3.1(a)(iv) of Schedule 6.2 (Northern Franchise Specific Provisions);
<b>“ERTMS Programme”</b>	means the implementation of ERTMS on the routes specified in the Proposed ERTMS Implementation Plan;
<b>“Escrow Documents”</b>	means those documents and other items referred to in paragraph 1.1 of Schedule 9.2 (Identity of the Financial Model etc.);
<b>“Estimated Profit Stream”</b>	means estimated total operating profit of the Franchisee from the date that the Change of Control (pursuant to paragraph 2.3 of Schedule 10.3 (Events of Default and Termination Events)) is to occur until the Expiry Date as reasonably determined by the Secretary of State. In reasonably determining the Estimated Profit Stream the Secretary of State shall:



- (a) take into account all relevant circumstances and have due regard to the Financial Model, the profit and loss forecast in the Initial Business Plan and the most recent Annual Business Plan and the assumptions in the Record of Assumptions;
- (b) use the accounting policies and standards set out in the Record of Assumptions and applied through the Financial Model;
- (c) estimate profit:
- (i) before taking into account:
    - (A) interest, finance income and finance charges (other than finance items recognised in respect of retirement benefits) and dividends and other distributions of profit;
    - (B) any taxation on profits including corporation tax;
    - (C) shares of the profit of any Affiliate of the Franchisee, except dividends received in cash;
    - (D) non cash entries in respect of the Franchise Section and any other pension schemes to the extent connected with the Franchise, excluding accruals or prepayments of any normal pension contributions due; and
  - (ii) after taking into account:

- (A) Franchise Payments;
- (B) all extraordinary and exceptional items, as defined under GAAP;
- (C) the Franchisee's normal pension contributions in relation to the Franchise Section and any other pension schemes to the extent connected with the Franchise;
- (D) any payments to Affiliates of the Franchisee (including management fees and royalty fees) except to the extent that such payments exceed the amount determined in accordance with the formula set out in paragraph (a)(v) of the definition of Relevant Profit in paragraph 3 of Schedule 8.1 (Franchise Payments); and
- (E) any sums capitalised in relation to maintenance expenditure on rolling stock or other capital equipment; and

- (d) calculate amounts in real terms as at the date of the Change of Control and apply the prevailing discount rate per annum (in real terms) stated in HM Treasury's "Green Book Appraisal Guidelines" (such rate being as at the

date of the Franchise Agreement 3.5 per cent. per annum (in real terms));

**“Estimated Revisions”** has the meaning given to it in paragraph 9.3 of Schedule 9.1 (Financial and Other Consequences of Change);

**“Estimated Turnover”** means, in respect of each Innovation Year, an amount equal to the estimated Turnover for that Innovation Year calculated by reference to the Franchisee’s Business Plan and Financial Model as determined by the Secretary of State and as set out in Appendix 4 (Estimated Turnover) to Schedule 13 (Information and Industry Initiations);

**“Evening Peak”** means, in relation to any Passenger Service, the period between 1600 and 1859 (inclusive) during a Weekday or such other continuous three hour period between 1200 and 2359 (inclusive) as the Secretary of State may specify from time to time;

**“Event of Default”** means any of the events set out in paragraph 2 of Schedule 10.3 (Events of Default and Termination Events);

**“Excluded Data”** has the meaning given to it in paragraph 17.1(a) of Schedule 13 (Information and Industry Initiatives);

**“Executive Stations”** means:

- (a) any of the MPTE Stations, the TfGM Stations, the SYPTE Stations, T&WPTE Stations and WYPTE Stations in respect of which the Franchisee is and remains the Facility Owner during the Franchise Term; or
- (b) any New Station designated by the Secretary of State as an Executive Station and in respect of which the Franchisee is the Facility Owner;

**“Existing Expenditure”** has the meaning given to it in paragraph 2.8(f)(i) of Schedule 7.2 (National Rail Passenger Surveys and Customer and Communities Improvement Fund);

**“Expiry Date”** means the later of:

- (a) 01:59 on 1 April 2025;
- (b) any such later date that is specified by the Secretary of State pursuant to paragraph 1.10 of Schedule 9.5

(Variations to the Franchise Agreement and Incentivising Beneficial Changes));  
or

- (c) any other time and date to which the Franchise Agreement is continued in accordance with paragraph 1.2 of Schedule 18 (Additional Reporting Periods);

**“Facilitation Fee”**

has the meaning given to it in paragraph 4.2 of Schedule 10.3 (Events of Default and Termination Events);

**“Facility Owner”**

has the meaning given to the term facility owner in Section 17(6) of the Act;

**“Fare”**

means:

- (a) the right, exercisable against one or more Train Operators, subject to any applicable rights or restrictions and the payment of the relevant price, to make one or more journeys on the network or to carry on such a journey an item of luggage or an animal (where this right does not arise under the relevant conditions of carriage except on the payment of a fee) and, where applicable, to obtain goods or services from a person; and
- (b) for the purposes only of Schedules 5.3 (Allocation of Fares to Fares Baskets) to 5.8 (Fares Regulation Information and Monitoring) (inclusive) and the definitions of PTE Fare, Protected Fare, Return Fare, Single Fare, Protected Weekly Season Ticket, Protected Return Fare and paragraph (b) of the definition of Season Ticket Fare, a Fare as defined under paragraph (a) that is:
- (i) valid for a journey or journeys on the Passenger Services included in the Timetable or other railway passenger services which are required to be included in another relevant Train Operator’s passenger timetable by the Secretary of State;
- (ii) sold under the Travelcard Agreement; or

- (iii) a Cross London Ticket (as defined in the Through Ticketing (Non Travelcard) Agreement);

<b>"Fare Year"</b>	means the period from 1 January in any year to 31 December in the same year;
<b>"Fares Basket"</b>	means either the PTE/Protected Fares Basket or the T&WPTE Fares Basket;
<b>"Fares Document"</b>	means any of the PTE/Protected Fares Document and the T&WPTE Fares Document;
<b>"Fares Setting Round"</b>	has the meaning given to it in the Ticketing and Settlement Agreement;
<b>"Financial Action Plan"</b>	means any action plan produced by the Franchisee pursuant to paragraph 3.3(f) of Schedule 13 (Information and Industry Initiatives), where the level of its financial performance specified in the Management Accounts is worse than forecast by the Franchisee in its current Business Plan;
<b>"Financial Conduct Authority"</b>	means the UK Financial Conduct Authority of 25 The North Colonnade, Canary Wharf, London E14 5HS and with company registered number 01920623 or such other regulatory body which may succeed or replace it from time to time;
<b>"Financial Model"</b>	means the Franchisee's financial model in the agreed terms marked <b>FM</b> deposited with the Secretary of State on the date of the Franchise Agreement in accordance with Schedule 9.2 (Identity of the Financial Model etc.), as may be subsequently revised in accordance with Schedule 9.2 (Identity of the Financial Model etc.);
<b>"Financial Ratios"</b>	means the financial ratios specified in paragraph 2 of Schedule 12 (Financial Obligations and Covenants);
<b>"First Expenditure Franchisee Year"</b>	has the meaning given to it in paragraph 2.8(f)(i) of Schedule 7.2 (National Rail Passenger Surveys and Customer and Communities Improvement Fund);
<b>"First in Class Unit"</b>	has the meaning given to it in paragraph 3.1(a)(i) of Schedule 6.2 (Northern Franchise Specific Provisions);
<b>"First Profit Share Threshold"</b>	has the meaning given to it in paragraph 3.1 of Schedule 8.1 (Franchise Payments);

<b>"Flow"</b>	has the meaning given to it in the Ticketing and Settlement Agreement;
<b>"Force Majeure Event"</b>	means any of the events described as such in paragraph 1 of Schedule 10.4 (Force Majeure) where the conditions specified in paragraph 2 of Schedule 10.4 (Force Majeure) are satisfied;
<b>"Forecast Modified Revenue"</b>	means, in relation to any Reporting Period, the items specified in the definition of Modified Revenue, as most recently forecast for that Reporting Period pursuant to paragraph 3.4 of Schedule 13 (Information and Industry Initiatives);
<b>"Forecast Operating Costs"</b>	means, in relation to any Reporting Period, the items specified in the definition of Actual Operating Costs, as most recently forecast for that Reporting Period pursuant to paragraph 3.4 of Schedule 13 (Information and Industry Initiatives) adjusted for any movement in creditors arising from deemed PCS borrowings pursuant to clause 18 of the Funding Deed;
<b>"Forecast Passenger Demand"</b>	<p>means the forecast prepared by the Franchisee pursuant to paragraph 5.2 of Schedule 1.1 (Service Development) in respect of:</p> <p>(a) the number of passengers travelling in each class of accommodation:</p> <p style="margin-left: 40px;">(i) on each Passenger Service;</p> <p style="margin-left: 40px;">(ii) on each Route; and/or</p> <p style="margin-left: 40px;">(iii) at any station or between any stations; and</p> <p>(b) the times of day, week or year at which passengers travel,</p> <p>for the period in respect of which the next Timetable is to apply;</p>
<b>"Franchise"</b>	means the rights tendered by the Secretary of State in February 2015 to operate railway passenger services over the routes prescribed in paragraph 2.2 of Schedule 1.6 (Franchise Services);
<b>"Franchise Agreement"</b>	means this Agreement and the Conditions Precedent Agreement which together constitute a single agreement which is a "franchise agreement" for the purposes of the Act;
<b>"Franchise Assets"</b>	means the property, rights and liabilities designated as such pursuant to paragraph 1 of

Schedule 14.4 (Designation of Franchise Assets) but excluding such property, rights or liabilities as shall, in accordance with the terms of the Franchise Agreement, cease to be so designated;

**“Franchise Documents”**

means:

- (a) the Franchise Agreement, Train Service Requirement, Funding Deed and Conditions Precedent Agreement; and
- (b) any other agreement signed by the Franchisee at the time of the award of the Franchise which is in the possession of the Secretary of State and which is notified by the Secretary of State to the Franchisee as being required for publication;

**“Franchise Employee”**

means:

- (a) any employee of the Franchisee from time to time; and
- (b) any other person who is an employee of any of its Affiliates or is an employee of any party to whom the Franchise Services or services which are in support of or ancillary to the Franchise Services have been subcontracted (at any tier) or delegated by the Franchisee; and
- (c) in the case of (a) or (b), whose contract of employment would (subject to the exercise of such person’s right to object to the transfer) be transferred to a Successor Operator following the expiry of the Franchise Period by virtue of the operation of Law (including the Transfer of Undertakings (Protection of Employment) Regulations 2006) or in respect of whom liabilities arising from a contract of employment or employment relationship may be so transferred;

**“Franchise Letting Process Agreement”**

means the agreement so entitled dated [*insert date*]<sup>26</sup> between the Secretary of State and the Franchisee entered into by the Franchisee as part of its proposal to secure the provision and operation of the Franchise Services;

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<sup>26</sup> Bidders to populate

<b>"Franchise Manager"</b>	means a person appointed from time to time by the Secretary of State to fulfil certain duties including to manage the Franchise Agreement on behalf of the Secretary of State and to monitor the Franchisee's performance of its obligations under the Franchise Agreement;
<b>"Franchisee Owned RV Asset"</b>	means each of the assets listed in Column 1 of the table set out in Part 2 of the Appendix to Schedule 14.4 (Designation of Franchise Assets) which: <ul style="list-style-type: none"> <li>(a) are not annotated in Column 4 of such table as Network Rail Fixture Assets; and</li> <li>(b) are designated as Primary Franchise Assets in accordance with paragraph 2.1(h) of Schedule 14.4 such that they can be transferred to a Successor Operator at the applicable value specified in Column 2 of the table in Part 2 of the Appendix Schedule 14.4 (as such value may be amended during the Franchise Term in accordance with the provisions of paragraphs 13.4 or 13.6);</li> </ul>
<b>"Franchise Payment"</b>	means, in relation to any Reporting Period, the amount determined in accordance with paragraph 1.1 of Schedule 8.1 (Franchise Payments);
<b>"Franchise Performance Meeting"</b>	means a meeting between the Secretary of State and the Franchisee to be held in accordance with paragraph 4 of Schedule 11 (Agreement Management Provisions);
<b>"Franchise Period"</b>	means the period commencing on the Start Date and ending on the Expiry Date or, if earlier, the date of termination of the Franchise Agreement pursuant to Clauses 4.2(b) or 4.3(b) of the Conditions Precedent Agreement or Schedule 10 (Remedies, Termination and Expiry);
<b>"Franchise Section"</b>	has the meaning given to it in paragraph 1 of Schedule 16 (Pensions);
<b>"Franchise Services"</b>	means such of the Passenger Services, the Light Maintenance Services, the Station Services and the Ancillary Services as the Franchisee may provide or operate from time to time, including any of such services as the Franchisee may delegate or subcontract or otherwise secure through any other person from time to time in accordance with the Franchise Agreement;



<b>"Franchise Term"</b>	means the period commencing on the Start Date and expiring on the Expiry Date;
<b>"Franchisee Access Station"</b>	means any station at which the Passenger Services call (other than any Station);
<b>"Franchisee ERTMS Plan"</b>	has the meaning given to it in paragraph 3.1(a)(ii) of Schedule 6.2 (Northern Franchise Specific Provisions);
<b>"Franchisee Year"</b>	means any period of 12 months during the Franchise Period, beginning on 1 April and ending on 31 March, except that the first and last Franchisee Years may be for a period of less than 12 months and the first Franchisee Year shall begin on the Start Date and the last Franchisee Year shall end on the last day of the Franchise Period;
<b>"Freedom of Information Act"</b>	means the Freedom of Information Act 2000;
<b>"Funding Deed"</b>	means the deed made between the Secretary of State, the Franchisee and the Guarantor dated on or about the date of the Franchise Agreement specifying arrangements relating to the funding for the Franchisee by the Parent and giving rights to the Secretary of State in relation to such funding;
<b>"GAAP"</b>	means generally accepted accounting principles in the United Kingdom, as derived from and including the accounting requirements of the Companies Act 2006, 'Financial Reporting Standards 100, 101 and 102', abstracts issued by the Urgent Issues Task Force of the Accounting Standards Board and, where appropriate, International Financial Reporting Standards and the listing rules of the Financial Conduct Authority, in each case, as amended from time to time;
<b>"General Anti-Abuse Rule"</b>	has the meaning given to it in paragraph 6.3 of Schedule 12 (Financial Obligations and Covenants);
<b>"Geographical Area"</b>	means that area of the United Kingdom bounded by a reasonably drawn line running through the railway stations at the following places: <ul style="list-style-type: none"> <li>(a) Carlisle – Chathill – Scarborough – Cleethorpes – Lincoln Central – Nottingham – Derby – Stoke-on-Trent – Crewe – Chester – Liverpool Lime Street – Whitehaven – Workington – Maryport – Carlisle and including all of</li> </ul>

the land area within which the Routes are located; or

- (b) as redefined from time to time by agreement with the Secretary of State, or in the absence of such as agreement, as determined by the Secretary of State;

**“Gross Revenue”**

means, in relation to any period and any Fare, the gross revenue to the Franchisee (or any relevant predecessor of the Franchisee) attributable to such Fare over the relevant period, excluding any applicable Value Added Tax, costs, commissions or other expenses which may be paid or incurred in connection with such Fare;

**“Guarantor”**

has the meaning given to such term under the Funding Deed;

**“Halifax Abuse Principle”**

has the meaning given to it in paragraph 6.3 of Schedule 12 (Financial Obligations and Covenants);

**“Handover Package”**

means a package containing the information and objects specified in the Appendix (Form of Handover Package) to Schedule 15.3 (Handover Package) and such other information and objects as the Secretary of State may reasonably specify from time to time;

**“Hot Standby”**

means any rolling stock vehicle specified in the Train Plan which:

- (a) is operationally ready to provide the Passenger Services in the Timetable;
- (b) is not already assigned to the delivery of any Passenger Service in the Timetable; and
- (c) will only be used to deliver such Passenger Services if:
  - (i) a rolling stock vehicle scheduled to deliver such Passenger Services is unable to so deliver; and
  - (ii) Actual Passenger Demand could only be met by the deployment in service of such rolling stock vehicle;

**“HS2 Project”**

means the project for the construction and development of a proposed high speed railway

	from London to Birmingham and the north known as "HS2" or "High Speed Two" and all related infrastructure works;
<b>"IEP Depots"</b>	has the meaning given to it in paragraph 8.1 of Schedule 6.2 (Northern Franchise Specific Provisions);
<b>"IEP Requirements"</b>	has the meaning given to it in paragraph 8.1 of Schedule 6.2 (Northern Franchise Specific Provisions);
<b>"IEPs"</b>	has the meaning given to it in paragraph 8.1 of Schedule 6.2 (Northern Franchise Specific Provisions);
<b>"Incremental Output Statement Charge"</b>	means the charge to which that description is commonly given, first introduced into Relevant Agreements in April 2001;
<b>"Independent Station"</b>	has the meaning given to it in paragraph 2.6 of Schedule 8.4 (Track Access Adjustments and Station Charge Adjustments);
<b>"Independent Station Access Conditions"</b>	has the meaning given to it in the Access Agreement to which it relates;
<b>"Indexation Sum"</b>	means, in respect of each Innovation Year, an amount equal to the Innovation Year Underspend indexed by the Retail Prices Index in the same way as variable costs are indexed in Schedule 8.2 (Annual Franchise Payments) less the Innovation Year Underspend;
<b>"Individual Station Charge Adjustment"</b>	has the meaning given to it in paragraph 2 of Schedule 8.4 (Track Access Adjustments and Station Charge Adjustments);
<b>"Industrial Action"</b>	has the meaning given to it in paragraph 1(f) of Schedule 10.4 (Force Majeure);
<b>"Industry Schemes"</b>	has meaning given to it in paragraph 10 of Schedule 13 (Information and Industry Initiatives);
<b>"Initial Business Plan"</b>	means the business plan to be provided by the Franchisee to the Secretary of State as described in paragraph 2.1 of Schedule 13 (Information and Industry Initiatives);
<b>"Initial Dataset"</b>	has the meaning given in paragraph 17.1 of Schedule 13 (Information and Industry Initiatives);
<b>"Initial Performance Bond"</b>	means the performance bond issued or to be issued on or prior to the date of this Franchise Agreement by a Bond Provider to the Secretary

	of State which complies with the requirements of paragraph 4.2 of Schedule 12 (Financial Obligations and Covenants);
<b>“Initial Period”</b>	has the meaning given to it in paragraph 7.5 of Schedule 9.1 (Financial and Other Consequences of Change);
<b>“Initial Permanent Fare”</b>	has the meaning given to it in the Ticketing and Settlement Agreement;
<b>“Initial Sustainable Development Plan”</b>	means the initial sustainable development plan in the agreed terms marked <b>ISDP</b> ;
<b>“Innovation Account”</b>	means an account in the name of the Franchisee charged in favour of the Secretary of State, as more particularly defined in the Innovation Account Charge;
<b>“Innovation Account Charge”</b>	means the charge granted by the Franchisee in favour of the Secretary of State in respect of the Innovation Account and in the agreed terms marked <b>IAC</b> ;
<b>“Innovation Board”</b>	means the board from time to time nominated by the Rail Delivery Group Operations Steering Group to review innovation proposals in accordance with guidance issued by the Secretary of State from time to time or such other substitute board or person as the Secretary of State may nominate from time to time;
<b>“Innovation Deliverables”</b>	means all software or other documentation or materials in any form produced by or on behalf of the Franchisee in connection with any Innovation Scheme;
<b>“Innovation Guidelines”</b>	means the guidelines issued by the Secretary of State to the Innovation Board (with a copy to the Franchisee) from time to time;
<b>“Innovation Implementation Plan”</b>	means the plan to be provided by the Franchisee to the Secretary of State in accordance with paragraph 19.1 of Schedule 13 (Information and Industry Initiative) in accordance with its Innovation Strategy;
<b>“Innovation Intellectual Property”</b>	means Intellectual Property Rights which are (i) created or developed by or on behalf of the Franchisee or a Collaborator in connection with any Innovation Scheme or (ii) otherwise required by an Innovation Scheme User to use the Innovation Scheme Output;

<b>“Innovation Milestone”</b>	means any milestone and in this context may specifically include input to an Innovation Scheme or Innovation Scheme Output;
<b>“Innovation Period”</b>	means a period of three years commencing on 1 April 2017 and ending on 31 March 2020, unless extended in accordance with paragraph 19.23 of Schedule 13 (Information and Industry Initiatives);
<b>“Innovation Period Underspend”</b>	has the meaning given to it in paragraph 19.22 of Schedule 13 (Information and Industry Initiatives);
<b>“Innovation Scheme”</b>	has the meaning given to it in paragraph 19.6 of Schedule 13 (Information and Industry Initiatives);
<b>“Innovation Scheme Output”</b>	means any technology, method or process which forms the output (intended or otherwise and howsoever arising) of an Innovation Scheme;
<b>“Innovation Scheme Underspend”</b>	means, in respect of any Innovation Scheme where the Actual Innovation Cost is less than the Projected Innovation Cost, the amount by which the Actual Innovation Cost was less than the Projected Innovation Cost;
<b>“Innovation Scheme User”</b>	means a person who uses the Innovation Scheme Output;
<b>“Innovation Strategy”</b>	means the Innovation Strategy in the agreed terms marked <b>IS</b> ;
<b>“Innovation Year”</b>	means each of the following years: <ul style="list-style-type: none"> <li>(a) 1 April 2017 to 31 March 2018;</li> <li>(b) 1 April 2018 to 31 March 2019; and</li> <li>(c) 1 April 2019 to 31 March 2020,</li> </ul> and where the Innovation Period is extended in accordance with paragraph 19.23 of Schedule 13 (Information and Industry Initiatives), each year or part year within such extended period;
<b>“Innovation Year Underspend”</b>	means, in respect of each Innovation Year, any portion of the Annual Innovation Account Contribution for that Innovation Year which has not been spent or committed to an Innovation Scheme by the end of that Innovation Year;

**“Integrated Transport Schemes”**

means those schemes which relate to the integration of any form of transport with the Franchise Services;

**“Intellectual Rights”**

**Property**

means all intellectual and industrial property rights of any kind including (without limitation) patents, supplementary protection certificates, rights in Know-How, registered trade marks, registered designs, unregistered design rights, unregistered trade marks, rights to prevent passing off or unfair competition and copyright (whether in drawings, plans, specifications, designs and computer software or otherwise), database rights, topography rights, any rights in any invention, discovery or process, and applications for and rights to apply for any of the foregoing, in each case in the United Kingdom and all other countries in the world and together with all renewals, extensions, continuations, divisions, reissues, re-examinations and substitutions;

**“Interest Rate”**

means a rate equivalent to two per cent per annum above the base lending rate published by Royal Bank of Scotland plc (or such other bank as the Secretary of State may, after consultation with the Franchisee, determine from time to time) during any period in which an amount payable under the Franchise Agreement remains unpaid;

**“Inter-Operator Schemes”**

means:

- (a) each of the following schemes which relate to arrangements between the Franchisee and other participants in the railway industry:
  - (i) ATOC Staff Travel Scheme dated 23 July 1995 between the participants named therein;
  - (ii) Ticketing and Settlement Agreement;
  - (iii) ATOC LRT Scheme dated 23 July 1995 between the participants named therein;
  - (iv) Travelcard Agreement dated 15 October 1995 between London Regional Transport and the parties named therein;

(v) Through Ticketing (Non-Travelcard) Agreement dated 15 October 1995 (as amended and restated) between London Regional Transport and the parties named therein; and

(vi) National Rail Enquiry Scheme dated 11 June 1996 between the participants named therein; and

(b) any other scheme, agreement and/or contract of a similar or equivalent nature as may from time to time during the Franchise Period amend, replace or substitute, in whole or in part, any of such schemes, agreements and/or contracts; and

(c) any Discount Fare Scheme;

**“Investment Asset”**

means the Franchise Assets designated as such pursuant to paragraph 2.2 of Schedule 14.4 (Designation of Franchise Assets);

**“Investment Asset Request Date”**

means each anniversary of the Start Date provided that the final Investment Asset Request Date shall be the date 13 months prior to the end of the Franchise Term and there shall not be an Investment Asset Request Date on the anniversary of the Start Date where this would occur within 12 months of such final Investment Asset Request Date;

**“Invitation to Tender”**

means the Invitation to Tender issued by the Secretary of State in February 2015 as part of the procurement process pursuant to which the Franchise Agreement was entered into;

**“ISO55001:2014”**

means the International Standard for Standardisation (ISO) 55001 “Asset Management”

**“ITSO”**

means (as the context may require) both:

(a) the non profit distributing organisation run by its members for the benefit of members and users of smartcards, supported by the Department for Transport (“**DfT**”); and

(b) the common specification it has created to enable the use of interoperable

smartcards in transport and other areas;

**"ITSO Certified Smartmedia"** means the contactless smartcards, devices or other media designed to hold fare and travel information with the monetary or other value encoded which have been fully certified by ITSO;

**"Key Contacts List"** means the list which contains the name, address, home, office and mobile telephone numbers, and a brief description of the person's role and responsibilities in the business in respect of all directors (statutory or otherwise) and the managers with responsibility for a department/function within the Franchisee's business (and in particular managers in the operations, commercial, personnel and public affairs departments (or in each case their nearest equivalents));

**"Key Contract"** means:

- (a) each agreement and contract listed in the Appendix (List of Key Contracts) to Schedule 14.3 (Key Contracts) as at the date of the Franchise Agreement; and
- (b) any other agreement, contract, licence or other arrangement to which the Franchisee is a party or under which the Franchisee is the beneficiary from time to time which is designated as such pursuant to Schedule 14.3 (Key Contracts),

but excluding any such agreement, contract, licence or other arrangement which ceases, in accordance with the terms of the Franchise Agreement, to be designated as a Key Contract;

**"Key Personnel"** means those persons identified by the Franchisee in accordance with paragraph 2.1 of Schedule 11 (Agreement Management Provisions);

**"Know-How"** means formulae, methods, plans, inventions, discoveries, improvements, processes, performance methodologies, techniques, specifications, technical information, tests, results, reports, component lists, manuals and instructions;

**"Law"** includes any enactment, subordinate legislation, rule, regulation, order, directive or other provision, including those of the European Community, and any judicial or administrative



interpretation or application thereof, which has, in each case, the force of law in the United Kingdom or any part of it (including the Act, the Transport Act, the Transport Safety Act 2003 and the Railways Act 2005);

**“Lead Operator”**

has the meaning given to it in the Ticketing and Settlement Agreement;

**“Legislation”**

means any enactment or subordinate legislation, rule, regulation, order, directive or other provision including those of the European Community, which has, in each case, the force of Law in the United Kingdom or any part of it, but excluding any order under Section 1 of the Transport and Works Act 1992;

**“Licence for Permitted Use”**

means a licence (in respect of Intellectual Property Rights) to any person (a) for exceptional use including without limitation a licence for military or police use or a licence to meet a commitment of the United Kingdom government such as to reduce climate change; or (b) a licence for such other use or purpose as the Innovation Board recommends in respect of a specific Innovation Scheme or generally from time to time;

**“Licences”**

means such licences and/or statements of national regulatory provisions granted or to be granted under applicable law as the Franchisee may be required from time to time to hold under the Act or under the Railway (Licensing of Railway Undertakings) Regulations 2005 in order to provide or operate the Franchise Services;

**“Light Maintenance Service”**

means any service specified in paragraph 4 of Schedule 1.6 (Franchise Services) which may be provided by the Franchisee at the Depots and Stations;

**“Local Authority”**

means:

- (a) in England, a county council, a district council, a unitary authority, a passenger transport executive, a London borough council, the common council of the City of London, or a council which is established under the Local Government Act 1992 and which is either an authority responsible for expenditure on public passenger transport services within the meaning of Section 88 of the Transport Act 1985

or a local authority for the purposes of Section 93 of the Transport Act 1985;

- (b) in Wales, a county council, a district council or a council which is established under the Local Government Act 1972 or the Local Government (Wales) Act 1994;
- (c) in Scotland, the Strathclyde Passenger Transport Executive, or a district council or a unitary authority which is established under the Local Government (Scotland) Act 1973 or the Local Government, etc. (Scotland) Act 1994;
- (d) in London, the Mayor of London and Transport for London established under the Greater London Authority Act 1999;
- (e) a combined authority created pursuant to the Local Democracy, Economic Development and Construction Act 2009;
- (f) any local enterprise partnership;
- (g) any other body or council replacing any of the above from time to time; and
- (h) any other body or instrument of local or regional government specified by the Secretary of State from time to time;

**“Local Authority Decrement Scheme”**

means any scheme proposed by a Local Authority involving decremental de-specification to a part of the Passenger Services provided under contract with such Local Authority which does not conflict with the Train Service Requirement;

**“Local Authority Increment Scheme”**

means any scheme proposed by a Local Authority involving incremental additions and improvements to a part of the Passenger Services which does not conflict with the Train Service Requirement pursuant to a contract with such Local Authority;

**“Lock-up Period”**

has the meaning given to it in paragraph 3.2 of Schedule 12 (Financial Obligations and Covenants);

**“London Station”**

means any station served by the Railway Passenger Services in the Zones and any Zone

to or from which a passenger may travel from or to such station;

- “Maintainer”** has the meaning given to it in paragraph 8.1 of Schedule 6.2 (Northern Franchise Specific Provisions);
- “Maintenance Contract”** means any contract or arrangement to which the Franchisee is a party, which includes the carrying out for the Franchisee of any maintenance work (including light maintenance services) or service provision in respect of rolling stock vehicles used by the Franchisee in the provision of the Passenger Services or for the enforcement of warranties or other rights against a manufacturer in respect of any such rolling stock vehicles;
- “Major Flow Operator”** has the meaning given to it in the Ticketing and Settlement Agreement;
- “Managed Station”** means any station used in connection with the provision of the Franchise Services where Network Rail is the Facility Owner or becomes the Facility Owner during the Franchise Period;
- “Managed Station Area”** means the premises comprising part or parts of a Managed Station to be occupied by the Franchisee on or after the Start Date and to be used for or in connection with the provision of the Franchise Services;
- “Management Accounts”** means, in relation to any Reporting Period, the Franchisee’s management accounts which:
- (a) comply with paragraph 3.10 of Schedule 13 (Information and Industry Initiatives); and
  - (b) are required to be delivered to the Secretary of State by the Franchisee in accordance with paragraphs 3.2 and 3.3 of Schedule 13 (Information and Industry Initiatives);
- “Manchester Traincard”** means the fare of that name and which as at the date hereof appears in the Transport for Greater Manchester section of the fares systems of the RSP;
- “Mandatory Modification”** means a modification or addition to any rolling stock vehicle which is required to be made under any applicable Law or any directive of the Rail Safety and Standards Board or any government authority;

<b>"Marks"</b>	means such trade marks as the Franchisee may apply to any Primary Franchise Asset or other asset used by it under a Key Contract, which are applied on the expiry of the Franchise Period and are not the subject of a Brand Licence;
<b>"Minor Works"</b>	has the meaning given to it in paragraph 2.7(a) of Schedule 4 (Persons with Disabilities and Disability Discrimination);
<b>"Minor Works' Budget"</b>	<p>means £250,000 for each Franchisee Year allocated by the Franchisee for the purpose of facilitating Minor Works at Stations to improve accessibility of the Stations to persons with disabilities, save that:</p> <p>(a) for any Franchisee Year which is shorter than 12 months, the amount shall be reduced pro rata; and</p> <p>(b) for each Franchisee Year after the first Franchisee Year, the amount shall be subject to adjustment as follows:</p> <p style="padding-left: 40px;">Minor Works' Budget x RPI</p> <p style="padding-left: 40px;">Where:</p> <p style="padding-left: 40px;">RPI has the meaning given to it in Schedule 8.2 (Annual Franchise Payments);</p>
<b>"Minor Works' Programme"</b>	means the Franchisee's programme of Minor Works at Stations to improve accessibility of the Stations to persons with disabilities, developed prior to the start of each Franchisee Year pursuant to paragraph 2.7(b) of Schedule 4 (Persons with Disabilities and Disability Discrimination);
<b>"Minutes Delay"</b>	means the minutes of delay to the Passenger Services that are attributed to the Franchisee or Network Rail (as the case may be) pursuant to the Track Access Agreement and disregarding any minutes of delay that are attributed to Passenger Services that were cancelled;
<b>"Model Changes"</b>	has the meaning given in paragraph 4.3 of Schedule 9.1 (Financial and Other Consequences of Change);
<b>"Modified Revenue"</b>	<p>means:</p> <p>(a) the sum of:</p> <p style="padding-left: 40px;">(i) the Franchisee's total revenue for the period being</p>

reviewed as stated in its profit and loss account:

(A) including any amounts receivable from the Secretary of State, Network Rail and any interest; but

(B) excluding the proportion of income recognised in the profit and loss account in relation to grants received in respect of capital expenditure; and

(ii) the opening cash balance for the period being reviewed excluding:

(A) any cash held for the exclusive purpose of the provision of the Performance Bond; and

(B) the amount equivalent to:

(1) any cash that is held pursuant to any restrictive terms under any agreement and that, consequently, cannot be used for general operating purposes (including funds held in the Innovation Account);

(2) any cash capable of

being drawn down but not actually received,

including, in both cases, under any loan or funding agreement or arrangements (including the Funding Deed) entered into with an Affiliate of the Franchisee; and

(C) the amount of the opening season ticket liabilities which relate to Passenger Services yet to be delivered; and

(b) either:

(i) plus any reduction in total debtors over that period; or

(ii) less any increase in total debtors over that period,

where total debtors exclude any bad debts provision or write off and any capital-related debtors;

**“Monthly Season Ticket”**

means a Season Ticket Fare which is valid in Standard Class Accommodation from (and including) the day it first comes into effect until (but excluding) the day which falls one month after such day;

**“Morning Peak”**

means, in relation to any Passenger Service, the period between 0700 and 0959 (inclusive) during a Weekday or such other continuous three hour period between 0000 and 1159 as the Secretary of State may specify from time to time;

**“MPTE Fare”**

means any:

(a) Single Fare; or

(b) Return Fare,

which is valid for use only on Railway Passenger Services and not on any other form of transport,

including bus, tram or light rail, for a journey between any City Line Station and any other City Line Station;

**"MPTE Stations"**

means any of the following stations:

Allerton, Broad Green, Earlestown, Ecclestone Park, Edge Hill, Garswood, Halewood, Hough Green, Huyton, Mossley Hill, Newton-Le-Willows, Prescott, Rainhill, Roby, St Helens Central, St Helens Junction, Thatto Heath, West Allerton and Whiston;

**"National Rail Enquiry Scheme"**

means the telephone information scheme and web based service run by ATOC, providing information to customers regarding rail journeys throughout the country;

**"National Rail Passenger Survey"**

means a passenger satisfaction survey in respect of the Franchise Services to be carried out by the Passengers' Council as described in paragraph 1 of Schedule 7.2 (National Rail Passenger Surveys and Customer and Communities Improvement Fund) and shall include any Alternative NRPS as referred to in paragraph 1.6 of Schedule 7.2 (National Rail Passenger Surveys and Customer and Communities Improvement Fund);

**"National Rail Timetable"**

means the passenger timetable published by Network Rail (currently twice per annum) specifying the timings and stopping patterns of all passenger railway services in Great Britain;

**"Network Change"**

has the meaning given to it in the Network Code;

**"Network Change Compensation Claims"**

has the meaning given to it in paragraph 3.4(a) of Schedule 6.2 (Northern Franchise Specific Provisions);

**"Network Code"**

means the document known as the Network Code and formerly known as the Railtrack Track Access Conditions 1995 (as subsequently replaced or amended from time to time) or any equivalent code or agreement;

**"Network Rail"**

means in respect of:

- (a) the network or any relevant facility:
- (i) Network Rail Infrastructure Limited, a company registered in England with registered number 02904587 whose registered office is 1

Eversholt Street, London  
NW1 2DN; and

(ii) any successor in title to the network or any relevant railway facility; or

(b) any new or other sections of network or any relevant new or other railway facilities, the owner (if different);

**“Network Rail Cancellation”** means a Passenger Service:

(a) which is included in the Enforcement Plan of the Day and which is cancelled; or

(b) which is included in the Enforcement Plan of the Day and which operates less than 50 per cent. of its scheduled mileage (as prescribed in the Enforcement Plan of the Day),

in either case in circumstances where responsibility for the same is attributed to Network Rail pursuant to the Track Access Agreement;

**“Network Rail Data”**

means any information, data and materials that may be provided to the Secretary of State by NR that relates to the Franchisee and which the Secretary of State decides (in his absolute discretion) to add to the RPC Database;

**“Network Rail Fixture Asset”**

means a tangible asset annotated as such in Column 4 of the table in Part 2 of the Appendix to Schedule 14.4 (Designation of Franchise Assets) which is:

(a) funded by the Franchisee and affixed to a Station or Depot (as the case may be) such that it is regarded as a fixture to and part of such Station or Depot (as the case may be); and

(b) designated as a Primary Franchise Assets in accordance with paragraph 2.1(h) of Schedule 14.4 such that it can be transferred as the unencumbered property of the Franchisee to a Successor Operator at the applicable value specified in Column 2 of the table in Part 2 of the Appendix Schedule 14.4 (as such value may be amended during the Franchise Term in accordance with



the provisions of paragraphs 13.4 or 13.6);

**“Network Rail Partial Cancellation”**

means a Passenger Service which is included in the Enforcement Plan of the Day and which:

- (a) misses a stop;
- (b) completes 50 per cent. or more, but less than 100 per cent. of its scheduled journey as prescribed in the Enforcement Plan of the Day,

in circumstances where responsibility for the same is attributed to Network Rail pursuant to the Track Access Agreement;

**“New Insurance Arrangements”**

shall have the meaning given to it in paragraph 2.2(b) of Schedule 2.2 (Security of Access Agreements, Rolling Stock Leases, Station and Depot Leases);

**“New Results”**

means, in relation to any Change, the following as restated in accordance with Schedule 9.1 (Financial and Other Consequences of Change) following a Run of the Financial Model in relation to that Change:

- (a) the restated values of FXD, VCRPI, VCAWE, PRPI and RRPI to be specified for each Franchisee Year in the Appendix (Figures for Calculation of Annual Franchise Payments) to Schedule 8.2 (Annual Franchise Payments);
- (b) the restated values of FPST, SPST and TPST to be specified for each Franchisee Year in paragraphs 1, 2 and 3 (respectively) of Appendix 1 to Schedule 8.1 (Franchise Payments); and
- (c) the restated values of AFA and DFR to be specified for each Franchisee Year in paragraphs 1 and 2 (respectively) of Appendix 2 to Schedule 8.1 (Franchise Payments);

**“New Station”**

means:

- (a) a station not served by railway passenger services as at February 2003, but which has since that time been, or is subsequently, served by railway passenger services which have been, or are subsequently to be,

included in the Timetable or in another relevant Train Operator's timetable; and/or

- (b) if the Secretary of State requires, a station, other than a Station, at which, with the consent of the Secretary of State (whether by amendment to the Franchise Agreement or otherwise) railway passenger services operated by the Franchisee call;

**"No Breach Reporting Period"**

has the meaning given to such term in paragraph 2.2A of Schedule 7.1 (Performance Benchmarks);

**"Non-Fares Basket Fare"**

means a Fare that is designated as such by the Secretary of State pursuant to paragraph 2.1 of Schedule 5.3 (Allocation of Fares to Fares Baskets) and which has not been de-designated as such pursuant to paragraph 1.1 of Schedule 5.7 (Changes to Fares and Fares Regulation);

**"North Trans Pennine Upgrade"**

means the rail infrastructure upgrade of the route between Stalybridge and York and Leeds and Selby (with a possible extension to Hull if the business case is approved) involving some or all of the following components:

- (a) electrification;
- (b) signalling works;
- (c) line speed enhancements;
- (d) capacity enhancements; and
- (e) other miscellaneous rail infrastructure works;

**"North Trans Pennine Upgrade Franchise Services Proposal"**

means a proposal from the Franchisee in response to a Request for the North Trans Pennine Upgrade Franchise Services Proposal;

**"North Trans Pennine Upgrade Infrastructure Outputs"**

means the enhanced infrastructure outputs to be available to the Franchisee for the purposes of operating Passenger Services following completion of the North Trans Pennine Upgrade;

**"Northern Line Station"**

means any station on the lines from:

- (a) Ormskirk to Liverpool;
- (b) Southport to Liverpool to Hunts Cross; and

(c) Kirkby Merseyside to Liverpool,

being as follows:

Aigburth, Ainsdale, Aintree, Bank Hall, Birkdale, Blundellsands & Crosby, Bootle New Strand, Bootle Oriel Road, Brunswick, Cressington, Fazakerley, Formby, Freshfield Merseyside, Garston Merseyside, Hall Road, Hightown, Hillside, Hunts Cross, Kirkby Merseyside, Kirkdale, Liverpool Central, Liverpool Moorfields, Maghull, Old Roan, Orrell Park, Rice Lane, Sandhills, Seaforth & Litherland, Southport, Spital, St Michaels, Wallasey Grove Road, Walton Merseyside, Waterloo Merseyside, Aughton Park, Ormskirk and Town Green;

**“Northern Regional Passenger Services”**

means:

- (a) during the period in which the Train Service Requirement in the agreed terms marked “TSR 1” is in force as specified in paragraph 1.2 of Schedule 1.1 (Service Development), all direct passenger services operated by the Franchisee between Manchester Airport and each of Blackpool North, Windermere and Barrow-in-Furness;
- (b) during the period commencing from the date upon which the Train Service Requirement in the agreed terms marked “TSR 2” comes into force until the end of the Franchise Term the Passenger Services operated on the routes specified below and which meet the requirements specified in respect thereto:
- (i) between Manchester Airport and Blackpool North - [18]<sup>27</sup> trains per day in each direction (Monday to Saturday) and [16]<sup>28</sup> trains per day in each direction (Sunday);
- (ii) between Manchester Airport and Windermere - <sup>29</sup>[2] trains

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<sup>27</sup> Bidders to Populate – Bidders are permitted to amend to a higher number of trains (but not a lower number) per day in each of cases specified in (a) to (d).

<sup>28</sup> Bidders to Populate – Bidders are permitted to amend to a higher number of trains (but not a lower number) per day in each of cases specified in (a) to (d).

<sup>29</sup> Bidders to Populate – Bidders are permitted to amend to a higher number of trains (but not a lower number) per day in each of cases specified in (a) to (d).

- per day in each direction (Monday to Sunday);
- (iii) between Manchester Airport and Barrow-in-Furness - <sup>30</sup>[8] trains per day in each direction (Monday to Saturday) and [4]<sup>31</sup> trains per day in each direction (Sunday);
  - (iv) between Manchester and Liverpool Lime Street via Warrington Central - [17]<sup>32</sup> trains per day in each direction (Monday to Saturday) and [15]<sup>33</sup> trains per day in each direction (Sunday);
  - (v) between Warrington Bank Quay and Leeds via Bradford Interchange [15]<sup>34</sup> trains per day in each direction (Monday to Saturday); and
  - (vi) **[Bidders to populate** - Bidders may amend this definition to include other long distance, high yield, express/semi fast passenger services within the Northern geographical area which they have identified in their bid would be included as "Northern regional" services]];

**"NR"**

means Network Rail Limited (company number 04402220), Network Rail Infrastructure Limited (company number 2904587) whose registered offices are both at 1, Eversholt Street, London NW1 2DN or any Affiliate thereof from time to time;

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<sup>30</sup> Bidders to Populate – Bidders are permitted to amend to a higher number of trains (but not a lower number) per day in each of cases specified in (a) to (d).

<sup>31</sup> Bidders to Populate – Bidders are permitted to amend to a higher number of trains (but not a lower number) per day in each of cases specified in (a) to (d).

<sup>32</sup> Bidders to Populate – Bidders are permitted to amend to a higher number of trains (but not a lower number) per day in each of cases specified in (a) to (d).

<sup>33</sup> Bidders to Populate – Bidders are permitted to amend to a higher number of trains (but not a lower number) per day in each of cases specified in (a) to (d).

<sup>34</sup> Bidders to Populate – Bidders are permitted to amend to a higher number of trains (but not a lower number) per day in each of cases specified in (a) to (d).

<b>"NRPS Benchmark"</b>	means in relation to any Franchisee Year, each of the benchmarks relating to each NRPS Measure as set out in the relevant columns of the NRPS Benchmark Table;
<b>"NRPS Benchmark Table"</b>	means the table set out in Appendix 1 (NRPS Benchmark Table) of Schedule 7.2 (National Rail Passenger Surveys and Customer and Communities Improvement Fund);
<b>"NRPS Measure"</b>	means each of the factors set out in the Passenger Survey Methodology and grouped as "Stations", "Trains" and "Customer Services";
<b>"Occasion of Tax Non-Compliance"</b>	has the meaning given to it in paragraph 6.3 of Schedule 12 (Financial Obligations and Covenants);
<b>"Off-Peak"</b>	means, in relation to any Passenger Service, the period of time outside of the Peak;
<b>"Old Results"</b>	<p>means in relation to any Change, the following as produced in accordance with Schedule 9.1 (Financial and Other Consequences of Change) by or following the Run of the Financial Model in respect of the immediately preceding Change (or, in relation to the first Change only, the following as at the date hereof:</p> <ul style="list-style-type: none"> <li>(a) the values of FXD, VCRPI, VCAWE, PRPI and RRPI specified for each Franchisee Year in the Appendix (Figures for Calculation of Annual Franchise Payments) to Schedule 8.2 (Annual Franchise Payments);</li> <li>(b) the values of FPST, SPST and TPST specified for each Franchisee Year in paragraphs 1, 2 and 3 (respectively) of Appendix 1 to Schedule 8.1 (Franchise Payments); and</li> <li>(c) the values of AFA and DFR specified for each Franchisee Year in paragraphs 1 and 2 (respectively) of Appendix 2 to Schedule 8.1 (Franchise Payments);</li> </ul>
<b>"Operating Assets"</b>	has the meaning given to it in paragraph 1.1 of Schedule 14.2 (Maintenance of Operating Assets);
<b>"Operational Model"</b>	<p>means the following models in the agreed terms marked <b>OM</b>:</p> <ul style="list-style-type: none"> <li>(a) the revenue model;</li> </ul>

	(b) the performance model;
	(c) all cost models; and
	(d) any other relevant models that have generated input to the Financial Model;
<b>“Original Rolling Stock”</b>	has the meaning given to it in paragraph 1.1(a) of Schedule 1.7 (The Train Fleet);
<b>“ORR”</b>	means the Office of Rail Regulation established by Section 15 of the Railways and Transport Safety Act 2003 and having duties and obligations as set out in the Act;
<b>“Other Passenger Route Within the Geographical Area”</b>	means any route which is not a Route but is a route in the Geographical Area over which a passenger train operator other than the Franchisee operates passenger services included in the National Rail Timetable;
<b>“Parent”</b>	means <sup>35</sup> <i>[insert details of the ultimate parent company of the Franchisee]</i> ;
<b>“Partial Cancellation”</b>	means a Passenger Service which is included in the Enforcement Plan of the Day and which: <ul style="list-style-type: none"> <li>(a) misses a stop; or</li> <li>(b) completes 50 per cent or more, but less than 100 per cent of its scheduled journey as prescribed in the Enforcement Plan of the Day,</li> </ul> in each case, for reasons which are attributed to the Franchisee pursuant to its Track Access Agreement;
<b>“Participating Employer”</b>	has the meaning given to it in the Pension Trust;
<b>“Pass Rate”</b>	means: <ul style="list-style-type: none"> <li>(a) in respect of a Reporting Period and for each Service Quality Schedule, the pass rate for a Service Quality Area comprised in such Schedule Quality Schedule as calculated in accordance with paragraph 7.1 of Schedule 7.3 (Northern Franchise Service Quality Regime); and</li> <li>(b) in respect of each Service Quality Schedule and for each Service Quality</li> </ul>

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<sup>35</sup> This should be the ultimate parent of the Franchisee and if the parent of the Franchisee is a joint venture company the bidder should populate by specifying the names of the ultimate parent of each of shareholders in the joint venture company and not the name of the joint venture company.

Schedule Year the pass rate for a Service Quality Area comprised in such Service Quality Schedule calculated in accordance with paragraph 7.2 of Schedule 7.3 (Northern Franchise Service Quality Regime);

**“Passenger Assistance”**

means the passenger assistance service provided by train operating companies and referred to by the ORR as “Passenger Assist”, as such service may be further described by the ORR from time to time at: <http://orr.gov.uk/info-for-passengers/passengers-with-disabilities> (or such other applicable web address that is adopted by the ORR for these purposes from time to time);

**“Passenger Carrying Capacity”**

means, in relation to a Passenger Service, the capacity of the rolling stock vehicles (as stated in Schedule 1.7 (The Train Fleet) or determined by the Secretary of State in accordance with paragraph 2.4 of Schedule 1.7 (The Train Fleet)) from which the Passenger Service is formed;

**“Passenger Change Date”**

means a date upon which significant changes may be made to the Timetable in accordance with or by virtue of the Network Code;

**“Passenger Services”**

means the Franchisee’s railway passenger services as specified in any Timetable and/or Plan of the Day including those railway passenger services which the Franchisee may delegate or subcontract or otherwise secure through any other person from time to time in accordance with the Franchise Agreement;

**“Passenger Survey Methodology”**

has the meaning given to such term in paragraph 1.4 of Schedule 7.2 (National Rail Passenger Surveys and Customer and Communities Improvement Fund);

**“Passenger’s Charter”**

means the Franchisee’s service commitments to its passengers in the agreed terms marked **PC**, as amended or replaced from time to time with the prior written consent of the Secretary of State in accordance with paragraph 4 of Schedule 1.4 (Passenger Facing Obligations);

**“Passengers’ Council”**

means the passengers’ council established under Section 19 of the Railways Act 2005;

**“Payment Date”**

means the date for the payment of Franchise Payments in accordance with paragraph 2.3 of Schedule 8.1 (Franchise Payments);

<b>"Peak"</b>	means the Morning Peak and the Evening Peak;
<b>"Pension Trust"</b>	means the pension trust governing the Railways Pension Scheme;
<b>"Pensions Committee"</b>	has the meaning given to it in the Railways Pension Scheme;
<b>"Percentage Allocation"</b>	has the meaning given to it in the Ticketing and Settlement Agreement;
<b>"Performance Bond"</b>	means the Initial Performance Bond and any Replacement Performance Bond, which in each case, shall comply with the requirements of paragraph 4.2 of Schedule 12 (Financial Obligations and Covenants);
<b>"Performance Strategy Plan"</b>	has the meaning given to it in the Network Code;
<b>"Performance Sum Adjustment Date"</b>	means in the case of each Cancellations Performance Sum or TOC Minute Delay Performance Sum determined pursuant to paragraph 3 of Schedule 7.1 (Performance Benchmarks) and payable by the Secretary of State, the first Payment Date falling no less than seven days after that determination;
<b>"Permanent Fare"</b>	has the meaning given to it in the Ticketing and Settlement Agreement;
<b>"Permitted Aggregate Increase"</b>	has the meaning given to it in paragraph 4.2 of Schedule 5.4 (Regulation of Fares Basket Values);
<b>"Permitted Individual Increase"</b>	has the meaning given to it in paragraph 2.2 of Schedule 5.5 (Regulation of Individual Fares and T&WPTE Fares);
<b>"Personal Data"</b>	has the same meaning as in the Data Protection Act and includes Sensitive Personal Data as defined therein;
<b>"Personal Data Legislation"</b>	has the meaning given to it in paragraph 5.1 of Schedule 1.5 (Information about Passengers);
<b>"Placed in Escrow"</b>	means: <ul style="list-style-type: none"> <li>(a) in respect of the Financial Model, delivery of the Financial Model: <ul style="list-style-type: none"> <li>(i) dated the date of the Franchise Agreement; and</li> <li>(ii) adjusted to the extent necessary to reflect any time elapsed between the actual</li> </ul> </li> </ul>



Start Date and the date assumed to be the Start Date in the Initial Business Plan; and

(iii) where Schedules 9.1 (Financial and Other Consequences of Change) and 9.2 (Identity of the Financial Models etc.) apply, audited following a Run of the Financial Model and updated with any Revised Inputs; and

(b) in respect of the Operational Model, delivery of:

(i) the Operational Model dated the date of the Franchise Agreement;

(ii) the Operational Model adjusted to the extent necessary to reflect any time elapsed between the actual Start Date and the date assumed to be the Start Date in the Initial Business Plan; and

(iii) where Schedules 9.1 (Financial and Other Consequences of Change) and 9.2 (Identity of the Financial Models etc.) apply, the inputs to the Financial Model derived therefrom following an audit of a Run of the Financial Model; and

(c) in respect of the Record of Assumptions, delivery thereof,

each in accordance with Schedule 9.2 (Identity of the Financial Model etc.);

**“Plan of the Day”**

means, in relation to each day during the Franchise Term, the Passenger Services scheduled to be operated on that day through specification in the Timetable or as notified to the Franchisee by Network Rail from time to time prior to 2200 on the previous day;

**“Power of Attorney”**

means the power of attorney granted by the Franchisee in favour of the Secretary of State in the agreed terms marked **POA**;

<b>“PPM” or “Public Performance Measure”</b>	means the public performance measure as produced and/or published by Network Rail;
<b>“PPM Figures”</b>	means the moving annual average percentage published by Network Rail in respect of PPM, rounded to one decimal place;
<b>“Preceding 13 Reporting Periods”</b>	has the meaning given to it in paragraph 2.1 of Schedule 12 (Financial Obligations and Covenants);
<b>“Preceding Year Ticket Price”</b>	has the meaning given to it in paragraph 2.1 of Schedule 5.5 (Regulation of Individual Fares and T&WPTF Fares);
<b>“Preliminary Database”</b>	means such database as may reasonably be put in place by the Secretary of State prior to making any RPC Database available to the Franchisee, as part of the development of the RPC Database;
<b>“Previous Franchise Agreement”</b>	means any franchise agreement under which services equivalent to the Franchise Services (or a material proportion thereof) were provided by a Train Operator on or about the day prior to the Start Date;
<b>“Price”</b>	means, in respect of any Fare, the price of such Fare before the deduction of any applicable discount to which a purchaser may be entitled, as notified to RSP in accordance with Schedule 5 to the Ticketing and Settlement Agreement;
<b>“Primary Franchise Assets”</b>	<p>means:</p> <ul style="list-style-type: none"> <li>(a) the property, rights and liabilities of the Franchisee listed in the Appendix (List of Primary Franchise Assets) to Schedule 14.4 (Designation of Franchise Assets); and</li> <li>(b) any other property, rights and liabilities of the Franchisee which is or are designated as such pursuant to Schedule 14.4 (Designation of Franchise Assets),</li> </ul> <p>but excluding such property, rights or liabilities as may, in accordance with the terms of the Franchise Agreement, cease to be so designated;</p>
<b>“Principles of Inclusive Design”</b>	means planning, designing, building and managing places, while having due regard and a proportionate response to stakeholder views obtained through consultation or otherwise, so

that they work better for everybody and reflect the diversity of the people who use them;

<b>"Prior Train Operator"</b>	has the meaning given to it in paragraph 2.5 of Schedule 2.2 (Security of Access Agreements, Rolling Stock Leases, Station and Depot Leases);
<b>"Process"</b>	has the same meaning as in the Data Protection Act 1998;
<b>"Profit Share Components"</b>	has the meaning given to it in paragraph 1.1(a)(i) of Schedule 9.1 (Financial and Other Consequences of Change);
<b>"Projected Innovation Cost"</b>	means, in respect of any Innovation Scheme, the total projected cost to the Franchisee of developing and implementing that Innovation Scheme calculated in accordance with paragraph 19.10 of Schedule 13 (Information and Industry Initiatives);
<b>"Projected Revenue"</b>	means the revenue in any Fare Year which is projected to be attributable to any Fare, determined in accordance with paragraph 3 of Schedule 5.4 (Regulation of Fares Basket Values);
<b>"Property Lease"</b>	means any Depot Lease, any lease in respect of a Managed Station Area, any lease in respect of Shared Facilities or any Station Lease and any agreement or lease of a similar or equivalent nature (whether in respect of any such facility or otherwise) which the Franchisee may enter into with a person who has an interest in a network or a railway facility which is to be used for or in connection with the provision or operation of the Franchise Services;
<b>"Proposed ERTMS Implementation Plan"</b>	means Network Rail's plans for the implementation of the ERTMS Programme as more particularly described in the document in agreed terms marked <b>ERTMSP</b> ;
<b>"Proposed Start Date Franchise Remapping"</b>	has the meaning given to it in paragraph 19.1 of Schedule 6.2 (Northern Franchise Specific Provisions);
<b>"Protected Fare"</b>	means a Protected Return Fare or a Protected Weekly Season Ticket;
<b>"Protected Proposal"</b>	has the meaning given to it in paragraph 1.8 of Schedule 9.5 (Variations to the Franchise Agreement and Incentivising Beneficial Changes);

**“Protected Return Fare”**

means in respect of a Fare for a Flow:

- (a) for which there was a Saver Return Fare in February 2003, a Return Fare for each such Flow in respect of which the Franchisee is entitled or obliged from time to time to set the Price or Child Price under the Ticketing and Settlement Agreement, subject to the following additional rights and restrictions:
- (i) it shall be valid for no less than one month;
  - (ii) it shall be valid all day on a Saturday or Sunday and from no later than 1030 on any other day;
  - (iii) it need not be valid for any journey:
    - (A) beginning between 1500 and 1900 on any day other than a Saturday or Sunday;
    - (B) where such journey begins from a London Station or any station between any London Station and Reading station, Watford station, Luton station, or Stevenage station (inclusively); and
    - (C) which is in a direction away from London; or
- (b) for which there was no Saver Return Fare in February 2003, a Return Fare for each such Flow in respect of which the Franchisee is entitled or obliged from time to time to set the Price or Child Price under the Ticketing and Settlement Agreement,

except in each case to the extent that a Return Fare for any such Flow is a PTE Fare or a T&WPTE Fare (as the case may be);

**“Protected Weekly Season Ticket”**

means a Weekly Season Ticket for any Flow for which there was a weekly season ticket in the fares manuals and systems of the RSP in February 2003 and in respect of which the Franchisee is entitled or obliged, from time to time, to set the Price or Child Price of under the Ticketing and Settlement Agreement except to the extent that a Weekly Season Ticket for any such Flow is a PTE Fare or a T&WPTE Fare (as the case may be);

**“PTE Fare”**

means a TfGM Fare, an MPTE Fare, a SYPTE Fare or a WYPTE Fare;

**“PTE/Protected Fares Basket”**

means the grouping of PTE Fares and Protected Fares (other than the T&WPTE Fares):

- (a) determined by the Secretary of State pursuant to Schedule 5.3 (Allocation of Fares to Fares Baskets);
- (b) for the purposes of regulating their aggregate Prices or Child Prices, as the case may be, in accordance with Schedule 5.4 (Regulation of Fares Basket Values);
- (c) amended by the Secretary of State from time to time in accordance with Schedule 5.7 (Changes to Fares and Fares Regulation); and
- (d) set out in the PTE/Protected Fares Document;

**“PTE/Protected Fares Document”**

means the document in the agreed terms marked **PPFD**, as the same may be amended from time to time in accordance with Schedule 5.7 (Changes to Fares and Fares Regulation);

**“Public Sector Operator”**

means any person (other than a franchisee or franchise operator in relation to the services provided or operated under its franchise agreement) who provides railway passenger services or operates any station or light maintenance depot pursuant to or under Section 30 of the Act or Section 6 of the Railways Act 2005;

**“Qualifying Change”**

means a Change which:

- (a) following a Run of the Financial Model (where Schedule 9.1 (Financial and Other Consequences of Change) applies) in accordance with Schedule 9 (Changes) results in adjustments in

Franchise Payments over the remaining life of the Franchise Agreement that have a net present value as at the date of the Change in excess of the Threshold Amount for the Franchisee Year during which the relevant Change arises. For the purposes of ascertaining a net present value of the amount of any adjustment in any Franchise Payment, the amount of the adjustment shall be discounted at the prevailing discount rate per annum (in real terms) stated in HM Treasury's "Green Book Appraisal Guidelines", counting back from the date of receipt of that adjusted Franchise Payment to the date of the Change. As at the date of the Franchise Agreement that rate is 3.5%; or

(b) the Franchise Agreement expressly provides shall be a Qualifying Change;

**"Quarterly Season Ticket"** means a Season Ticket Fare which is valid in Standard Class Accommodation from (and including) the day it first comes into effect until (but excluding) the day which falls three months after such day;

**"Railmaster"** means the fare of that name which as at the date hereof appears in the South Yorkshire Passenger Transport Executive section of the fares systems of the RSP;

**"Rail North"** means Rail North Limited (company number 9229441) whose registered office is at Transport for Greater Manchester, 2 Piccadilly Place, Manchester M1 3BG;

**"Rail North Agreement"** means an agreement dated [date]<sup>36</sup> March 2015 and made between the Secretary of State and Rail North;

**"Rail Safety and Standards Board"** means Rail Safety and Standards Board Limited, a company registered in England with registered number 04655675 whose registered office is at Block 2, Angel Square, 1 Torrens Street, London EC1V 1NY;

**"Railway Group"** means the committee responsible for cross industry co-ordination in respect of rail safety legislation and industry safety standards chaired by the Rail Safety and Standards Board;

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<sup>36</sup> DfT to confirm.

<b>"Railway Operational Code"</b>	has the meaning given to it in Condition H of the Network Code;
<b>"Railway Passenger Services"</b>	means, for the purposes of Schedule 5 (Fares) only, services for the carriage of passengers by railway which are provided by a person who is bound by the Ticketing and Settlement Agreement, or any part of it, and including the Franchisee and any other Train Operator from time to time;
<b>"Railways Pension Scheme"</b>	means the pension scheme established by the Railways Pension Scheme Order 1994 (No. 1433);
<b>"Reconciliation Amount"</b>	has the meaning given to it in paragraph 9.9 of Schedule 9.1 (Financial and Other Consequences of Change);
<b>"Record of Assumptions"</b>	<p>means a document in the agreed terms marked <b>ROA</b> prepared by the Franchisee (and/or, where Schedule 9.1 (Financial and Other Consequences of Change) applies) applies, as may be revised in accordance with Schedule 9 (Changes)) and Placed in Escrow providing:</p> <ul style="list-style-type: none"> <li>(a) detailed assumptions, explanations of assumptions and parameters underlying the Financial Model;</li> <li>(b) details of how Franchise Payments have been calculated (including by reference to a defined annual profit margin);</li> <li>(c) a description of the functionality, operation and structure of the Financial Model; and</li> <li>(d) a description of each input cell, its requirements and its inter-relationship with the Financial Model;</li> </ul>
<b>"Redactions"</b>	has the meaning given to it in paragraph 10.1 of Schedule 17 (Confidentiality and Freedom of Information);
<b>"Reference Fare"</b>	has the meaning given to it in paragraph 6.1(a) of Schedule 5.7 (Changes to Fares and Fares Regulation);
<b>"Reference Flow"</b>	has the meaning given to it in paragraph 6.1(a) of Schedule 5.7 (Changes to Fares and Fares Regulation);
<b>"Reference Revenue"</b>	means the aggregate Gross Revenue recorded by RSP as attributable to sales of all PTE Fares or Protected Fares or T&WPTE Fares for the

period of 12 months which ended 31 March 2010 or such other reference period as the Secretary of State may require pursuant to paragraph 3.1(a) of Schedule 5.7 (Changes to Fares and Fares Regulation);

**“Regulated Child Price”**

means the Child Price that is permitted to be charged by the Franchisee in respect of any Fare in any Fare Year, determined in accordance with paragraph 2.1 of Schedule 5.5 (Regulation of Individual Fares and T&WPTE Fares);

**“Regulated Price”**

means the Price that is permitted to be charged by the Franchisee in respect of any Fare in any Fare Year, determined in accordance with paragraph 2.1 of Schedule 5.5 (Regulation of Individual Fares and T&WPTE Fares);

**“Regulated Value”**

means the Value of any Fares Basket that is permitted in any Fare Year, determined in accordance with paragraph 4.1 of Schedule 5.4 (Regulation of Fares Basket Values);

**“Regulations”**

has the meaning given to it in paragraph 2.2 of Schedule 2.5 (Transport, Travel and Other Schemes);

**“Relevant Agreement”**

means any Property Lease or Access Agreement in relation to any stations or network which may be used from time to time by the Franchisee in connection with the Franchise Services, as replaced or amended from time to time. If and to the extent that:

- (a) following the effective date of any Charge Variation, the Franchisee enters into any Replacement Agreement;
- (b) the effect of that Charge Variation is reflected in the terms of the Replacement Agreement; and
- (c) the Secretary of State has consented to such Replacement Agreement being entered into and constituting a Replacement Agreement for the purposes of this definition,

then the Replacement Agreement shall be deemed to be a Relevant Agreement;

**“Relevant Credit Rating”**

means a credit rating of:

- (a) A - (or better) by Standard and Poor's Corporation or Fitch Ratings Limited in respect of long term senior debt; or



- (b) A3 (or better) by Moody's Investors Service Inc. in respect of long term senior debt; or
- (c) if any credit rating specified in paragraph (a) or (b) ceases to be published or made available or there is a material change in the basis of any such credit rating, such other rating or standard as the Secretary of State may, after consultation with the Franchisee, determine to be appropriate in the circumstances;

<b>"Relevant Delay"</b>	has the meaning given to it in paragraph 2.5 of Schedule 2.2 (Security of Access Agreements, Rolling Stock Leases, Station and Depot Leases);
<b>"Relevant Profit"</b>	has the meaning given to it in paragraph 3 of Schedule 8.1 (Franchise Payments);
<b>"Relevant Reporting Period"</b>	has, for the purposes of paragraph 5.3 of Schedule 12 (Financial Obligations and Covenants) only, the meaning given to it in that paragraph;
<b>"Relevant Rolling Stock"</b>	has the meaning given to it in paragraph 2.5 of Schedule 2.2 (Security of Access Agreements, Rolling Stock Leases, Station and Depot Leases);
<b>"relevant State"</b>	has the meaning given to it in paragraph 10.2 of Schedule 19 (Other Provisions);
<b>"Relevant Tax Authority"</b>	has the meaning given to it in paragraph 6.3 of Schedule 12 (Financial Obligations and Covenants);
<b>"Relevant Term"</b>	has the meaning given to it in paragraph 1.2(a) of Schedule 10.1 (Remedial Plans and Remedial Agreements);
<b>"Remedial Agreement"</b>	has the meaning given to it in paragraph 1.5 of Schedule 10.1 (Remedial Plans and Remedial Agreements);
<b>"Remedial Plan"</b>	has the meaning given to it in paragraph 1.2(b) of Schedule 10.1 (Remedial Plans and Remedial Agreements);
<b>"Remedial Plan Notice"</b>	has the meaning given to it in paragraph 1.1 of Schedule 10.1 (Remedial Plans and Remedial Agreements);

<b>"Replacement Agreement"</b>	means an agreement entered into as a replacement for any Relevant Agreement;
<b>"Replacement Copy"</b>	has the meaning given to it in paragraph 2.2(b) of Schedule 9.2 (Identity of the Financial Model etc.);
<b>"Replacement Performance Bond"</b>	means any performance bond issued or to be issued following the issue of the Initial Performance Bond by a Bond Provider to the Secretary of State which complies with the requirements of paragraph 4.2 of Schedule 12 (Financial Obligations and Covenants);
<b>"Reporting Period"</b>	<p>means:</p> <ul style="list-style-type: none"> <li>(a) for the purposes of the Season Ticket Bond, any consecutive seven-day period or any other period, each within a Reporting Period (as defined in paragraph (b)) agreed in accordance with paragraph 5.12 of Schedule 12 (Financial Obligations and Covenants); or</li> <li>(b) for all other purposes, a period of 28 days, provided that: <ul style="list-style-type: none"> <li>(i) the first such period during the Franchise Period shall exclude any days up to but not including the Start Date;</li> <li>(ii) the first and last such period in any Reporting Year may be varied by up to seven days by notice from the Secretary of State to the Franchisee;</li> <li>(iii) each such period shall start on the day following the last day of the preceding such period; and</li> <li>(iv) the last such period during the Franchise Period shall end at the end of the Franchise Period;</li> </ul> </li> </ul>
<b>"Reporting Year"</b>	means a period normally commencing on 1 April in each calendar year, comprising 13 consecutive Reporting Periods;
<b>"Request for Information"</b>	means a request for information or an apparent request under the Freedom of Information Act or the Environmental Information Regulations;

<b>“Request for a North Trans Pennine Upgrade Franchise Services Proposal”</b>	means a request issued by the Secretary of State to the Franchisee requiring the Franchisee to deliver a proposal to amend the Franchise Services to utilise the North Trans Pennine Upgrade Infrastructure Outputs;
<b>“Required Improvement”</b>	has the meaning given to it in paragraph 2.8 of Schedule 7.2 (National Rail Passenger Surveys and Customer and Communities Improvement Fund);
<b>“Required Performance Improvement”</b>	has the meaning given to it in paragraph 3.7 of Schedule 7.1 (Performance Benchmarks);
<b>“Retail Prices Index”</b>	means the retail prices index for the whole economy of the United Kingdom and for all items as published from time to time by the Office for National Statistics as “RPI” or, if such index shall cease to be published or there is, in the reasonable opinion of the Secretary of State, a material change in the basis of the index or if, at any relevant time, there is a delay in the publication of the index, such other retail prices index as the Secretary of State may, after consultation with the Franchisee, determine to be appropriate in the circumstances;
<b>“Return Fare”</b>	means a Fare which entitles the purchaser to make, without further restrictions as to the time of day for which the Fare is valid, a journey in each direction in Standard Class Accommodation between the stations and/or the zones for which such Fare is valid and which expires no earlier than 0200 hours on the day after the day of the outward journey or, if later, the time the relevant return journey may be completed if commenced before 0200 hours;
<b>“Review Date”</b>	means: <ul style="list-style-type: none"> <li>(a) 19<sup>th</sup> February 2016; or</li> <li>(b) such later date as may be notified to the Franchisee by the Secretary of State pursuant to Clause 4.2 or Clause 4.3 of the Conditions Precedent Agreement;</li> </ul>
<b>“Revised Inputs”</b>	has the meaning given to it in paragraph 4.2 of Schedule 9.1 (Financial and Other Consequences of Change);
<b>“Right Time Figures”</b>	means the moving annual average percentage published by Network Rail in respect of the Right Time Measure, rounded to one decimal place;
<b>“Right Time Measure”</b>	means the Right Time Measure as produced and/or published by Network Rail and/or the

ORR showing the number of Passenger Services (expressed as a percentage of the number of Passenger Services which are scheduled to be provided under the Plan of the Day) which arrive at their final scheduled destination in the Plan of the Day either early or no more than 59 seconds late;

**“Rolling Stock Lease”**

means any agreement for the leasing of rolling stock vehicles to which the Franchisee is a party as at the Start Date and any agreement of a similar or equivalent nature (including, any agreement or arrangement for the subleasing, hiring, licensing or other use of rolling stock vehicles) to which the Franchisee is a party from time to time during the Franchise Term whether in addition to, or replacement or substitution for, in whole or in part, any such agreement;

**“Rolling Stock Quality Requirements”**

means each of the following requirements:

- (a) air conditioning and heating systems that are designed to operate effectively and reliably within the range of ambient temperatures normally experienced in the north of England throughout the year;
- (b) fixed or folding tables at a minimum of 90% of seats;
- (c) power sockets or USB charging points with a minimum of one socket provided for every two seats;
- (d) adequate space for luggage which takes account of the fact that the Northern Regional Passenger Services shall be operated to and from airports and other significant tourist venues;
- (e) toilet facilities (including, baby-change facilities and toilets which are Controlled Emission Toilets);
- (f) full compliance with the accessibility requirements in the Railways (Interoperability) Regulations 2011 notwithstanding that compliance is not required by law until 1 January 2020; and
- (g) [Bidders to populate: definition to be amended to include any other rolling stock quality requirements that the bidder has proposed as part of its bid];

<b>"Rolling Stock Related Contract"</b>	means any Rolling Stock Lease, Maintenance Contract or Technical Support Contract;
<b>"Rolling Stock Unit"</b>	means the smallest number of rolling stock vehicles which are normally comprised in a train used by the Franchisee in the provision of the Passenger Services;
<b>"Route"</b>	means any route specified in the Timetable over which the Franchisee has permission to operate the Passenger Services pursuant to any Track Access Agreement;
<b>"Route Map"</b>	means a map meeting the requirements set out in paragraphs 7.1, 7.2 and 7.3 of Schedule 1.4 (Passenger Facing Obligations);
<b>"RPC Database"</b>	means a database to be provided by the Secretary of State pursuant to and on the terms of paragraph 6.1 of Schedule 1.5 (Information about Passengers) containing rail passenger counts information and providing analytical reporting tools or such other functionality as the Secretary of State may decide from time to time;
<b>"RSP"</b>	means Rail Settlement Plan Limited;
<b>"RSPS3002"</b>	means the RSP document with reference RSPS3002, version 02.00 published June 2013 which specifies standards for issuing, checking and validating rail products on ITSO Certified Smartmedia and defines the rail specific rules required to ensure interoperability across the rail network;
<b>"Run of the Financial Model"</b>	means an operation of the Financial Model with the Revised Inputs and which complies with the requirements of Schedule 9.1 (Financial and Other Consequences of Change);
<b>"RV Asset"</b>	means: <ul style="list-style-type: none"> <li>(a) a Franchisee Owned RV Asset; or</li> <li>(b) a Network Rail Fixture Asset,</li> </ul>
<b>"Safety Authorisation"</b>	means the authorisation issued by the ORR under the Safety Regulations authorising the Franchisee's safety management system (as defined in those regulations) and the provisions adopted by the Franchisee to meet the requirements that are necessary to ensure safe design, maintenance and operation of the relevant infrastructure on the Routes;

<b>"Safety Certificate"</b>	means the certificate issued by the ORR under the Safety Regulations, certifying its acceptance of the Franchisee's safety management system (as defined in those regulations) and the provisions adopted by the Franchisee to meet the requirements that are necessary to ensure safe operation on the Routes;
<b>"Safety Regulations"</b>	means The Railways and Other Guided Transport Systems (Safety) Regulations 2006;
<b>"Saver Return Fare"</b>	means a return fare which is shown as a saver fare in the fares manuals and systems of the RSP as at the date of such manuals;
<b>"Scheduled Consist Data"</b>	means information as to the type of individual vehicles of rolling stock that have been scheduled by the Franchisee to form a train in the Train Fleet for any particular Passenger Service and the manner in which they are scheduled to be configured;
<b>"Season Ticket Bond"</b>	means the season ticket bond to be provided to the Secretary of State in respect of the Franchisee's liabilities under certain Fares and Season Ticket Fares in the form set out in Appendix 2 (Form of the Season Ticket Bond) to Schedule 12 (Financial Obligations and Covenants) and such other bond as may replace it from time to time under Schedule 12 (Financial Obligations and Covenants);
<b>"Season Ticket Fare"</b>	means: <ul style="list-style-type: none"> <li>(a) for the purposes of Schedule 12 (Financial Obligations and Covenants) and the definition of Season Ticket Bond only, a Fare which entitles the purchaser to make an unlimited number of journeys in any direction during the period for which, and between the stations and/or the zones for which, such Fare is valid; and</li> <li>(b) for all other purposes, a Fare which entitles the purchaser to make, without further restriction except as to class of accommodation, an unlimited number of journeys in any direction during the period for which, and between the stations and/or the zones for which, such Fare is valid and which shall include: <ul style="list-style-type: none"> <li>(i) in relation to TfGM Fares, the Manchester Traincard; and</li> </ul> </li> </ul>

	(ii) in relation to SYPTE Fares, the Railmaster;
<b>"Second Profit Share Threshold"</b>	has the meaning given to it in paragraph 3.1 of Schedule 8.1 (Franchise Payments);
<b>"Secretary of State Risk Assumptions"</b>	means those assumptions set out in Schedule 9.3 (Secretary of State Risk Assumptions);
<b>"Security Breach"</b>	has the meaning given to it in paragraph 5.3(c)(i) of Schedule 1.5 (Information about Passengers);
<b>"Security Interest"</b>	means any mortgage, pledge, lien, hypothecation, security interest or other charge or encumbrance or any other agreement or arrangement having substantially the same economic effect;
<b>"Service Group"</b>	has the meaning given to it in the Passenger's Charter when used in relation to the Passenger's Charter, and when used in the Franchise Agreement it has the meaning given to it in the Track Access Agreement, or as specified by the Secretary of State from time to time;
<b>"Service Quality Area"</b>	means each of the service quality areas for stations and trains as set out in Column 1 of the table in Appendix 1 of Schedule 7.3 (Northern Franchise Service Quality Regime);
<b>"Service Quality Indicator"</b>	means each of the indicators for stations and trains comprised in a Service Quality Area as specifically specified in Column 3 of the table in Appendix 1 of Schedule 7.3 (Northern Franchise Service Quality Regime);
<b>"Service Quality Inspection"</b>	has the meaning given to such term in paragraph 3.1 of Schedule 7.3 (Northern Franchise Service Quality Regime);
<b>"Service Quality Payments"</b>	means the payment to be made by the Franchisee to the Secretary of State as such payment is calculated pursuant to paragraph 8 of Schedule 7.3 (Northern Franchise Service Quality Regime);
<b>"Service Quality Re-inspections"</b>	has the meaning given to such term in paragraph 9.1 of Schedule 7.3 (Northern Franchise Service Quality Regime);
<b>"Service Quality Schedules"</b>	means each of the service schedules for stations and trains contained in Appendix 2 of Schedule 7.3 (Northern Franchise Service Quality Regime);

**“Service Quality Year”**

means:

- (a) the period of 13 Reporting Periods starting with the first Reporting Period commencing in January 2017; or
- (b) each subsequent and non-overlapping period of 13 Reporting Periods during the Franchise Period commencing the day after the last day of the preceding Service Quality Year,

provided that the final Service Quality Year may be shorter than 13 Reporting Periods;

**“Service Recovery Plan”**

means, in the event of a prevention or restriction of access to the track or a section of the track (howsoever caused) which results in any Cancellation, Partial Cancellation, and/or any Passenger Service being operated with less Passenger Carrying Capacity than the Passenger Carrying Capacity specified for such Passenger Service in the Train Plan, a plan implemented by the Franchisee:

- (a) to minimise the disruption arising from such prevention or restriction of access by operating, during such period of disruption, the best possible level of service given such disruption, including by:
  - (i) keeping service intervals to reasonable durations;
  - (ii) keeping extended journey times to reasonable durations; and
  - (iii) managing any resulting overcrowding;
- (b) to:
  - (i) return the level of service to that level specified in the Timetable as soon as reasonably practicable; and
  - (ii) prior to the attainment of the level of service specified in paragraph (b)(i), operate any reduced level of service agreed with Network Rail for the purpose of minimising



such disruption pursuant to paragraph (a);

- (c) in accordance with the principles of service recovery set out in the ATOC "Approved Code of Practice: Contingency Planning for Train Service Recovery – Service Recovery 2013" or any document of a similar or equivalent nature; and
- (d) where the particulars of such plan in relation to the requirements of paragraphs (a) and (b) have been:
  - (i) agreed at an initial and, where required, subsequent telephone conference between the Franchisee, Network Rail and any other affected Train Operator; and
  - (ii) on each occasion, recorded in an official control log by the relevant Region Control Manager of Network Rail,

and prevention or restriction of access to the track or a section of the track shall have the meaning given to that term in paragraph 1(a)(i) of Schedule 10.4 (Force Majeure);

**"Settlement Proposal"**

has the meaning given to it in paragraph 3.2 of Schedule 4 (Persons with Disabilities and Disability Discrimination);

**"Shared Facilities"**

means those facilities in respect of which the Franchisee and Network Rail carry out their respective activities concurrently;

**"Short Formation Benchmark"**

means, any of the performance levels in respect of the Passenger Carrying Capacity operated in delivering the Short Formation Peak Passenger Services as set out in the Short Formation Benchmark Table;

**"Short Formation Benchmark Table"**

means the table set out in part 1 of Appendix 3 (Short Formation Benchmark and Annual Short Formation Benchmark Table) to Schedule 7.1 (Performance Benchmarks);

**"Short Formation Peak Passenger Service"**

means any Passenger Service that:

- (a) arrives at a Short Formation Peak Station during the Morning Peak; or

- (b) departs from a Short Formation Peak Station during the Evening Peak.

provided that a Passenger Service arriving at more than one Short Formation Peak Station in the Morning Peak or departing from more than one Short Formation Peak Station in the Evening Peak shall only be counted once for the purposes of the relevant provisions of Schedule 7.1 (Performance Benchmarks);

**“Short Formation Peak Station”**

means any of the following Stations:

- (a) Manchester Piccadilly;
- (b) Manchester Victoria;
- (c) Manchester Oxford Road;
- (d) Leeds;
- (e) Sheffield;
- (f) Newcastle; and
- (g) Liverpool Lime Street;

**“Short Formation Performance Sum”**

means an amount determined in accordance with paragraph 3.4 of Schedule 7.1 (Performance Benchmarks);

**“Short Formations Figures”**

means the number of Passenger Services in any Reporting Period formed with fewer vehicles than specified in the Train Plan;

**“Significant Alterations”**

shall, in relation to any proposed new or amended Timetable, include alterations from the then current Timetable which result in, or are likely to result in:

- (a) the addition or removal of railway passenger services;
- (b) changes to stopping patterns or destinations or origin;
- (c) changes of timings for first/last trains by more than ten minutes;
- (d) changes to clockface (or near clockface) service patterns (meaning the provision of railway passenger services at a specified time or times relative to the hour); and/or
- (e) significant changes to journey times and/or key connections at the Stations

or at other stations at which relevant railway passenger services call;

**“Single Fare”**

means a Fare which entitles the purchaser to make, without further restrictions as to the time of day for which the Fare is valid, on any one day, one journey in Standard Class Accommodation between the stations and/or the zones for which the Fare is valid;

**“Small and Medium-sized Enterprises (“SMEs”)**

means any individual micro, small or medium sized enterprise meeting the requirements set out in EU Recommendation 2003/36 and broadly falling into one of three categories, based on a combination of:

- (a) the number of employees; and
- (b) either its turnover or its balance sheet total.

The three categories are:

<b>Company category</b>	<b>Employees</b>	<b>Turnover or</b>	<b>Balance sheet total</b>
Medium	<250	≤ €50m	≤ €43m
Small	<50	≤ €10m	≤ €10m
Micro	<10	≤ €2m	≤ €2m

**“SoS Audits”**

has the meaning given to such term in paragraph 4.6 of Schedule 7.3 (Northern Franchise Service Quality Regime);

**“SoS Nominees”**

has the meaning given to such term in paragraph 4.4 of Schedule 7.3 (Northern Franchise Service Quality Regime);

**“SoS Service Inspection”**

means any service quality inspection to be carried out by the Secretary of State (or a SoS Nominee on his behalf) in place of the Service Quality Inspections as contemplated pursuant to paragraph 4.8(b)(iii) of Schedule 7.3 (Northern Franchise Service Quality Regime);

**“Spares”**

means parts and components of rolling stock vehicles which are available for the purpose of carrying out maintenance services on rolling stock vehicles;

**“Specifically Included Change of Law”**

has the meaning given to it in the definition of Change of Law;

**“Specified Additional Rolling Stock”**

has the meaning given in paragraph 1.1(b) of Schedule 1.7 (The Train Fleet);

<b>"Specimen Scheme"</b>	means the Committed Obligations set out in paragraphs [//ist] <sup>37</sup> of Part 1 of Schedule 6.1 (Committed Obligations and Related Provisions);
<b>"Specimen Scheme Output"</b>	means, for each Specimen Scheme, the output intended to be achieved by that Specimen Scheme, as set out in the relevant paragraph of Part 1 of Schedule 6.1 (Committed Obligations and Related Provisions);
<b>"SQR Management System"</b>	has the meaning given to such term in paragraph 2.1 of Schedule 7.3 (Northern Franchise Service Quality Regime);
<b>"SQR Register"</b>	means the register of the facilities and services which exist at a Station or on a SQR Train, which register is to be used for carrying out Service Quality Inspections, Independent Service Quality Audits, SoS Audits or SoS Service Inspections, as such register is required pursuant to paragraph 2.4 of Schedule 7.3 (Northern Franchise Service Quality Regime);
<b>"SQR Train"</b>	means a train engaged in the provision of Passenger Services;
<b>"SQS Benchmark"</b>	means any of a SQS Station Benchmark or SQS Train Benchmark (as the context may require);
<b>"SQS Station Benchmark"</b>	means the benchmark for each Service Quality Area relating to Stations as set out in Column 2 of the table in Appendix 1 to Schedule 7.3 (Northern Franchise Service Quality Regime);
<b>"SQS Train Benchmark"</b>	means, in relation to a SQR Train, the benchmark for each Service Quality Area as set out in Column 2 of the table in Appendix 1 to Schedule 7.3 (Northern Franchise Service Quality Regime);
<b>"Stakeholder"</b>	means the Passengers' Council and any relevant Local Authority and organisations who can reasonably be considered to have a legitimate and proper interest in the Passenger Services including Community Rail Partnerships representing Community Rail Routes designated as such by the Secretary of State;
<b>"Standard Class Accommodation"</b>	means, in respect of any train or service, accommodation which is available to the purchaser of any Fare which, taking into account any rights or restrictions relating to that Fare (other than restrictions relating to accommodation on that train or service),

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<sup>37</sup>

To be populated by the DfT taking into account the schemes proposed by Bidders in their Schedule of Initiatives.

entitles such purchaser to make a journey on that train or service (provided that any accommodation on such train which may have been reserved by such purchaser shall be deemed to have been made so available if, had it not been so reserved, it would have been available for use by such purchaser);

**"Start Date"**

means the time and date stated in the Certificate of Commencement as being the time at and date on which the Franchisee is to commence operating the Franchise Services, which shall either be:

- (a) 02:00 on 1 April 2016; or
- (b) such later time and date as may be notified to the Franchisee by the Secretary of State pursuant to:
  - (i) Clause 4.2 of the Conditions Precedent Agreement;
  - (ii) Clause 4.3 of the Conditions Precedent Agreement; or
  - (iii) paragraph 1.10 of Schedule 9.5 (Variations to the Franchise Agreement and Incentivising Beneficial Change);

**"Start Date Transfer Scheme"**

has the meaning given to it in Clause 5.1 of the Conditions Precedent Agreement;

**"Station"**

means:

- (a) any station in respect of which the Franchisee has entered into a Station Lease; or
- (b) any New Station at which the Franchisee becomes the Facility Owner;

**"Station Access Conditions"**

has the meaning given to it in the relevant Access Agreement to which it relates;

**"Station Change"**

has the meaning given to the term "Proposal for Change" under the Station Access Conditions;

**"Station Charge Adjustment"**

means any adjustment to payments under an Access Agreement determined in accordance with paragraph 2 of Schedule 8.4 (Track Access Adjustments and Station Charge Adjustments);

**"Station Lease"**

means:

(a) any lease of a station that the Franchisee is a party to as at the Start Date; or

(b) a lease of any other station to which the Franchisee becomes the Facility Owner at any time during the Franchise Period;

**“Station Service”**

means any service specified in paragraph 3 of Schedule 1.6 (Franchise Services) which may be provided by the Franchisee at the Stations;

**“Station Service Quality Inspection”**

means an inspection of the facilities and services at a Station in the manner specified in the Service Quality Schedules and in accordance with the requirements of Schedule 7.3 (Northern Franchise Service Quality Regime);

**“Station Social and Commercial Development Plan”**

means the station social and commercial development plan in the agreed terms marked SCDP, as such plan may be updated in accordance with the provisions of paragraphs 4.6 and 4.7 of Schedule 6.2 (Northern Franchise Specific Provisions);

**“Station Sublease”**

means a lease or sub lease of premises comprising part or parts of a Station exclusively occupied by another Train Operator;

**“Stored Credit Balance”**

means any monetary amount held by the Franchisee which a passenger can apply at a future date to the purchase of a Fare (and stored in any medium);

**“Station Asset Management Plan”**

means the station asset management plan to be created by the Franchisee pursuant to paragraph 4.1(a) of Schedule 6.2 (Northern Franchise Specific Provisions), as such plan may be updated in accordance with the provisions of paragraphs 4.4 and 4.5 of Schedule 6.2 (Northern Franchise Specific Provisions);

**“Station Asset Management Plan Accreditation”**

has the meaning given to it in paragraph 4.1 of Schedule 6.2 (Northern Franchise Specific Provisions);

**“Successor Operator”**

means a Train Operator succeeding or intended by the Secretary of State to succeed (and whose identity is notified to the Franchisee by the Secretary of State) the Franchisee in the provision or operation of all or any of the Franchise Services including, where the context so admits, the Franchisee where it is to continue to provide or operate the Franchise Services

	following termination of the Franchise Agreement;
<b>"Successor Operator Timetable"</b>	has the meaning given to it in paragraph 8(a) of Schedule 14.1 (Maintenance of Franchise);
<b>"Supplemental Agreement"</b>	means a supplemental agreement between the Franchisee and a Successor Operator to be entered into pursuant to a Transfer Scheme, being substantially in the form of Appendix 2 (Form of Supplemental Agreement) to Schedule 15.4 (Provisions Applying on and after Termination), but subject to such amendments as the Secretary of State may reasonably make thereto as a result of any change of circumstances (including any Change of Law) affecting such supplemental agreement between the date of the Franchise Agreement and the date on which the relevant Transfer Scheme is made and subject further to paragraph 3.2 of Schedule 15.4;
<b>"Sustainable Development Plan"</b>	means the sustainable development plan agreed or determined in accordance with paragraph 18.3 of Schedule 13 (Information and Industry Initiatives), as the same may be updated in accordance with paragraph 18.5 of Schedule 13 (Information and Industry Initiatives);
<b>"Sustainable Development Strategy"</b>	means the Sustainable Development Strategy in the agreed terms marked <b>SDS</b> ;
<b>"SYPTÉ Fare"</b>	means any: <ul style="list-style-type: none"> <li>(a) Single Fare;</li> <li>(b) Return Fare;</li> <li>(c) Weekly Season Ticket;</li> <li>(d) Monthly Season Ticket;</li> <li>(e) Quarterly Season Ticket; or</li> <li>(f) Annual Season Ticket,</li> </ul> <p>which is valid for use only on Railway Passenger Services and not on any other form of transport, including bus, tram or light rail, for a journey where the origin and destination stations are both SYPTÉ Stations;</p>
<b>"SYPTÉ Stations"</b>	means any of the following stations: <p>Adwick, Barnsley, Bentley, Bolton-on-Dearne, Chapelton, Conisbrough, Darnall, Darton, Denby Dale, Dodworth, Doncaster, Dore,</p>

Elsecar, Goldthorpe, Hatfield & Stainforth, Kirk Sandall, Kiveton Bridge, Kiveton Park, Meadowhall, Mexborough, Moorthorpe, Penistone, Rotherham Central, Sheffield, Silkstone Common, South Elmsall, Swinton, Thorne North, Thorne South, Thurnscoe, Wombwell and Woodhouse;

**“Target Passenger Demand”** means the higher of Actual Passenger Demand and Forecast Passenger Demand or any other level of passenger demand specified by the Secretary of State not being greater than the higher of Actual Passenger Demand or Forecast Passenger Demand;

**“Target Performance Level”** means, in relation to any Benchmark for any Reporting Period, the number set out in the relevant column of the Benchmark Table to Schedule 7.1 (Performance Benchmarks) relating to that Benchmark and in the row of that table for that Reporting Period;

**“Taxation”** means any kind of tax, duty, levy or other charge whether or not similar to any in force at the date of the Franchise Agreement and whether imposed by a local, governmental or other competent authority in the United Kingdom or elsewhere;

**“Technical Support Contract”** means a contract for technical support to which the Franchisee is a party, relating to the rolling stock vehicles used in the provision of the Passenger Services;

**“Tendering/Reletting Process”** means either of the processes described in paragraph 1.1 and 1.2 of Schedule 15.1 (Reletting Provisions);

**“Termination Event”** has the meaning given to it in paragraph 3 of Schedule 10.3 (Events of Default and Termination Events);

**“Termination Notice”** means a notice from the Secretary of State to the Franchisee terminating the Franchise Agreement following an Event of Default or a Termination Event in accordance with Schedule 10.2 (Termination and Expiry);

**“TfGM Fare”** means any:

- (a) Single Fare;
- (b) Return Fare;
- (c) Weekly Season Ticket;



- (d) Monthly Season Ticket;
- (e) Quarterly Season Ticket; or
- (f) Annual Season Ticket,

which is valid for use only on Railway Passenger Services and not on any other form of transport, including bus, tram or light rail (but including any such Fare where the origin or destination station is stated to be Manchester Central Zone regardless of whether such Fare is valid for use on any other form of transport within Manchester City Centre), for a journey where the origin and destination stations are both TfGM Stations, including where the origin or destination station is stated to be Manchester Central Zone;

**“TfGM Stations”**

means:

- (a) for the purposes of the definition of TfGM Fare, any passenger railway station within the Greater Manchester Metropolitan County (as defined in the Local Government Act 1972) together with Dinting, Disley, Glazebrook, Glossop, Hadfield and New Mills Newtown stations; and
- (b) for all other purposes, each of the following stations:

Altrincham, Appley Bridge, Ardwick, Ashburys, Ashton-Under-Lyne, Atherton, Belle Vue, Blackrod, Bolton, Bramhall, Bredbury, Brinnington, Bromley Cross, Bryn, Broadbottom, Burnage, Castleton (Manchester), Chassen Road, Cheadle, Clifton, Hulme, Daisy Hill, Davenport, Deansgate, Denton, Dinting, East Didsbury, Eccles, Fairfield, Farnworth, Flixton, Flowery Field, Gathurst, Gatley, Glazebrook, Glossop, Godley, Gorton, Greenfield, Guide Bridge, Hadfield, Hag Fold, Hale, Hallith Wood, Hattersley, Hazel Grove, Heald Green, Heaton Chapel, Hindley, Humphrey Park, Hyde Central, Hyde North, Kearsley, Ince, Irlam, Levenshulme, Littleborough, Lostock, Manchester Victoria, Manchester Oxford Road, Manchester United Halt, Marple, Mauldeth Road, Middlewood, Mills Hill, Moses Gate, Moorside, Moston, Mossley, Navigation Road, Newton-For-Hyde, Orrell, Patricroft,

Pemberton, Rose Hill Marple, Reddish North, Reddish South, Rochdale, Romiley, Ryder Brow, Salford Central, Salford Crescent, Smithy Bridge, Strines, Swinton (Manchester), Trafford Park, Urmston, Walkden, Westhoughton, Wigan Wallgate, Woodley and Woodsmoor;

**“Third Party Data”**

means any information, data and materials that may be provided to the Secretary of State by any third party that relates to the Franchisee and which the Secretary of State decides (in his absolute discretion) to add to the RPC Database;

**“Third Profit Share Threshold”**

has the meaning given to it in paragraph 3.1 of Schedule 8.1 (Franchise Payments);

**“Threshold Amount”**

means £750,000 (pounds sterling seven hundred and fifty thousand) subject to indexation as follows:

£750,000 (pounds sterling seven hundred and fifty thousand) x RPI

Where:

RPI is ascertained as follows:

$$\frac{\text{CRPI}}{\text{ORPI}}$$

where:

CRPI means the Retail Prices Index published in the January immediately preceding the commencement of that Franchisee Year; and

ORPI means the Retail Prices Index for January 2015;

**“Through Ticketing (Non-Travelcard) Agreement”**

means the agreement of that name referred to in paragraph (a)(v) of the definition of Inter-Operator Schemes;

**“Ticketing and Settlement Agreement”**

means the Ticketing and Settlement Agreement dated 23 July 1995 between RSP, the Franchisee and the other Train Operators named therein, as amended from time to time with the approval of the Secretary of State;

**“Timetable”**

means the timetable which reflects the working timetable issued by Network Rail at the conclusion of its timetable development

process, containing the departure and arrival times of:

- (c) all Passenger Services which call at Stations and/or Franchisee Access Stations; and
- (d) principal Connections at those stations and other stations;

**“Timetable Development Rights”**

means all or any of the rights of the Franchisee under any Track Access Agreement to:

- (a) operate Passenger Services and ancillary movements by virtue of that Track Access Agreement;
- (b) deliver any required notification and/or declaration to Network Rail in respect of its intention to exercise any rights;
- (c) make or refrain from making any bids for Train Slots, in each case before any relevant priority dates provided for in, and in accordance with, the Network Code;
- (d) surrender any Train Slots allocated to the Franchisee by Network Rail in accordance with the Network Code;
- (e) object to, make representations, appeal or withhold consent in respect of any actual or proposed act or omission by Network Rail; and
- (f) seek from Network Rail additional benefits as a condition to granting any consent to any actual or proposed act or omission by Network Rail;

**“Timetable Planning Rules”**

has the meaning given to it in the Network Code;

<b>"Timetabled Services"</b>	means a particular Passenger Service characterised by the day of the week (including Saturday and Sunday), time of day, origin station and destination and calling pattern which is scheduled to operate (such as the 0930 service from London Euston to Birmingham New Street on a Monday; the 1254 service from London Euston to Birmingham New Street on a Sunday etc);
<b>"Timetabling and Train Planning Compliance Investigation"</b>	has the meaning set out in paragraph 2.1 of Schedule 1.2 (Operating Obligations);
<b>"TOC Minute Delay Benchmark"</b>	means any of the performance levels in respect of Minutes Delay attributable to the Franchisee set out in the TOC Minute Delay Benchmark Table;
<b>"TOC Minute Delay Benchmark Table"</b>	means the table set out in Appendix 2 (TOC Minute Delay Benchmarks and Annual TOC Minute Delay Benchmarks) to Schedule 7.1 (Performance Benchmarks);
<b>"TOC Minute Delay Performance Sum"</b>	means an amount determined in accordance with paragraph 3.3 of Schedule 7.1 (Performance Benchmarks);
<b>"Total Actual Operating Costs"</b>	means the sum of the Actual Operating Costs for the relevant Reporting Period and each of the 12 preceding Reporting Periods during the Franchise Term (or the sum of the Actual Operating Costs for the relevant Reporting Period and all of the Reporting Periods that have elapsed since the Start Date where insufficient Reporting Periods have elapsed to enable the former calculation to be made);
<b>"Total Forecast Modified Revenue"</b>	means the sum of the Forecast Modified Revenue for each of the 13 Reporting Periods following the relevant Reporting Period (or, where there are less than 13 Reporting Periods remaining in the Franchise Term, the remaining Reporting Periods);
<b>"Total Forecast Operating Cost"</b>	means the sum of the Forecast Operating Cost for each of the 13 Reporting Periods following the relevant Reporting Period (or, where there are less than 13 Reporting Periods remaining in the Franchise Term, the remaining Reporting Periods);
<b>"Total Modified Revenue"</b>	means the sum of the Modified Revenue for the relevant Reporting Period and each of the 12 preceding Reporting Periods during the Franchise Term (or the sum of the Modified Revenue for the relevant Reporting Period and

all of the Reporting Periods that have elapsed since the Start Date where insufficient Reporting Periods have elapsed to enable the former calculation to be made);

**“Track Access Adjustment”** means any adjustment to payments under a Track Access Agreement determined in accordance with paragraph 1 of Schedule 8.4 (Track Access Adjustments and Station Charge Adjustments);

**“Track Access Agreement”** means each Access Agreement between Network Rail and the Franchisee which permits the Franchisee to provide the Passenger Services on track operated by Network Rail;

**“Train Fleet”** means:

- (a) the rolling stock vehicles described in or required by Schedule 1.7 (The Train Fleet); and
- (b) any other rolling stock vehicles the Secretary of State consents to in accordance with paragraph 2 of Schedule 1.7 (The Train Fleet) from time to time;

**“Train Mileage”** means, in relation to any period, the aggregate train mileage covered during such period by each train used in the provision of the Passenger Services (excluding, any train mileage covered as a result of positioning or other movements of rolling stock vehicles outside the Timetable) and **“Train Miles”** shall be construed accordingly;

**“Train Operator”** means a franchisee or franchise operator, either of which operate railway passenger services pursuant to a franchise agreement or a Public Sector Operator;

**“Train Plan”** means the Initial Train Plan (as such term is defined in paragraph 2.4 of Schedule 1.1 (Service Development)) and any other Train Plan developed in accordance with Schedule 1.1 (Service Development) except that when used in Schedule 7.1 (Performance Benchmarks), it shall have the meaning given to it in paragraph 2.17 of Schedule 7.1 (Performance Benchmarks);

**“Train Service Quality Inspection”** means an inspection of the facilities and services on a vehicle comprised within a SQR Train in the manner specified in the Service Quality Schedules and in accordance with the

requirements of Schedule 7.3 (Northern Franchise Service Quality Regime);

**“Train Service Requirement”** means the train service requirement more particularly described in paragraph 1 of Schedule 1.1 (Service Development) as such train service requirement may subsequently be amended or replaced in accordance with Schedule 1.1 (Service Development);

**“Train Slots”** shall have the meaning given to it in the Network Code;

**“Transfer Scheme”** means a transfer scheme made by the Secretary of State under Section 12 and Schedule 2 of the Railways Act 2005 (or equivalent statutory provision) pursuant to paragraph 3.1 of Schedule 15.4 (Provisions Applying on and after Termination), being substantially in the form of Appendix 1 (Form of Transfer Scheme) to Schedule 15.4 (Provisions Applying on and after Termination), but subject to such amendments as the Secretary of State may make thereto as a result of any change of Law affecting such transfer scheme or other change of circumstances between the date of the Franchise Agreement and the date on which such scheme is made;

**“TransPennine Express Franchise”** means the rights tendered by the Secretary of State to operate certain railway passenger services identified by him as the TransPennine Express passenger services (or by such other name as he may notify to the Franchisee for this purpose from time to time);

**“TransPennine Express Franchisee”** means the franchisee appointed by the Secretary of State on or about the date of the Franchise Agreement to operate the TransPennine Express Franchise;

**“Transport Act”** means the Transport Act 2000;

**“Transport Direct”** means the website offering free information for door to door travel for both public transport and car journeys around Great Britain;

**“Transport for London” or “TfL”** means Transport for London as established under the Greater London Authority Act 1999;

**“Travelcard Agreement”** means the agreement of that name referred to in paragraph (a)(iv) of the definition of Inter-Operator Schemes;

<b>“Traveline”</b>	means the telephone enquiry service providing information on all public transport across the United Kingdom;
<b>“Trustee”</b>	has the meaning given to it in paragraph 3.1 of Schedule 16 (Pensions);
<b>“TSI”</b>	means any Technical Standard for Interoperability with which the Franchisee is required to comply pursuant to Directives EU 96/48 and EU 2001/16 and related legislation;
<b>“TSR (TDR) Amendment”</b>	has the meaning given to it in paragraph 5.7 of Schedule 1.1 (Service Development);
<b>“Turnaround Time”</b>	means the time specified in the Train Plan between the completion of a Passenger Service in accordance with the Timetable and the commencement of the next Passenger Service in accordance with the Timetable on the same day using some or all of the same rolling stock vehicles;
<b>“Turnover”</b>	means, in relation to any period, the aggregate revenue (excluding any applicable Value Added Tax) accruing to the Franchisee from the sale of Fares and the receipt of Franchise Payments during such period;
<b>“T&amp;WPTE Fare”</b>	means a Fare for a flow in either direction between the following stations: <ul style="list-style-type: none"> <li>(a) Newcastle – Sunderland;</li> <li>(b) Newcastle – Heworth; or</li> <li>(c) Heworth – Sunderland;</li> </ul>
<b>“T&amp;WPTE Fares Basket”</b>	means the grouping of every T&WPTE Fare as set out in the T&WPTE Fares Document;
<b>“T&amp;WPTE Document”</b>	means the document to be issued by the Secretary of State (and as the same may be amended from time to time) in accordance with Schedule 5.7 (Changes to Fares and Fares Regulation);
<b>“T&amp;WPTE Season Ticket Fare”</b>	means a T&WPTE Fare which entitles the purchaser to make, without further restriction except as to class of accommodation, an unlimited number of journeys in any direction during the period for which, and between the stations and/or the zones for which, such T&WPTE Fare is valid;

<b>“T&amp;WPTE Stations”</b>	means Sunderland, Heworth or Newcastle stations;
<b>“Underspend”</b>	has the meaning given to it in paragraph 3.4 of Part 2 (Miscellaneous Provisions) of Schedule 6.1 (Committed Obligations and Related Provisions);
<b>“Unspecified Additional Rolling Stock”</b>	has the meaning given in paragraph 1.2 of Schedule 1.7 (The Train Fleet);
<b>“Value”</b>	means at any time the aggregate of the Projected Revenue of each Fare in a Fares Basket at that time;
<b>“Value Added Tax”</b>	means value added tax as provided for in the Value Added Tax Act 1994;
<b>“Variation”</b>	means a variation to the terms of the Franchise Agreement pursuant to paragraph 1 of Schedule 9.5 (Variations to the Franchise Agreement and Incentivising Beneficial Changes);
<b>“Weekday”</b>	means any day other than a Saturday, a Sunday or a Bank Holiday;
<b>“Weekly Season Ticket”</b>	means a Season Ticket Fare which is valid in Standard Class Accommodation from (and including) the day it first comes into effect until (but excluding) the day which falls seven days after such day;
<b>“Welsh Ministers”</b>	has the meaning given to it in section 45(2) of the Government of Wales Act 2006;
<b>“Whitby Branch Line Enhancement Works”</b>	has the meaning given to it in paragraph 6.2 of Schedule 6.2 (Northern Franchise Specific Provisions);
<b>“Wirral Line Station”</b>	means any station on the lines from: <ul style="list-style-type: none"> <li>(a) Chester to Liverpool Central;</li> <li>(b) Ellesmere Port to Liverpool Central;</li> <li>(c) Liverpool Moorfields to Chester;</li> <li>(d) Liverpool Moorfields to Ellesmere Port;</li> <li>(e) Liverpool Moorfields to New Brighton;</li> <li>(f) Liverpool Moorfields to West Kirby;</li> <li>(g) New Brighton to Liverpool Central; and</li> <li>(h) West Kirby to Liverpool Central;</li> </ul>



**“WYPTE Fare”**

means any:

- (a) Single Fare;
- (b) Return Fare;
- (c) Weekly Season Ticket;
- (d) Monthly Season Ticket;
- (e) Quarterly Season Ticket; or
- (f) Annual Season Ticket,

which is valid for use (i) only on Railway Passenger Services and not on any other form of transport, including bus, tram or light rail and (ii) for a journey where the origin and destination stations are both WYPTE Stations;

**“WYPTE Stations”**

means any of the following stations:

Baildon, Batley, Ben Rhydding, Berry Brow, Bingley, Bradford Forster Square, Bradford Interchange, Bramley, Brighouse, Brockholes, Burley Park, Burley-in-Wharfedale, Castleford, Cottingley, Cross Gates, Crossflatts, Deighton, Denby Dale, Dewsbury, East Garforth, Featherstone, Fitzwilliam, Frizinghall, Garforth, Glasshoughton, Guiseley, Halifax, Headingley, Hebden Bridge, Honley, Horsforth, Huddersfield, Ilkley, Keighley, Knottingley, Leeds, Lockwood, Marsden, Menston, Micklefield, Mirfield, Moorthorpe, Morley, Mytholmroyd, New Pudsey, Normanton, Outwood, Pontefract Monkhill, Pontefract Tanshelf, Ravensthorpe, Saltaire, Sandal & Agbrigg, Shepley, Shipley, Slaithwaite, South Elmsall, Sowerby Bridge, Steeton & Silsden, Stocksmoor, Streethouse, Todmorden, Wakefield Kirkgate, Wakefield Westgate, Walsden, and Woodlesford;

**“Yield Management Data”**

means data collected by or on behalf of the Franchisee for the purpose of or in connection with managing or setting the prices at which any tickets for travel on the Passenger Services are sold and/or any quotas and/or restrictions applying to such tickets including:

- (a) the number of passengers travelling upon any particular Passenger Service;
- (b) the ticket types held by such passengers;

- (c) the prices paid by such passengers for such tickets; and
- (d) the dates and/or times between which such tickets were made available to purchase at such prices;

**“Yield Management System”** means any system (whether a Computer System or otherwise) for the collection of Yield Management Data and/or onto which Yield Management Data is input, processed and/or held as such system may be amended or altered from time to time; and

**“Zone”** means a zone set out in the map in Schedule 2 of the Travelcard Agreement on the date such agreement came into effect or as amended by agreement with the Secretary of State.

### 3. COMMENCEMENT

3.1 <sup>38</sup>The clauses of this Agreement and the following Schedules of this Agreement shall take effect and be binding upon each of the Secretary of State and the Franchisee immediately upon signature of this Agreement:

- (a) paragraph 2.4 of Schedule 1.1 (Service Development);
- (b) paragraph 1 of Schedule 2.1 (Asset Vesting and Transfer);
- (c) paragraph 2 of Schedule 2.2 (Security of Access Agreements, Rolling Stock Leases, Station and Depot Leases);
- (d) paragraph 2 of Schedule 2.3 (Third Party Delivery of Passenger Services and Other Franchisees);
- (e) paragraph 4.3 of Schedule 4 (Persons with Disabilities and Disability Discrimination);
- (f) Schedule 5.1 (Purpose, Structure and Construction);
- (g) Schedule 5.3 (Allocation of Fares to Fares Baskets);
- (h) Schedule 5.7 (Changes to Fares and Fares Regulation);
- (i) Schedule 9 (Changes);
- (j) Schedule 10 (Remedies, Termination and Expiry);
- (k) paragraph 2 of Schedule 11 (Agreement Management Provisions);
- (l) paragraph 4 of Schedule 12 (Financial Obligations and Covenants);
- (m) paragraphs 1, 5, 6, 7 and 8 of Schedule 13 (Information and Industry Initiatives);

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<sup>38</sup> Provisions to be subject to review and amendment to take account of bidder proposals.

- (n) Schedule 14.3 (Key Contracts);
- (o) Schedule 15.1 (Reletting Provisions);
- (p) Schedule 17 (Confidentiality and Freedom of Information); and
- (q) Schedule 19 (Other Provisions).

3.2 The other provisions of this Agreement shall take effect and become binding upon the parties on the Start Date, as stated in the Certificate of Commencement issued pursuant to the Conditions Precedent Agreement.

#### 4. **TERM**

This Agreement shall terminate on the Expiry Date or on the date of any earlier termination pursuant to Clauses 4.2(b) or 4.3(b) of the Conditions Precedent Agreement or pursuant to Schedule 10 (Remedies, Termination and Expiry).

#### 5. **GENERAL OBLIGATIONS**

5.1 The Franchisee shall perform its obligations under this Franchise Agreement in accordance with its terms and with that degree of skill, diligence, prudence and foresight which would be exercised by a skilled and experienced Train Operator of the Franchise.

5.2 Any obligation on the part of the Franchisee to use all reasonable endeavours shall extend to consequent obligations adequately to plan and resource its activities, and to implement those plans and resources, with all due efficiency and economy.

5.3 The Franchisee shall co-operate with the Secretary of State and act reasonably and in good faith in and about the performance of its obligations and the exercise of its rights pursuant to this Franchise Agreement.

5.4 The Secretary of State shall act reasonably and in good faith in and about the performance of his obligations and the exercise of his rights pursuant to the Franchise Agreement.

#### 6. **COMPLIANCE WITH LAWS**

The Franchisee shall at all times perform the Franchise Services and all its other obligations under the Franchise Agreement in accordance with all applicable Laws.

#### 7. **ENTIRE AGREEMENT**

7.1 This Agreement and the Conditions Precedent Agreement contain the entire agreement between the parties in relation to the subject matter of the Franchise Agreement and supersede all prior agreements and arrangements between the parties other than any confidentiality agreements or undertakings which the Franchisee may have entered into with the Secretary of State in connection with his proposal to secure the provision of the Passenger Services under the Franchise Agreement.

7.2 The Franchisee hereby acknowledges that it is not entering into this Agreement and the Conditions Precedent Agreement in reliance on any warranties, representations or undertakings howsoever or to whomsoever made except in so far as such warranties, representations or undertakings are contained in the Franchise Agreement.

- 7.3 The Franchisee hereby acknowledges and agrees with the Secretary of State (for himself and as trustee for each of the other persons referred to therein) to the disclaimers of liability which are contained in Section 3.2 of the Invitation to Tender and the section entitled "Important Notice" contained in any document supplied by or on behalf of the Secretary of State in connection with the Franchise Agreement, the process leading to the entering into of the Franchise Agreement, or the Franchise Services (including any Invitation to Tender issued in connection therewith).
- 7.4 The Franchisee irrevocably and unconditionally waives any right which it may otherwise have to claim damages in respect of and/or to rescind this Agreement and the Conditions Precedent Agreement on the basis of any warranty, representation (whether negligent or otherwise, and whether made prior to and/or in this Agreement or the Conditions Precedent Agreement) or undertaking howsoever or to whomsoever made unless and to the extent that such warranty, representation or undertaking was made fraudulently.

8. **GOVERNING LAW**

The Franchise Agreement (and any non-contractual obligations arising out of or in connection with it) shall be governed by and construed in accordance with the laws of England and Wales and the parties irrevocably agree that the courts of England and Wales are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Franchise Agreement, except as expressly set out in the Franchise Agreement.

**IN WITNESS** whereof the parties hereto have executed this Agreement the day and year first before written:

**SEAL REF No.**

THE CORPORATE SEAL OF  
**THE SECRETARY OF STATE FOR  
TRANSPORT**  
is hereunto affixed:

)  
)  
)

-----  
Authenticated by authority of the  
Secretary of State for Transport  
-----

SIGNED FOR AND ON BEHALF OF  
**[INSERT]**

)  
)

Director:

-----

Director/Secretary:

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## **SCHEDULE 1**

### **Passenger Service Obligations**

<b>Schedule 1.1:</b>	<b>Service Development</b>
<b>Schedule 1.2:</b>	<b>Operating Obligations</b>
<b>Schedule 1.3:</b>	<b>Not Used</b>
<b>Schedule 1.4:</b>	<b>Passenger Facing Obligations</b>
<b>Schedule 1.5:</b>	<b>Information about Passengers</b>
<b>Schedule 1.6:</b>	<b>Franchise Services</b>
<b>Schedule 1.7:</b>	<b>The Train Fleet</b>

Final Draft - Subject to Contract

## SCHEDULE 1.1

### Service Development

#### 1. Train Service Requirement - Purpose And Responsibility

1.1 A Train Service Requirement is a minimum specification of Passenger Services and capacity to be provided by the Franchisee.

1.2 The Train Service Requirement as at the date of the Franchise Agreement is comprised in the following, all in agreed terms marked as follows:

- (a) **TSR1** being the Train Service Requirement applicable from the Start Date until the Passenger Change Date in December 2017;
- (b) **TSR2** being the Train Service Requirement applicable from the Passenger Change Date in December 2017 until the Passenger Change Date in December 2019; and
- (c) **TSR3** being the Train Service Requirement applicable from the Passenger Change Date in December 2019 until the end of the Franchise Term,

and for the purposes of this Schedule 1.1, such Train Service Requirement shall remain in force unless and until amended or replaced pursuant to this Schedule 1.1. The Train Service Requirement does not in any way limit the Franchisee's obligations pursuant to paragraph 7 of this Schedule 1.1. The Secretary of State and the Franchisee agree that the replacements of:

- (i) TSR1 by TSR2; or
- (ii) TSR2 by TSR3,

at the time and for the period specified in this paragraph 1.2 shall not constitute a Change for the purposes of paragraph (e) of the definition of Change unless:

- (iii) the Secretary of State alters the date as specified in this paragraph 1.2 upon which such Train Service Requirement is to come into effect; or
- (iv) from the relevant date from which such Train Service Requirement is to apply the Secretary of State issues a replacement Train Service Requirement which is different from such Train Service Requirement,

(in each case to be known as the "Alternative TSR") in which case a Change under paragraph (e) of the definition of Change shall occur provided that in respect of the circumstance specified in paragraph 1.2(iv) such Change shall only apply in respect of the differences between the Alternative TSR and the relevant Train Service Requirement which would otherwise be in force.

1.3 A Train Service Requirement may be expressed in whole or in part at any level of generality or to any level of detail the Secretary of State considers appropriate.

## 2. **Train Plan**

- 2.1 A Train Plan is the plan or diagram of the Franchisee for the operation of trains and train formations under the Timetable.
- 2.2 The Franchisee shall submit to the Secretary of State a Train Plan in respect of each Timetable in accordance with this Schedule 1.1 (Service Development).
- 2.3 In preparing any Train Plan, the Franchisee shall do so by reference to the timetable that it envisages operating in order to comply with the Train Service Requirement and paragraph 7.
- 2.4 It is acknowledged that as at the date of the Franchise Agreement Network Rail will have published the working timetable on which the Timetable applicable at the Start Date is to be based. Accordingly the Franchisee shall, as soon as reasonably practicable after the date of the Franchise Agreement, either:
- (a) confirm to the Secretary of State that it intends to adopt, from the Start Date until the next Passenger Change Date, the train plan used by the Train Operator under the Previous Franchise Agreement immediately prior to the Start Date; or
  - (b) submit its proposed train plan for the period from the Start Date until the next Passenger Change Date to the Secretary of State, in which case the provisions of paragraph 7.5 of this Schedule 1.2 shall apply in relation to any such train plan.

The train plan applicable in relation to the Timetable as at the Start Date as may be adopted by the Franchisee pursuant to paragraph 2.4(a) or submitted and certified by the Franchisee pursuant to paragraph 2.4(b) (as the case may be) shall, for the purposes of the Franchise Agreement be known as the Initial Train Plan.

- 2.5 Each Train Plan is to set out for each railway passenger service in the Timetable to which it relates:
- (a) its start point and departure time;
  - (b) its terminating point and arrival time;
  - (c) the number and class of rolling stock vehicles allocated to each such railway passenger service;
  - (d) the Passenger Carrying Capacity that each such railway passenger service, as formed, is to have; and
  - (e) its Forecast Passenger Demand and, where this has been requested by the Secretary of State and is capable of calculation, Actual Passenger Demand.
- 2.6 A Train Plan shall be in any format that the Secretary of State may reasonably specify for this purpose.



3. **Not Used**

4. **Consultation on Significant Alterations to the Timetable**

4.1 Notwithstanding any consultation the Secretary of State might separately undertake in respect of any amended or new draft Train Service Requirement issued pursuant to paragraph 9, the Franchisee shall where:

- (a) it intends that any future Timetable shall contain Significant Alterations compared to the Timetable then in force; and
- (b) such Significant Alterations are likely to have, in the reasonable opinion of the Franchisee, a materially adverse effect on:
  - (i) the ability of passengers using any station served by the Passenger Services to make journeys relating to work or education at reasonably convenient times; and/or
  - (ii) the trading prospects of commercial enterprises located in any community in which a station served by the Passenger Services is located in consequence of it being more difficult for customers or employees to access such commercial enterprises through travel on the Passenger Services,

consult with Stakeholders who would reasonably be expected to be affected by any such Significant Alterations in relation to such proposed future Timetable.

4.2 Accordingly the Franchisee shall where the circumstances described in paragraph 4.1 apply:

- (a) as soon as reasonably practicable provide to the Secretary of State and all Stakeholders a comprehensive summary of the proposed changes from the Timetable then in force specifying the proposed Timetable changes, the reasons for them and the likely impact on passengers;
- (b) carry out the consultation in relation to such proposed changes using a reasonable range of communication channels (taking into account the scale of the proposed changes) and in a manner that can be reasonably expected to encourage responses from a broad range of affected Stakeholders;
- (c) give consultees such time as is reasonable under all the circumstances to respond (it being agreed that it shall normally be reasonable to give at least 12 weeks to respond in relation to major proposed Timetable changes);
- (d) take due account of the responses of consultees;
- (e) within six weeks of the close of the consultation (or such longer period as the Secretary of State may agree, such agreement not to be unreasonably withheld or delayed) publish a report containing a summary of the main issues raised by respondents (including quantitative analysis of the responses received), the reasoned response of the Franchisee to them and notification of how the Franchisee will now seek to exercise relevant Timetable Development Rights in the context of its obligation to take due account of the results of the consultation;

- (f) ensure that the published report is promptly provided to the Secretary of State and all respondents who submitted written responses to the consultation and published in a widely accessible form; and
- (g) ensure that the relevant Timetable Development Rights to implement the proposed Timetable change are not exercised prior to the publication of the report and exercise such Timetable Development Rights in the manner indicated in the report.

## 5. **Timetable Development Rights**

- 5.1 The Franchisee shall use all reasonable endeavours to amend and/or enter into such Access Agreements as may be necessary or desirable from time to time to obtain the timetable development rights that it requires to secure a Timetable that enables it to operate railway passenger services that comply with the Train Service Requirement and otherwise comply with its obligations under the Franchise Agreement (including under paragraph 7 of this Schedule 1.1). The obligation to use all reasonable endeavours pursuant to this paragraph 5.1 shall include an obligation to pay any reasonable additional charges required by Network Rail solely as a consequence of the service enhancements specified in the Train Service Requirement which may, if the Franchisee is to obtain a Timetable that complies with the Train Service Requirement, require Network Rail to extend the hours during which signal boxes are staffed and/or upgrade the relevant level crossings to mitigate the increased risk of incidents due to the frequency of such Passenger Services being increased from that being operated immediately prior to the Start Date.
- 5.2 Prior to exercising any Timetable Development Rights to secure a Timetable the Franchisee shall make an informed estimate of Forecast Passenger Demand and in doing so shall make reasonable assumptions based on available evidence and making proper use of recognised railway industry systems and forecasting tools as these may develop over the Franchise Period, with the estimate being in such format and to such level of disaggregation as the Secretary of State may reasonably require.
- 5.3 The Franchisee shall exercise its Timetable Development Rights so as to secure a Timetable that enables it to operate railway passenger services that comply with the Train Service Requirement, paragraph 5.11 and paragraph 7 of this Schedule 1.1 in accordance with its obligations under paragraph 10 of this Schedule 1.1.
- 5.4 Where the Franchisee proposes to exercise its Timetable Development Rights so that the Timetable in force after the relevant Passenger Change Date contains Significant Alterations to that in force prior to such Passenger Change Date the Franchisee shall, without prejudice to its obligation to consult pursuant to paragraph 4, act reasonably with the intention of obtaining a Timetable which enables paragraphs 7.1(a) and 7.1(b) of this Schedule 1.1 to be achieved in relation to each Passenger Service in the Timetable to the greatest extent reasonably practicable. It is agreed that in acting reasonably the Franchisee shall take full and proper account of its calculation of Forecast Passenger Demand made pursuant to paragraph 5.2.
- 5.5 Unless the Secretary of State otherwise directs, the Franchisee shall, for the purposes of securing a Timetable that complies with the Train Service Requirement, paragraph 5.11 and paragraph 7 of this Schedule, exercise its rights under the Track Access Agreement (including the Network Code) to object, to make representations and to withhold consent in respect of any actual or proposed

act or omission by Network Rail in relation to such agreement in respect of its Timetable Development Rights.

5.6 Subject to the Franchisee complying with its obligations under paragraph 5.5, it shall not be liable for any failure to secure a Timetable that enables the Franchisee to operate railway passenger services that comply with the Train Service Requirement, paragraph 5.11 and paragraph 7 of this Schedule, to the extent that such failure is caused by:

- (a) the Franchisee's Timetable Development Rights being inadequate to enable it to secure the requisite Train Slots, provided that the Franchisee has exercised and, unless otherwise agreed by the Secretary of State, is continuing to exercise all reasonable endeavours to obtain the requisite timetable development rights in accordance with paragraph 5.1;
- (b) Network Rail exercising its flexing rights from time to time under the Track Access Agreement or the Network Code in respect of such Train Slots;
- (c) Network Rail exercising its other rights from time to time under the Track Access Agreement or the Network Code; or
- (d) the exercise by the ORR of its powers pursuant to Section 22C of the Act.

5.7

- (a) If and to the extent that the Franchisee is not able to secure a Timetable enabling it to operate railway passenger services that comply with the Train Service Requirement as a result of it not being able to obtain the timetable development rights that it requires for that purpose, then the Secretary of State shall (subject to paragraphs 5.7(b) and 5.7 (c) below) issue to the Franchisee such amendments to the Train Service Requirement ("**TSR (TDR) Amendment**") as the Secretary of State considers necessary such that the Franchisee is able to secure a Timetable in compliance with the Train Service Requirement as amended by the TSR (TDR) Amendments by exercise of the Timetable Development Rights that the Franchisee does have.
- (b) The Secretary of State shall have an unfettered discretion as to whether or not to issue a TSR (TDR) Amendment in circumstances where the Franchisee:
  - (i) has failed to exercise all reasonable endeavours to obtain the requisite timetable development rights in accordance with paragraph 5.1; and
  - (ii) is not relieved by paragraph 5.6 from liability for such failure to secure a Timetable that enables the Franchisee to operate railway passenger services that comply with the Train Service Requirement.
- (c) Where the Secretary of State reasonably considers that the failure to secure a Timetable that enables the Franchisee to operate the Train Service Requirement is partly due to the default of the Franchisee in not properly complying with its obligations under the Franchise Agreement

in relation to securing timetable development rights any TSR (TDR) Amendment shall not relieve the Franchisee of the obligation to comply with the Train Service Requirement to the extent that the Secretary of State determines that the failure is due to such default of the Franchisee and the Franchisee may be in contravention of the Franchise Agreement accordingly.

- 5.8 Following issue of any TSR (TDR) Amendment pursuant to paragraph 5.7 the Franchisee shall, unless otherwise agreed by the Secretary of State, continue to use all reasonable endeavours to amend and/or enter into such Access Agreements as may be necessary or desirable from time to time to obtain the timetable development rights that it requires to secure a Timetable that enables it to operate railway passenger services that comply with the Train Service Requirement without such TSR (TDR) Amendment.
- 5.9 Any TSR (TDR) Amendment issued pursuant to paragraph 5.7 shall:
- (a) unless otherwise required by the Secretary of State, cease to have effect on the date (if any) on which the first Timetable comes into effect after the Franchisee has obtained the Timetable Development Rights that it requires to secure a Timetable that enables it to operate railway passenger services that comply with the Train Service Requirement without any such TSR (TDR) Amendment; and
  - (a) amount to a Change but only to the extent that the Franchisee makes a saving as a consequence of such TSR (TDR) Amendment) or unless such TSR (TDR) Amendment has been issued in consequence of Network Rail exercising the rights referred to in paragraphs 5.6(b) or 5.6(c) in which case there shall be no Change.
- 5.10 With effect from the date on which any TSR (TDR) Amendment ceases to have effect in accordance with paragraph 5.9:
- (a) the Train Service Requirement without such TSR (TDR) Amendment shall thereafter apply; and
  - (b) there shall be a further Change (which for these purposes shall be deemed to be a Qualifying Change) from the date that the TSR (TDR) Amendment ceases to have effect so as, with effect from such date, to disapply the effect of the Change referred to in paragraph 5.9(b) from such date to take into account the fact that the Franchisee will have ceased to make a saving.
- 5.11 The Franchisee shall exercise its Timetable Development Rights so as to ensure, so far as reasonably practicable that:
- (a) the stopping patterns of Passenger Services are placed at approximately evenly-spaced intervals, taking into account the reasonable needs of passengers; and
  - (b) journey times between stations are minimised.

## 6. **Certification and Notification by Franchisee of Exercising Timetable Development Rights**

- 6.1 Before exercising any Timetable Development Right to bid for Train Slots, the Franchisee shall provide a certificate addressed to the Secretary of State and

signed by a statutory director of the Franchisee confirming that its proposed exercise of that Timetable Development Right will be compliant with its obligation specified in paragraph 5.3.

6.2 If requested by the Secretary of State, the Franchisee agrees to demonstrate to the reasonable satisfaction of the Secretary of State that the Franchisee's certificate referred to in paragraph 6.1 is a true and accurate confirmation of compliance with its obligation specified in paragraph 5.3.

6.3 The Franchisee shall:

- (a) keep the Secretary of State fully informed of any discussions with Network Rail and/or the ORR in relation to the matters referred to in this Schedule 1.1 (Service Development) which may, in the reasonable opinion of the Franchisee, have a material bearing on the ability of the Franchisee to deliver the Train Service Requirement or meet the requirements of paragraph 7 of this Schedule 1.1 (Service Development) through the Timetable and shall, if required to do so by the Secretary of State, supply copies of any related correspondence to the Secretary of State; and
- (b) update any notification under this paragraph 6.3 and/or certification under paragraph 6.1 as soon as reasonably practicable, if at any time it elects or is required to modify any aspect of its exercise of its Timetable Development Rights following Network Rail's proposed or actual rejection or modification of its bid or any part of it or for any other reason.

## 7. **Planning to meet Target Passenger Demand**

### 7.1 **Capacity and Timetable Planning**

The Franchisee shall, in preparing its Timetable and Train Plan, unless the Secretary of State otherwise agrees, provide for at least the capacity specified in the Train Service Requirement and use all reasonable endeavours to:

- (a) provide for Passenger Carrying Capacity on each Passenger Service that meets as a minimum the Target Passenger Demand for that Passenger Service; and
- (b) provide passengers with a reasonable expectation of a seat:
  - (i) on boarding any Passenger Service during each Off Peak; and
  - (ii) 20 minutes after boarding (or such other time period as the Secretary of State may stipulate) any Passenger Service during each Peak.

### 7.2 **Allocation of rolling stock where Franchisee unable to meet the capacity requirements**

If at the time it prepares its Timetable and/or Train Plan, having exercised all reasonable endeavours, the Franchisee is unable to prepare a Timetable and/or Train Plan having the Passenger Carrying Capacity and/or meeting the reasonable expectations referred to in paragraphs 7.1(a) and 7.1(b), then the Timetable and/or the Train Plan shall specify the best allocation of Passenger Services and

rolling stock vehicles to Passenger Services that is reasonably practicable with a view to:

- (a) minimising, so far as is possible, the amount by which Target Passenger Demand exceeds the provision of Passenger Carrying Capacity on the affected Passenger Services;
- (b) ensuring, so far as is possible, that such excess is not unduly concentrated on any particular Route or Passenger Service; and
- (c) minimising, so far as is possible, the extent to which passengers are required to stand:
  - (i) on boarding any Passenger Service during each Off-Peak; and
  - (ii) 20 minutes after boarding (or such other time period as the Secretary of State may stipulate) any Passenger Service during each Peak.

### 7.3

- (a) Subject to paragraph 7.3(b), the Franchisee shall in preparing its Timetable and its Train Plan take full and proper account of its calculation of Forecast Passenger Demand and use all reasonable endeavours to ensure that the Train Fleet is deployed in an optimal manner for the purposes of complying with its obligations under sub paragraphs 7.1 and 7.2 above.
- (b) The Franchisee shall in preparing its Timetable and Train Plan deploy the entire Train Fleet (excluding reasonable planning requirements for the allocation of Hot Standbys or other rolling stock vehicles to be out of service due to maintenance requirements, Mandatory Modifications or any other reason agreed with the Secretary of State (such agreement not to be unreasonably withheld or delayed)) in delivering the Passenger Services:
  - (i) during each Peak; and
  - (ii) at such times during each Off-Peak where such deployment of the entire Train Fleet is reasonably required to meet the Franchisee's obligations pursuant to sub paragraphs 7.1 and 7.2 above.

7.4 The Franchisee shall submit its proposed Train Plan to the Secretary of State as soon as reasonably practicable after Network Rail has published the working timetable on which the Timetable is to be based.

7.5 The Franchisee shall submit its final Train Plan to the Secretary of State prior to the commencement of the Timetable to which it relates. It shall be certified by a statutory director of the Franchisee as being true and accurate and including the minimum capacity specified in the Train Service Requirement.

## 8. Capacity Mitigation Plan

### 8.1

(a) Without prejudice to the obligation of the Franchisee to include in the Train Plan the capacity specified in the Train Service Requirement, if at any time the Franchisee is unable to prepare a Timetable and/or a Train Plan which meets the requirements of paragraph 7.1 (regardless of whether the Franchisee has used all reasonable endeavours to do so), the Secretary of State may serve a notice on the Franchisee requiring it to produce a plan to a reasonable specification provided with the notice to remedy or mitigate such inability ("**Capacity Mitigation Plan**"). Such specification may, without limitation, include measures to be implemented by the Franchisee to:

- (i) remedy the circumstances leading to the Franchisee being unable to prepare a Timetable and/or a Train Plan which meets the requirements of paragraph 7.1; and/or
- (ii) minimise, so far as is possible, the amount by which Target Passenger Demand exceeds the provision of Passenger Carrying Capacity on the affected Passenger Services;
- (iii) ensure, so far as is possible, that such excess is not unduly concentrated on any particular Route or Passenger Service; and
- (iv) minimise, so far as is possible, the extent to which passengers are required to stand:
  - (A) on boarding any Passenger Service during each Off - Peak; and
  - (B) 20 minutes after boarding (or such other time period as the Secretary of State may stipulate) any Passenger Service during each Peak,

in all such cases (unless the Secretary of State specifies to the contrary) taking into account both Actual Passenger Demand and Forecast Passenger Demand. Where the Secretary of State reasonably believes that future circumstances may lead to the Franchisee being unable to prepare a Timetable and/or a Train Plan which meets the requirements of paragraph 7.1 at any time within the next four years (including after the end of the Franchise Term) he shall have the right to serve notice on the Franchisee specifying those future circumstances and the date that the Franchisee should assume that they will arise from and requiring it to produce a Capacity Mitigation Plan to remedy or mitigate such future circumstances on the basis of assumptions provided by the Secretary of State.

(b) The Capacity Mitigation Plan shall (unless the Secretary of State specifies to the contrary) include the Franchisee's informed estimate of Forecast Passenger Demand, in such format and to such level of disaggregation as the Secretary of State may reasonably require. Without limitation such specification may require the Franchisee to present options to address relevant issues through:

- (i) alterations to the Train Service Requirement;
  - (ii) modification of rolling stock or the acquisition of additional or replacement rolling stock;
  - (iii) alterations to Fares; and/or
  - (iv) alterations or enhancements to any track, signalling, station, depot or other relevant railway infrastructure.
- (c) The Capacity Mitigation Plan shall provide a comprehensive analysis backed by relevant data and assumptions of:
- (i) all cost and revenue and other financial implications of options contained within it including the potential implications for Franchise Payments;
  - (ii) the implications (if any) for the Benchmarks and/or the Annual Benchmarks; and
  - (iii) the likely impact of options within it for existing and future passenger journeys and journey opportunities.
- (d) The Franchisee shall meet with the Secretary of State to discuss the Capacity Mitigation Plan and provide such further information or analysis and further iterations of the Capacity Mitigation Plan as the Secretary of State shall reasonably require.

**9. Franchisee Informed Opinion and new or amended Train Service Requirement**

9.1 Prior to issuing any amended or new Train Service Requirement the Secretary of State shall provide to the Franchisee his draft of any proposed amended or new Train Service Requirement stating the date upon which he proposes that such amended or new Train Service Requirement should take effect along with the Secretary of State's view as to the changes (if any) that he proposes to make to the Benchmarks and/or the Annual Benchmarks. On receipt of any such draft of a proposed amended or new Train Service Requirement the Franchisee shall provide to the Secretary of State if so requested its informed opinion:

- (a) with supporting reasons as to the impact of the proposed amended or new Train Service Requirement on the delivery of an optimal range of railway passenger services patterns relative to Target Passenger Demand and compliance with paragraph 7.1 of this Schedule 1.1 (Service Development);
- (b) with supporting reasons as to the changes to resources and adjustment to Franchise Payments (if any) which would be required in consequence of the proposed amended or new Train Service Requirement;
- (c) with supporting reasons as to changes (if any) to the Benchmarks and/or the Annual Benchmarks;
- (d) of the process to be required to implement the proposed amendment to the Train Service Requirement together with a plan for the implementation of the amendment to the Train Service Requirement (including all steps required to ensure that the Franchisee can deliver a



Timetable compliant with such amended or new Train Service Requirement) prepared in accordance with procedural arrangements specified by the Secretary of State pursuant to paragraph 10; and

- (e) with supporting reasons of the likely impact of the proposed amended or new Train Service Requirement on existing and future passenger journeys and journey opportunities.
- 9.2 There may be iterations of drafts of the proposed amended or new Train Service Requirement and the Franchisee shall to the extent required by the Secretary of State have the obligations described in this paragraph 9 in respect of all such iterations.
- 9.3 Processes contained in paragraph 8 and this paragraph 9 shall take place in accordance with procedural arrangements and timescales stipulated by the Secretary of State pursuant to paragraph 10.2.
- 9.4 The Secretary of State may, in accordance with any stipulation made under paragraph 10.2, issue to the Franchisee any amended or new Train Service Requirement that he requires the Franchisee to operate and notice of the changes (if any) to the Benchmarks and/or the Annual Benchmarks. Such amended or new Train Service Requirement will be issued prior to the commencement of the timetable development process of Network Rail for the Timetable in respect of which it is proposed to implement the change to Passenger Services arising from the amended or new Train Service Requirement. In the absence of the Secretary of State issuing any amended or new Train Service Requirement the existing Train Service Requirement will remain in full force and effect. The degree of variation from any Train Service Requirement specified when the Franchise Agreement was entered into in respect of any particular period and brought about by any amended or new Train Service Requirement issued pursuant to this paragraph 9.4 shall (where relevant) be of a magnitude no greater than that contemplated in the Invitation to Tender.
- 9.5 At the same time as the Secretary of State provides the Franchisee with a draft of any proposed amended or new Train Service Requirement pursuant to paragraph 9.1, the Secretary of State shall also provide to the Franchisee his opinion of any changes (if any) that are required to the Benchmarks and/or the Annual Benchmarks.
10. **Procedure**
- 10.1 The Franchisee agrees that the effective operation of the provisions of this Schedule 1.1 (Service Development), and of provisions addressing the same or similar matters in other franchise agreements, will require certain procedural arrangements and timescales to be followed to a common timescale by the Secretary of State, the Franchisee and others.
- 10.2 The Franchisee agrees that the Secretary of State may stipulate any reasonable procedural arrangements and timescales that are to be followed by the Secretary of State and the Franchisee for these purposes (which shall be consistent with any relevant standard railway industry processes for timetable development) and that the Secretary of State may amend any such stipulation from time to time.
- 10.3 The Secretary of State agrees to consult the Franchisee as far as reasonably practicable prior to stipulating or amending any such procedural arrangements and timescales in accordance with paragraph 10.2.

- 10.4 Any stipulation by the Secretary of State pursuant to paragraph 10.2:
- (a) shall be at the reasonable discretion of the Secretary of State;
  - (b) may contain procedural arrangements and timescales to be followed by the Franchisee in relation to other changes to the Franchise Services (pursuant to paragraph 1 of Schedule 9.5 (Variations to the Franchise Agreement and Incentivising Beneficial Changes)) in conjunction with the Train Service Requirement; and
  - (c) may provide for iterations of drafts of any amended or new Train Service Requirement, Train Plan or Timetable.
- 10.5 Any procedural arrangements and timescales stipulated by the Secretary of State pursuant to paragraph 10.2 shall have contractual effect between the Franchisee and the Secretary of State in accordance with the terms of such stipulation.

## 11. **Obligations in relation to other Train Operators**

- 11.1 Subject to the terms of the Licences and any applicable Law, the Franchisee shall co-operate with other Train Operators in respect of their timetable development rights where such other Train Operators provide railway passenger services meeting common or displaced passenger demand, with a view to ensuring that:
- (a) the levels of overcrowding over the Routes or other relevant routes are minimised and not unduly concentrated on particular railway passenger services, Routes or other relevant routes;
  - (b) the stopping patterns of such railway passenger services are placed at approximately evenly-spaced intervals throughout each relevant hour, taking into account the reasonable needs of passengers and the different types of railway passenger services provided by other Train Operators and the Franchisee; and
  - (c) a reasonable pattern of railway passenger service is provided on the relevant route(s) to enable passengers to make Connections (particularly where low frequency railway passenger services are operated or last trains are involved, taking account of seasonal fluctuations in passenger demand and the time needed to make any such Connection).

## 12. **Provisions relating to Access Agreements and Property Leases**

- 12.1 Where the Secretary of State considers it requisite for the purposes of better securing the delivery of railway passenger services under the Franchise Agreement, or any other franchise agreement, or for the better achievement by him of any of his duties, functions and powers in relation to railways, the Secretary of State may require the Franchisee:
- (a) to exercise or refrain from exercising any or all of its rights under any Access Agreement or any Property Lease, or any related rights under such other agreements as the Secretary of State may specify; and/or
  - (b) subject to the consent of the counterparty thereto, to assign, novate or surrender its rights under any Access Agreement or Property Lease.

- 12.2 Except to the extent that the Secretary of State otherwise indicates from time to time, the Franchisee shall notify the Secretary of State of its intention to enter into or amend any Access Agreement:
- (a) where the approval of the ORR is required under the Act, not less than 10 Weekdays before the submission to the ORR; and
  - (b) where no such approval is required, not less than 10 Weekdays prior to entering into such amendment or Access Agreement.
- 12.3 The Franchisee shall comply with its obligations under any Access Agreement or any Property Lease to which it is a party from time to time:
- (a) to notify or consult with the Secretary of State on any matter or proposal relating to that Access Agreement or Property Lease; and
  - (b) which are contingent on a particular course of action being taken by the Secretary of State or which are otherwise expressly included in that Access Agreement or Property Lease for the benefit of the Secretary of State.
- 12.4 If and to the extent that:
- (a) the Secretary of State exercises his rights pursuant to paragraph 12.1;
  - (b) the Franchisee's compliance with the Secretary of State's requirements pursuant to paragraph 12.1 would lead to the unavoidable consequence of the Franchisee contravening any other terms of the Franchise Agreement or the occurrence of an Event of Default; and
  - (c) the Franchisee duly complies with such requirements,
- no such contravention of the Franchise Agreement or Event of Default shall have occurred.
13. **Disapplication of the rights of the Franchisee to claim compensation under the Track Access Agreement for Planned Blockades**
- 13.1 The Franchisee acknowledges and agrees that:
- (a) the applicable "Timetable Planning Rules" and "Engineering Access Statement" specifies planned blockades ("**Planned Blockades**") which will prevent the operation of:
    - (i) the first Passenger Service on a Sunday morning from Manchester to Manchester Airport (as specified as at the date of this Franchise Agreement in each of the Train Service Requirements in the agreed terms marked "**TSR 2**" and "**TSR 3**") for two Reporting Periods in each Franchisee Year; and
    - (ii) the last Passenger Service on Weekday evening from Manchester to Wigan (as specified as at the date of this Franchise Agreement in each of the Train Service Requirements in the agreed terms marked "**TSR 2**" and "**TSR 3**") on Mondays to Thursday evenings in every sixth week in each Franchisee Year,

and each such service being referred to in this paragraph 13.1 as an ("**Engineering Access Enhancement Service**"); and

- (b) it has been fully compensated through Franchise Payments for the costs and revenue impacts of the Planned Blockades (including the costs of providing replacement bus services) for the Engineering Access Enhancement Services.

13.2 Accordingly the Franchisee agrees that it shall not make any claim for compensation from Network Rail under its Track Access Agreement or otherwise in relation to any direct or indirect costs (which for these purposes shall include any costs for the provision of replacement buses, bus and taxi hire costs, publicity costs, train planning and diagramming costs), losses and expenses (including any loss of revenue) incurred or expected to be incurred by the Franchisee as a consequence of not being able to operate the Engineering Access Enhancement Services because of the Planned Blockades.

13.3 The Franchisee shall:

- (a) co-operate in good faith with Network Rail for the purposes of ensuring that the compensation mechanism under the Track Access Agreement is amended (if necessary) to give effect to the requirements of paragraph 13.2; and
- (b) in any event, reimburse to Network Rail any sums received from Network Rail by way of compensation of the type referred to in paragraph 13.2.

#### 14. **The Timetable and the Working Timetable**

14.1 Any specification of railway passenger services in a Train Service Requirement shall (unless the Secretary of State states to the contrary) be regarded as relating to how those services are to be provided for in the National Rail Timetable that Network Rail publishes for passengers, and not how they are to be provided for in the working timetable that Network Rail issues to industry parties at the conclusion of its timetable development process.

14.2 Accordingly, the Franchisee's obligations specified in paragraph 5.3 shall be construed as an obligation to secure the requisite Train Slots in the working timetable to be issued by Network Rail at the conclusion of its timetable development process that will permit the Franchisee to operate railway passenger services that comply with the Train Service Requirement provided for in the relevant Timetable.

14.3 The Franchisee shall ensure, for each period between two consecutive Passenger Change Dates during the Franchise Term that the Timetable for such period is, in its reasonable opinion, not materially different from the relevant working timetable issued by Network Rail at the conclusion of its timetable development process.

## SCHEDULE 1.2

### Operating Obligations

#### 1. Daily Operating Obligations

- 1.1 The Franchisee agrees to use all reasonable endeavours to operate on each day of the Franchise Term each of its Passenger Services as are set out in the Plan of the Day for that day and with at least the Passenger Carrying Capacity specified in the Train Plan for that Passenger Service. The Franchisee shall notify the Secretary of State as soon as reasonably practicable if it has on any day of the Franchise Term failed to operate to a material extent each of its Passenger Services as are set out in the Plan of the Day for that day and with at least the Passenger Carrying Capacity specified in the Train Plan for that Passenger Service.
- 1.2 The Franchisee shall ensure that its performance in each Reporting Period, calculated as a moving annual average in accordance with Schedule 7.1 (Performance Benchmarks), does not exceed (that is, is neither equal to or worse than) each Breach Performance Level in respect of that Reporting Period. It shall be a contravention by the Franchisee of the terms of the Franchise Agreement if its performance exceeds (that is, is equal to or worse than) any Breach Performance Level in any Reporting Period.

#### 2. Capacity Compliance

- 2.1 If the Secretary of State considers that the Franchisee may have breached any of its obligations under any of paragraphs 5.1, 5.3, 5.4, 5.5, 7.1 or 7.2 of Schedule 1.1 (Service Development) and/or paragraph 1.1 of this Schedule 1.2 (Operating Obligations), he shall (in addition to his right to obtain further information pursuant to paragraph 1.1 of Schedule 1.5 (Information about Passengers) and without prejudice to any other rights of the Secretary of State under the Franchise Agreement or otherwise) have the right, by serving notice on the Franchisee, to instigate an investigation of the Franchisee's compliance with its obligations under paragraphs 5.1, 5.3, 5.4, 5.5, 7.1 and 7.2 of Schedule 1.1 (Service Development) and paragraph 1.1 of this Schedule 1.2 ("**Timetabling and Train Planning Compliance Investigation**").
- 2.2 Following the service of such a notice the Franchisee shall:
- (a) provide such information as the Secretary of State may reasonably require for the purposes of determining if the Franchisee has complied with its obligations under paragraphs 5.1, 5.3, 5.4, 5.5, 7.1 and 7.2 of Schedule 1.1 (Service Development) and paragraph 1.1 of this Schedule 1.2 (Service Obligations) including:
    - (i) evidence of the steps taken by the Franchisee to amend and/or enter into Access Agreements, exercise Timetable Development Rights and exercise its rights under the Track Access Agreement to object, to make representations and to withhold consent in respect of any actual or proposed act or omission by Network Rail in relation to such agreement in respect of its Timetable Development Rights;
    - (ii) evidence of the extent to which the Franchisee has operated on each day of the relevant Reporting Period each of its

Passenger Services as are set out in the Plan of the Day for that day and with at least the Passenger Carrying Capacity specified in the Train Plan for that Passenger Service;

- (iii) Forecast Passenger Demand and the way that it was calculated including all evidence taken into account and assumptions used (including any divergences from then existing industry modelling standards and the reasons for such divergences); and
  - (iv) the alternative solutions considered by the Franchisee before finalising the Timetable and Train Plan and the reasons why any such alternative solutions were not adopted; and
- (b) permit the Secretary of State to carry out an audit of the extent to which the Timetable and Train Plan enables the Franchisee to operate railway passenger services that comply with the Train Service Requirement and paragraph 7 of Schedule 1.1 (Service Development) and fully co-operate with and provide all information needed to facilitate such audit.

### 2.3

- (a) The Franchisee shall be in contravention of the Franchise Agreement if following the completion by the Secretary of State of the Timetabling and Train Planning Compliance Investigation he concludes that the Franchisee breached any of its obligations under any of paragraphs 5.1, 5.3, 5.4, 5.5, 7.1 or 7.2 of Schedule 1.1 (Service Development) and/or paragraph 1.1 of this Schedule 1.2 (Operating Obligations) including where the Franchisee:
- (i) failed to act reasonably in calculating Forecast Passenger Demand because it unreasonably assumed that there would be differences between Forecast Passenger Demand and Actual Passenger Demand at the time that the Forecast Passenger Demand calculation was made; or
  - (ii) made unreasonable assumptions about the timetables likely to be operated by other Train Operators serving some or all of the same stations as the Franchisee.
- (b) Where the Secretary of State does conclude pursuant to paragraph 2.3(a) above that the Franchisee has breached any relevant obligation the Franchisee shall pay to the Secretary of State the costs incurred by him in undertaking any Timetabling and Train Planning Compliance Investigation (including any audit pursuant to paragraph 2.2(b)).

- 2.4 The Secretary of State shall notify the Franchisee if he concludes pursuant to paragraph 2.3 that the Franchisee is in contravention of the Franchise Agreement and he may at his discretion, and entirely without prejudice to his other rights consequent upon the relevant contravention, serve a Remedial Plan Notice pursuant to paragraph 1.1 of Schedule 10.1 (Remedial Plans and Remedial Agreements).

### **3. Timetable changes proposed by Network Rail**

3.1 The Franchisee shall notify the Secretary of State promptly after being notified by Network Rail that Network Rail has decided or proposes to:

- (a) omit from the Plan of the Day Passenger Services that are included in the Timetable; or
- (b) reschedule in the Plan of the Day Passenger Services from their scheduling in the Timetable.

3.2 To the extent that any such decision or proposal may, in the reasonable opinion of the Franchisee, materially (having regard to both duration and scale) prejudice the Franchisee's ability to deliver the Timetable with the Passenger Carrying Capacity stipulated in the Train Plan the Franchisee shall explain in such notification the way in which, in its reasonable opinion, such omission or rescheduling may materially prejudice the Franchisee's ability to deliver the Timetable with the Passenger Carrying Capacity stipulated in the Train Plan.

3.3 The Franchisee agrees to supply to the Secretary of State from time to time, in the format required by the Secretary of State, such details of any actual or proposed omission or rescheduling of Passenger Services by Network Rail as the Secretary of State may reasonably require, including details of the steps which the Franchisee proposes to take pursuant to paragraph 3.4.

3.4 Where the actual or proposed omission or rescheduling of Passenger Services is one which may, in the reasonable opinion of the Secretary of State or the Franchisee, materially prejudice the Franchisee's ability to deliver the Timetable with the Passenger Carrying Capacity stipulated in the Train Plan, the Franchisee agrees (unless the Secretary of State specifically agrees otherwise) to exercise its rights under the Track Access Agreement (including the Network Code) to:

- (a) object (including submitting its objection to any relevant dispute resolution arrangements or procedures and appealing against any award or determination under such arrangements or procedures, including to the ORR);
- (b) make representations; and
- (c) withhold consent,

in respect of any actual or proposed omission or rescheduling of Passenger Services by Network Rail.

3.5 The provisions of this paragraph 3 shall apply to any actual or proposed omission or rescheduling of Passenger Services that originates from any person other than Network Rail, as those provisions apply to Network Rail.

### **4. Timetable changes proposed by the Franchisee**

4.1 The Franchisee agrees, subject to paragraph 4.2, not to propose to Network Rail:

- (a) the addition to the Plan of the Day of any railway passenger services which are not included in the Timetable;
- (b) the omission from the Plan of the Day of any Passenger Services included in the Timetable; or

- (c) the rescheduling in the Plan of the Day of any Passenger Services from their scheduling in the Timetable,

without the Secretary of State's prior consent.

- 4.2 The Franchisee shall use all reasonable endeavours to operate adequate railway passenger services to or from any special events which are not already provided for in the Plan of the Day to meet the passenger demand that is reasonably likely to arise from such special events and from the operation of such railway passenger services including through additions to and omissions from the Plan of the Day or rescheduling in the Plan of the Day where appropriate.

#### 5. **Timetable changes requested by the Secretary of State**

The Franchisee agrees, as and when requested by the Secretary of State, to use all reasonable endeavours to seek and to obtain:

- (a) the addition to the Plan of the Day of any railway passenger services that are not included in the Timetable;
- (b) the omission from the Plan of the Day of any Passenger Services that are included in the Timetable; and/or
- (c) the rescheduling in the Plan of the Day of any Passenger Services from their scheduling in the Timetable.

#### 6. **Obligations of the Franchisee in the event of disruption to railway passenger services**

- 6.1 In the event of any planned or unplanned disruption to railway passenger services operated on the Routes, or on other parts of the network which are reasonably local to the Routes, the Franchisee shall:

- (a) without prejudice to any other provision of this Schedule 1.2 (Operating Obligations), notify the Secretary of State promptly where such disruption would materially (having regard to both duration and scale) prejudice the Franchisee's ability to deliver the Timetable or deliver the Timetable in accordance with the Train Plan;
- (b) co-operate with Network Rail and other Train Operators to act in the overall interests of passengers using such railway passenger services, including using all reasonable endeavours to ensure that such disruption is not concentrated on a particular part of the network, except where such concentration either:
  - (i) would be in the overall interests of passengers using such Passenger Services or railway passenger services and would not result in disproportionate inconvenience to any group of passengers; or
  - (ii) is reasonably necessary as a result of the cause or the location of the disruption; and
- (c) use all reasonable endeavours to provide or secure the provision of alternative transport arrangements in accordance with paragraph 6.2.



- 6.2 The Franchisee shall use all reasonable endeavours to provide or secure the provision of alternative transport arrangements to enable passengers affected by any disruption referred to in paragraph 6.1 to complete their intended journeys in accordance with this paragraph 6.2. In particular, the Franchisee shall use all reasonable endeavours to:
- (a) ensure that such alternative transport arrangements are of reasonable quality, of a reasonably similar frequency to the Passenger Services included in the Timetable which such arrangements replace and reasonably fit for the purpose of the journey to be undertaken;
  - (b) transport passengers to, or as near as reasonably practicable to, the end of their intended journey on such Passenger Services, having particular regard to the needs of any disabled persons and, where appropriate, making additional arrangements for such disabled persons to complete their intended journey;
  - (c) provide adequate and prominent publicity of such alternative transport arrangements in advance, subject, in the case of unplanned disruption, to the Franchisee having sufficient notice of such disruption to enable it to provide such publicity;
  - (d) provide sufficient alternative transport capacity for the reasonably foreseeable demand for the disrupted Passenger Services; and
  - (e) ensure, if any planned disruption overruns, that there is a reasonable contingency arrangement for such alternative transport arrangements to continue for the duration of such overrun.

7. **Obligation to use all reasonable endeavours**

7.1 Any obligation in this Schedule 1.2 (Operating Obligations) on the part of the Franchisee to use all reasonable endeavours to operate railway passenger services shall include an obligation to:

- (a) ensure (so far as it is able to do so) the provision of the Passenger Services as set out in the Plan of the Day in accordance with the Train Plan in ordinary operating conditions;
- (b) take reasonable measures to avoid and/or reduce the impact of any disruption to the Franchise Services having regard to all the circumstances, including the reasonably foreseeable risks arising from the matters referred to in paragraph 7.2; and
- (c) actively manage the performance by Network Rail of its contractual relationship with the Franchisee (and provide appropriate management resources for this purpose) so as to secure the best performance reasonably obtainable from Network Rail by these means (including taking the steps referred to in paragraph 7.4), having regard to all the circumstances.

7.2 The matters to which the Franchisee is to have regard pursuant to paragraph 7.1(b) shall include:

- (a) variations in weather and operating conditions (including Network Rail's infrastructure not being available for any reason), which may in either case include seasonal variations;

- (b) default by, or restrictions imposed by, suppliers to the Franchisee;
- (c) shortages of appropriately skilled or qualified Franchise Employees;
- (d) disputes with Franchise Employees;
- (e) the availability of the Train Fleet, having regard to maintenance requirements and any Mandatory Modifications;
- (f) establishing reasonable Turnaround Time allowances for enabling or disabling (as appropriate) any part of a train, the rostering of any train crew and the servicing or cleaning of any rolling stock vehicles; and
- (g) failures of rolling stock vehicles in service and contingency arrangements (including Hot Standbys and rescue traction).

7.3 For the purpose of taking measures in respect of any disruption to the Franchise Services in accordance with paragraph 7.1(b) and assessing the extent of any risk referred to in paragraph 7.1(b) and any such risk's reasonable foreseeability, regard shall be had both:

- (a) to the historical levels of incidence of disruption in the operation of:
  - (i) the Franchise Services;
  - (ii) similar services both by the Franchisee and/or its predecessors; and
  - (iii) other services of a type similar to the Franchise Services; and
- (b) to potential changes in circumstances which may affect those levels.

7.4 The steps to which paragraph 7.1(c) refers include:

- (a) co-operating with Network Rail in the development, agreement and implementation of:
  - (i) a five year (rolling) Performance Strategy Plan; and
  - (ii) recovery plans in response to failures to achieve the performance levels specified in any Performance Strategy Plan;
- (b) co-operating with Network Rail in adopting the principles set out in any Service Recovery Plans agreed between Network Rail and the Franchisee from time to time;
- (c) undertaking regular reviews of:
  - (i) the most common and most detrimental causes of PPM attrition and delay to the Passenger Services; and
  - (ii) the causes of the ten delays to the Passenger Services with the longest duration (to the extent not already reviewed in accordance with paragraph 7.4(c)(i)),

which have occurred during a defined review period (e.g. weekly/four weekly/quarterly) and which have been caused by the Franchisee, any other Train Operator, any other train operator licensed under the Act or Network Rail;

- (d) undertaking with Network Rail a review of the time taken to recover the Passenger Services following the occurrence of any of the events specified in paragraphs 7.4(c)(i) and 7.4(c)(ii) and seeking to identify and implement actions that reduce the delay effect of such events;
- (e) setting up and holding regular and effective performance review meetings with Network Rail, evidenced by meeting minutes and the closure of actions agreed between the parties;
- (f) regularly monitoring (at least every Reporting Period) the delivery of local output commitments made by Network Rail in the Performance Strategy Plan and derived delivery plans and using reasonable endeavours to specify and develop such delivery plans;
- (g) as and when required by Network Rail, co-operating with Network Rail in improving the accuracy of future timetables by providing access to trains (and data collected from train systems), other facilities and/or information;
- (h) co-operating with Network Rail in other delay management initiatives and ongoing quarterly reviews of the Performance Strategy Plan;
- (i) regularly reviewing (at least every Reporting Period) the imposition and clearance of temporary speed restrictions;
- (j) regularly reviewing (at least every Reporting Period) the timely and efficient handover and hand-back of possessions; and
- (k) where appropriate and where Network Rail fails to perform its obligations under the Track Access Agreement, enforcing the Franchisee's rights under such Track Access Agreement.

7.5 The Franchisee undertakes to reasonably co-operate with Network Rail with regard to Network Rail's management of the network, including in relation to the establishment of up to date Timetable Planning Rules.

7.6 To the extent not already provided for in the Franchise Agreement, the Franchisee shall use all reasonable endeavours to ensure the performance by Network Rail of its obligations under any relevant agreement including, where appropriate or where requested by the Secretary of State, enforcing its rights against Network Rail under any such agreement.

7.7 When and to the extent reasonably requested by the Secretary of State, the Franchisee shall provide to the Secretary of State evidence of the steps taken by it in order to comply with its obligations under this paragraph 7.

## 8. **Additional Requirements for the Northern Regional Passenger Services**

- 8.1 By no later than [*insert date*]<sup>39</sup> and so far as it is possible to do so given the size and composition of the Train Fleet and without contravening the requirements of paragraph 7 of Schedule 1.1 (Service Development), the Franchisee shall, in preparing its Timetable and Train Plan, deploy the Train Fleet in a manner that meets each of the Rolling Stock Quality Requirements in delivering the Northern Regional Passenger Services.
- 8.2 The Franchisee agrees to use all reasonable endeavours to operate each of the Northern Regional Passenger Services using the Train Fleet vehicles specified for those Northern Regional Passenger Services in the Train Plan prepared by the Franchisee in accordance with the requirements of paragraph 8.1.
- 8.3 At the same time as the Franchisee is required to submit its Train Plan to the Secretary of State pursuant to paragraph 7.4, the Franchisee shall also submit:
- (a) a plan which sets out for each Northern Regional Passenger Service in the Timetable to which it relates:
    - (i) its start point and departure time;
    - (ii) its termination point and arrival time; and
    - (iii) the number and class of rolling stock vehicles allocated to such passenger service in the Train Plan prepared in accordance with the requirements of paragraph 8.1; and
  - (b) a certificate addressed to the Secretary of State and certified by a statutory director of the Franchisee confirming that:
    - (i) the plan submitted by the Franchisee in accordance with paragraph 8.3(a) is:
      - (A) consistent with the Timetable and Train Plan;
      - (B) accurately reflects the manner in which the Franchisee plans to deploy its Train Fleet in delivering each of the Northern Regional Passenger Services; and
    - (ii) the Franchisee has complied with its obligations as specified in paragraph 8.1.
- 8.4 It shall be a contravention of the Franchise Agreement if any certificate submitted to the Secretary of State in accordance with this paragraph 8.3(b) is, in the reasonable opinion of the Secretary of State, in any material respect, untrue, inaccurate and/or misleading.
- 8.5 In addition and without prejudice to any other rights the Secretary of State may have under the Franchise Agreement (including pursuant to paragraph 5 of Schedule 13 (Information and Industry Initiatives)) the Franchisee shall promptly deliver to the Secretary of State (or procure the delivery to the Secretary of State of) such information, records or documents as the Secretary of State may

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<sup>39</sup> Bidders to Populate – Date to be inserted to be compliant with the ITT which requires this date to be as soon as reasonably practicable and in any case no later than 1 January 2020.

reasonably request for the purposes of monitoring and enforcing the Franchisee's compliance with the requirements of paragraphs 8.1 to 8.3.

Final Draft - Subject to Contract

**SCHEDULE 1.3**

**Not Used**

Final Draft - Subject to Contract

## **SCHEDULE 1.4**

### **Passenger Facing Obligations**

#### **1. Publishing the Timetable**

##### **1.1 The First Timetable**

The Franchisee shall publish on the Start Date:

- (a) the Timetable:
  - (i) at each staffed Station, by making the relevant information available upon request and free of charge in one or more booklets or in other similar form;
  - (ii) at each Station, by displaying the relevant information on information displays;
  - (iii) at each Franchisee Access Station, by providing to the operator of each such station the departure and arrival times of the Passenger Services that call at each such station and the principal Connections to any other transport services relevant to each such station in the same forms as are specified in paragraphs 1.1(a)(i) and (a)(ii); and
  - (iv) on the Franchisee's website; and
- (b) the timetables of other Train Operators at Stations, in accordance with paragraph 1.4.

##### **1.2 Timetable Revisions and Alterations**

The Franchisee shall publish updates or replacements to the Timetable at the locations specified in paragraph 1.1 to the extent necessary to reflect any changes which come into effect on a Passenger Change Date:

- (a) in the case of booklets, at least four weeks before the changes come into effect;
- (b) in the case of information displays, no later than the day before the changes come into effect;
- (c) in the case of information provided to the operators of Franchisee Access Stations, in sufficient time for such information to be published by such operators within the time limits provided for in this paragraph 1.2; and
- (d) in the case of the Franchisee's website, at least four weeks before the changes come into effect.

##### **1.3 In addition, the Franchisee shall:**

- (a) subject to paragraph 1.4, display posters at each Station advising passengers of all Significant Alterations between any two Passenger Change Dates to railway passenger services calling at that Station, no

later than four weeks in advance of the date on which the alterations come into effect; and

- (b) provide posters to the operators of Franchisee Access Stations, advising passengers of all Significant Alterations between any two Passenger Change Dates to the Passenger Services which call at such Franchisee Access Stations, in sufficient time for such information to be published by such operators within the time limit provided for in paragraph 1.3(a).

#### 1.4 **Other Train Operators' Timetables**

The Franchisee shall also comply with the requirements of paragraphs 1.1 to 1.3 inclusive by making available booklets and displaying information in information displays and otherwise displaying posters in respect of any other Train Operator's timetable at each Station where the railway passenger services of such other Train Operator are scheduled to call or in respect of which Connections to such other Train Operators railway passenger services can be made from that Station:

- (a) within the time limits specified in paragraphs 1.2 and 1.3 where and to the extent that such other Train Operator delivers to the Franchisee the relevant information and materials in sufficient time for the Franchisee to so publish; and
- (b) as soon as reasonably practicable thereafter where and to the extent that such other Train Operator delivers the relevant information and materials late to the Franchisee.

#### 1.5 **National Rail Timetable and National Rail Enquiry Scheme**

The Franchisee shall use all reasonable endeavours to procure (including by virtue of any arrangements made from time to time between Network Rail and RSP) that the National Rail Timetable (or any replacement), which Network Rail is responsible for publishing from time to time in relation to the Passenger Services, incorporates or is consistent with its Timetable from time to time.

1.6 The Franchisee shall use all reasonable endeavours to procure that information in relation to:

- (a) the Timetable; and
- (b) any significant alterations to the Timetable to take effect between any two Passenger Change Dates,

is available to passengers through the National Rail Enquiry Scheme (or any replacement) not less than four weeks prior to coming into effect.

#### 2. **Late Timetable Changes**

2.1 Save in respect of Significant Alterations, for which the provisions of paragraphs 1.3 and 1.6 shall apply, the Franchisee shall inform passengers, so far as possible on not less than seven days' prior notice, if it will be unable to operate its trains in accordance with the Timetable. Such information shall include any revised Timetable or travelling arrangements.



- 2.2 Such information shall be provided by:
- (a) revising or adding to the information displays referred to in paragraph 1.1;
  - (b) notifying the operators of the Franchisee Access Stations, as appropriate, including by providing such operators with revised posters; and
  - (c) updating the Franchisee's website.
- 2.3 The Franchisee shall revise or add to the information displays at the Stations promptly on receipt of any equivalent information relating to the railway passenger services of other Train Operators whose services call at the Stations.
- 2.4 Where the Franchisee is unable to provide the information specified in paragraph 2.1 because the relevant revisions are made on an emergency basis, the Franchisee shall notify passengers and publish the relevant revisions by way of the means contemplated by paragraph 2.2 as soon as reasonably practicable.
- 2.5 The Franchisee shall ensure that, so far as reasonably practicable (including by communication of the relevant information to persons likely to receive enquiries), passengers making enquiries regarding the Passenger Services are informed of the revised Timetable and any revised travel arrangements of the Franchisee as far in advance as is reasonably practicable.

### 3. **Fares Selling Restrictions**

#### 3.1 **Restrictions on Sales**

The Franchisee shall ensure that the purchaser of any PTE Fare, Protected Fare or T&WPTE Fare:

- (a) shall be entitled, without further charge, to such rights of access and egress and other similar rights at the commencement and end of the relevant intended journey or journeys as may be reasonably necessary for such purchaser to travel on the Passenger Services;
- (b) shall not be required to incur any cost or take any action beyond the payment of an amount equal to the Price or Child Price (as the case may be) of such PTE Fare, Protected Fare or T&WPTE Fare (as the case may be) and, in relation to the issue of a Season Ticket Fare, the completion of such identity card as the Franchisee may reasonably require, or in the case of a T&WPTE Season Ticket Fare, as the Secretary of State may reasonably require; and
- (c) shall not be required to pay an amount in respect of a seat reservation or other similar right which it may be compulsory for such purchaser to have in order to make a journey with such PTE Fare, Protected Fare or T&WPTE Fare (as the case may be) on a Passenger Service.

3.2 The Franchisee shall procure that for any:

- (a) Protected Return Fare, Single Fare which is a PTE Fare or T&WPTE Fare (as the case may be) or Return Fare which is a PTE Fare or T&WPTE Fare (as the case may be), each such Fare shall be offered for sale wherever and whenever any other Fare (not being a Season Ticket Fare) for a

journey between the same origin and destination stations is offered for sale; and

- (b) Protected Weekly Season Ticket, Season Ticket Fare which is a PTE Fare or a T&WPTE Season Ticket Fare (as the case may be), each such Fare shall be offered for sale at all staffed ticket offices at which Fares for a journey between the same origin and destination stations are sold and otherwise wherever and whenever any Season Ticket Fare is offered for sale,

in each case, either by it or its agents (except persons acting in such capacity by virtue of having been appointed under Parts II to VI of Chapter 9 of the Ticketing and Settlement Agreement or by being party to the Ticketing and Settlement Agreement).

3.3 Where the Franchisee sets a limit on the number of PTE Fares, Protected Fares or T&WPTE Fares that may be used on any particular train, such limit shall be the greater of:

- (a) the number of seats in Standard Class Accommodation on such train; and
- (b) the capacity of Standard Class Accommodation of the rolling stock vehicles comprising such train according to the tables set out in Schedule 1.7 (The Train Fleet).

3.4 The Franchisee shall not sell or offer to sell:

- (a) any Fare in respect of which the:
  - (i) Prices are regulated under Schedules 5.4 (Regulation of Fares Basket Values) and 5.5 (Regulation of Individual Fares and T&WPTE Fares), at prices that are greater than the Prices set for such Fares from time to time in accordance with Schedules 5.4 (Regulation of Fares Basket Values) and 5.5 (Regulation of Individual Fares and T&WPTE Fares); and
  - (ii) Child Prices are regulated under Schedules 5.4 (Regulation of Fares Basket Values) and 5.5 (Regulation of Individual Fares and T&WPTE Fares), at prices that are greater than the Child Prices set for such Fares from time to time in accordance with Schedules 5.4 (Regulation of Fares Basket Values) and 5.5 (Regulation of Individual Fares and T&WPTE Fares);
- (b) any Fare or Discount Card which has a validity of 13 or more months, except to the extent required to do so under the terms of the Ticketing and Settlement Agreement.

### 3.5 **Agents of the Franchisee**

The Franchisee shall procure that all persons selling or offering to sell Fares on its behalf (whether under the terms of the Ticketing and Settlement Agreement, as its agents or otherwise):

- (a) for Fares in respect of which the:
  - (i) Prices are regulated under Schedules 5.4 (Regulation of Fares Basket Values) and 5.5 (Regulation of Individual Fares and T&WPTE Fares), sell or offer to sell at prices no greater than the Prices set for such Fares from time to time in accordance with Schedule 5.4 (Regulation of Fares Basket Values) and Schedule 5.5 (Regulation of Individual Fares and T&WPTE Fares); and
  - (ii) Child Prices are regulated under Schedule 5.4 (Regulation of Fares Basket Values) and Schedule 5.5 (Regulation of Individual Fares and T&WPTE Fares), sell or offer to sell at prices no greater than the Child Prices set for such Fares from time to time in accordance with Schedules 5.4 (Regulation of Fares Basket Values) and Schedule 5.5 (Regulation of Individual Fares and T&WPTE Fares);
- (b) for Fares in respect of which the Child Price has been set pursuant to paragraph 2.1 of Schedule 5.2 (Franchisee's Obligation to Create Fares), sell or offer to sell such Fares to any person under the age of 16 for an amount which is no greater than the lowest amount that would be paid if that person were the holder of a 16 to 25 Railcard with no minimum fare (as amended or replaced from time to time) and whose purchase was made without condition; and
- (c) for all Fares:
  - (i) do not sell or offer to sell any Fare or Discount Card with a validity of 13 or more months without the consent of the Secretary of State (such consent not to be unreasonably withheld); and
  - (ii) comply with the provisions of paragraph 3 of Schedule 15.2 (Last 12 or 13 Months of Franchise Period and other conduct of business provisions) to the extent they apply to the selling of Fares by the Franchisee.

### 3.6 **Additional Ancillary Services**

The Franchisee shall, subject to this paragraph 3 (and in relation to T&WPTE Fares subject to paragraph 3.8 of Schedule 5.5 (Regulation of Individual Fares and T&WPTE Fares)) be entitled to charge a purchaser of any PTE Fare, Protected Fare or T&WPTE Fare for any additional services:

- (a) which are ancillary to the railway passenger service for which such PTE Fare, Protected Fare or T&WPTE Fare (as the case may be) was purchased (including, charges in respect of car parking or catering services); and
- (b) which such purchaser is not obliged to purchase.

### 3.7 **Sale of Fares for travel on Bank Holidays**

The Franchisee shall ensure that, for any Fare in respect of travel on a Bank Holiday, it only offers for sale (and shall procure that any person authorised to sell Fares on its behalf only offers for sale) such Fare that has the same rights and restrictions as a Fare which is valid for travel on a Saturday or Sunday.

### 3.8 **Car Parking Charges at Executive Stations**

The Franchise shall not:

- (a) introduce new car parking charges at any Executive Station; or
- (b) vary any car parking charge applicable at any Executive Station immediately prior to the Start Date,

in each case, without the prior written consent of the Secretary of State.

### 3.9 **Mersey Rail Electrics Fares**

The Franchisee shall offer for sale to passengers the same range of tickets (including "Saveaway" and "Trio") as are available at the Start Date at stations operated by Merseyrail Electrics 2002 Ltd.

## 4. **Passenger's Charter**

### 4.1 **Content**

The Franchisee shall:

- (a) publish its Passenger's Charter:
  - (i) in substantially the same form as the document in agreed terms marked PC; and
  - (ii) in accordance with the requirements specified in paragraph 4.3;
- (b) review the need for changes to the Passenger's Charter at least every three years, in consultation with the Passengers' Council, and shall submit a draft of any revisions to the Passenger's Charter that it wishes to propose, together with proof of such consultation, to the Secretary of State; and
- (c) state the date of publication clearly on the front cover of the Passenger's Charter.

4.2 The Franchisee may not change the Passenger's Charter without the Secretary of State's prior written consent (which is not to be unreasonably withheld).

### 4.3 **Publishing the Passenger's Charter**

The Franchisee shall publicise its Passenger's Charter by:

- (a) providing copies to the Secretary of State and the Passengers' Council at least seven days before it comes into effect;

- (b) providing copies to passengers, free of charge, at each staffed Station and in the case of any revision thereto, providing such copies at least seven days before such revision comes into effect;
- (c) sending a copy, free of charge, to any person who requests it; and
- (d) displaying it on its website at all times and, in the case of any revision thereto, at least seven days before such revision comes into effect,

save in respect of the Passenger's Charter which is effective on the Start Date, in which case the Franchisee shall publicise such Passenger's Charter in the manner contemplated by this paragraph 4.3 on and from the Start Date.

4.4 The Franchisee shall also provide at each staffed Station the then current passenger's charter of any other Train Operator whose trains call there, subject to the provision of such passenger's charter to the Franchisee by such other Train Operator.

4.5 The Franchisee shall provide copies of its Passenger's Charter to the operators of Franchisee Access Stations to enable such operators to publish it.

#### 4.6 **Passenger's Charter Payments and Other Obligations**

The Franchisee shall:

- (a) make all payments which passengers may reasonably expect to be made or provided from time to time under the terms of the Passenger's Charter (whether or not the Franchisee is legally obliged to do so); and
- (b) use all reasonable endeavours to make passengers aware of their right to claim compensation pursuant to the Passenger's Charter when the circumstances giving rise to that right arise including by:
  - (i) displaying the relevant information on trains and at Stations;
  - (ii) making appropriate announcements to passengers on trains and at Stations;
  - (iii) making compensation claim forms readily available to passengers at Stations and on the Franchisee's website; and
  - (iv) any other reasonable means requested in writing by the Secretary of State and agreed by the Franchisee (both parties acting reasonably) to reflect future advancements in technology.

4.7 The Franchisee shall use all reasonable endeavours:

- (a) to comply with any other obligations, statements and representations; and
  - (b) to meet any other standards or targets of performance,
- as are comprised in its Passenger's Charter from time to time.

5. **Not Used**

6. **Cycles**

The Franchisee shall have due regard to the desirability of acting in a manner which facilitates end to end journeys that involve travel by all transport modes (including cycles). The Franchisee shall permit the carriage of folding cycles on all Passenger Services and non folding cycles wherever reasonably practicable.

7. **Route Maps**

7.1 The Franchisee shall produce a map (which may be a topological map) showing each of the Routes and each Other Passenger Route Within the Geographical Area. Such map shall include as a minimum;

- (a) all stations served by the Passenger Services; and
- (b) key stations located on any Other Passenger Route Within the Geographical Area (which shall either be selected by the Franchisee on a reasonable basis or, if so directed by the Secretary of State, specified by him in a notice to the Franchisee).

7.2 The Route Map shall include notes identifying:

- (a) in relation to any Other Passenger Route within the Geographical Area with an ultimate principal origin and/or principal destination point outside of the Geographical area such ultimate origin or destination point (so for example where the East Coast Main Line is shown identifying that such points are London Kings Cross and Edinburgh); and
- (b) those Routes over which a passenger train operator other than the Franchisee operates a more frequent service included in the National Rail Timetable than the frequency of Passenger Services.

7.3 Where there is any change to the Passenger Services leading to a change to the routes falling within the definition of Route or any change to the passengers services in the National Rail Timetable of another passenger train operator leading to a change to the routes falling within the definition of Other Passenger Route within the Geographical Area the Franchisee shall, as soon as reasonably practicable update the Route Map in all places where it is displayed.

7.4 The Route Map shall at all times be displayed:

- (a) in every passenger carrying vehicle within the Train Fleet;
- (b) at every Station; and
- (c) on its website.

7.5 The Franchisee shall be regarded as having complied with the requirement of paragraph 7.1 if a route map that meets the requirements of paragraphs 7.1 and 7.2 is produced by a Local Authority or other relevant Stakeholder. The provisions of paragraphs 7.3 and 7.4 shall apply in relation to any such route map.

8. **Statutory Notices**

If requested by the Secretary of State, the Franchisee shall publish and display at Stations (and shall use all reasonable endeavours to procure the publication and display at Franchisee Access Stations of) such statutory notices as the Secretary of State may wish to publish from time to time in the exercise of his functions (including in relation to Closures or any enforcement or penalty orders).

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## SCHEDULE 1.5

### Information about Passengers

#### 1. Passenger Numbers Information

1.1 The Franchisee shall, as and when reasonably requested by the Secretary of State (and, for these purposes, it shall not be unreasonable to make such a request at least twice yearly), provide information to the Secretary of State on the extent of the use by passengers of the Passenger Services. Without limitation to the generality of the foregoing, in particular and when so requested, the Franchisee shall provide information relating to:

- (a) the number of passengers travelling in each class of accommodation:
  - (i) on each Passenger Service;
  - (ii) on each Route; and/or
  - (iii) at any station or between any stations;
- (b) the times of the day, week or year at which passengers travel; and
- (c) the Actual Consist Data and the Scheduled Consist Data

(the information referred to in the whole of paragraph 1.1 being referred to together as "**Actual Passenger Demand**").

1.2 The Franchisee shall obtain and collate the information specified in paragraph 1.1 by using the technology specified in paragraph 1.6 or, if this is not reasonably possible, by using manual counts pursuant to paragraph 1.5. The Franchisee shall ensure that any technology for determining the number of passengers travelling in each class of accommodation that is fitted on the Train Fleet remains operational and in good working order from the date that it is fitted throughout the Franchise Period. The Franchisee shall also ensure that, if such technology is not fitted to 100% of the Train Fleet, the individual rolling stock vehicles that have been fitted with such technology shall be rotated around the Routes as necessary to satisfy such request for data as is made by the Secretary of State pursuant to paragraph 1.1. The Secretary of State acting reasonably shall have the right to request such other information that the Franchisee has, ought properly to have or could reasonably obtain which may provide a more detailed or accurate view of the extent of use by passengers of the Passenger Services including information about ingress and egress of passengers at ticket gates at Stations.

1.3 The Franchisee shall provide to the Secretary of State all of the information generated by the technology specified in paragraph 1.6 and/or by using manual counts pursuant to paragraph 1.5 including the information specified in paragraph 1.1:

- (a) promptly following its collation and in any case within the following timescales:
  - (i) in the case of data collected automatically by the Equipment and capable of being transmitted directly and automatically



to the RPC Database or the Preliminary Database (as appropriate), within 48 hours of its collation;

- (ii) in the case of data collected automatically by the Equipment but not capable of direct and automatic transmission to the RPC Database or the Preliminary Database (as appropriate), within one calendar month of its collation; and
  - (iii) in the case of data collected by manual count, within one calendar month of its collation;
- (b) using such systems, in such a format and to such level of disaggregation as the Secretary of State may reasonably require, and in a format which is capable of being read by the RPC Database or the Preliminary Database (as appropriate) (which shall include providing data which is not encrypted);
  - (c) either by transmitting such data directly to the RPC Database or the Preliminary Database (as appropriate) or by ensuring that the database provider can pull and transmit such data to the RPC Database, as appropriate according to the nature of the Franchisee's Equipment from time to time; and
  - (d) to the extent required by the Secretary of State, by providing the Secretary of State with direct remote access to the system used by the Franchisee to collect such information such that the Secretary of State is able to download such information;

and such information may be used by the Secretary of State for such purposes as he may reasonably require including for the purposes of assisting his decision making on future train service requirements, infrastructure, station and rolling stock investment, the best use of the network and the alleviation of overcrowding.

1.4 The Franchisee shall use any flagging system contained within the RPC Database to highlight such events and occurrences as the Secretary of State may reasonably specify in writing from time to time.

#### 1.5 **Manual Passenger Counts**

- (a) The Secretary of State shall have the right to require the Franchisee to carry out manual counts in relation to some or all of the Passenger Services at such times as may be required and in such manner (including as to levels of accuracy and the number of days) as may be specified from time to time by the Secretary of State including if, exceptionally, the Franchisee is unable to comply with its obligations to provide data generated by the equipment specified in paragraph 1.6.
- (b) The Secretary of State shall be entitled to audit such counts (whether by specimen checks at the time of such counts, verification of proper compliance with the manner approved by him or otherwise). In the event that such audit reveals, in the reasonable opinion of the Secretary of State, a material error, or a reasonable likelihood of material error, in such counts, the Secretary of State may require the counts to be repeated or the results adjusted as he considers appropriate, and in these circumstances the Franchisee shall pay to the Secretary of State the costs of any such audits.

1.6 **Technology for Obtaining the Information Referred to in Paragraph 1.2**

- (a) The technology to be used for the purpose of paragraph 1.2 shall be [*specify technology*]<sup>40</sup>.
- (b) The technology to be used for the purposes of paragraph 1.2 shall be fitted to:
  - (i) in the case of any brand new rolling stock which is admitted to the Train Fleet, 100% of it from the date that such rolling stock is properly admitted; and
  - (ii) in the case of all other rolling stock, by 1 January 2020 to every vehicle comprised within no less than 35% of such rolling stock units included in the Train Fleet from time to time in aggregate.
- (c) Without limiting the Secretary of State's rights under paragraph 1.1 of this Schedule 1.5, the technology specified in paragraph 1.6(a) and (b) above shall be used to provide counts in respect of, during such period of not less than 12 weeks as the Secretary of State may specify, at least two of each of the Timetabled Services, and each count shall, where reasonably possible, be carried out on each Rolling Stock Unit comprising a particular train. Where the above is not reasonably possible, for each count, as many Rolling Stock Units as is reasonably possible shall be counted and the resulting data shall be extrapolated by the Franchisee to provide a reliable estimate of a full train's count, such method of extrapolation to be approved by the Secretary of State (such approval not to be unreasonably withheld or delayed).
- (d) The Franchisee shall comply with its obligation under this paragraph 1.6 no later than the Start Date except, in the case of rolling stock which is introduced into passenger service after the Start Date, from the date on which such rolling stock is introduced into passenger service.

1.7 The Parties acknowledge that the information supplied under paragraph 1.1 above, and any product of it created by the RPC Database or the Preliminary Database (as appropriate), may constitute Confidential Information to which Schedule 17 (Confidentiality and Freedom of Information) applies.

2. Not Used

3. **CRM Data**

3.1 The Franchisee shall ensure that any CRM System is the property of the Franchisee or is licensed to the Franchisee on terms which have been approved by the Secretary of State (such approval not to be unreasonably withheld or delayed) and that any CRM Data obtained by or on behalf of the Franchisee shall be:

- (a) obtained on terms such that the Franchisee shall be the Data Controller of such data; and
- (b) the property of the Franchisee.

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<sup>40</sup> Bidders to populate, noting the requirements of paragraph (b).

- 3.2 In relation to any CRM Data obtained by or on behalf of the Franchisee, the Franchisee shall ensure or procure that at the same time as the Franchisee seeks consent to Process such CRM Data, the consent of the Data Subject is also sought to such CRM Data being disclosed to any Successor Operator and/or the Secretary of State and Processed by any Successor Operator for the same purposes as the Franchisee sought consent to Process such CRM Data.
- 3.3 Any consent referred to in paragraph 3.2 shall be sought in such manner as shall from time to time be approved by the Secretary of State (such approval not to be unreasonably withheld or delayed) and shall be on terms such as shall permit, in each case in compliance with the Data Protection Act:
- (a) the Franchisee to disclose such CRM Data to any Successor Operator and/or the Secretary of State; and
  - (b) any such Successor Operator to process such CRM Data in the manner contemplated by paragraph 3.2.
- 3.4 The Franchisee shall not be required to:
- (a) disclose, publish, share or otherwise provide or make available any Personal Data (including CRM Data) to any person (including a Successor Operator or any participant involved with the re-letting of the Franchisee); or
  - (b) provide access to any CRM System,

in each case pursuant to the terms of the Franchise Agreement (together, the "**CRM Obligations**") if and to the extent that the Franchisee demonstrates to the satisfaction of the Secretary of State that compliance with such CRM Obligations would put the Franchisee, acting as a Data Controller, in contravention of its duties and/or obligations under any Personal Data Legislation.

#### 4. **Yield Management Data**

- 4.1 The Franchisee shall ensure that any Yield Management Data and Yield Management System are the property of the Franchisee or are licensed to the Franchisee on terms which have been approved by the Secretary of State (such approval not to be unreasonably withheld or delayed).
- 4.2 If and to the extent that the collection, use and/or processing of any Yield Management Data is subject to the Data Protection Act then paragraphs 3.1(a), 3.2, 3.3, 3.4 and 5 of this Schedule 1.5 shall apply in respect of Yield Management Data in the same way as they apply to CRM Data.

#### 5. **Personal Data - General Provisions**

- 5.1 In respect of any Personal Data processed by the Franchisee, including CRM Data, the Franchisee agrees that it shall (i) comply with the Data Protection Act and all other legislation relating to the protection and use of personal information (including the Privacy and Electronic Communications (EC Directive) Regulations 2003) (all such legislation collectively being the **Personal Data Legislation**) to the extent that such legislation applies to it and (ii) procure that its agents or sub-contractors shall do the same to the extent that such legislation applies to any of them.

5.2 Pursuant to paragraph 5.1, the Franchisee agrees to comply with the Personal Data Legislation in respect of its Processing of CRM Data and in particular, but without limitation, the Franchisee shall:

- (a) ensure that CRM Data is Processed fairly and lawfully (in accordance with part 1 of Schedule 1 of the Data Protection Act);
- (b) ensure that CRM Data is obtained only for one or more specified and lawful purposes, and shall not be further Processed in any manner incompatible with that purpose or those purposes (in accordance with part 2 of Schedule 1 of the Data Protection Act); and
- (c) obtain and maintain all appropriate notifications as required under the Data Protection Act.

5.3 In accordance with its capacity as Data Controller of CRM Data and in accordance with the ensuing obligations under the Data Protection Act:

- (a) the Franchisee shall procure that any CRM Data Processor which it appoints shall:
  - (i) prior to any disclosure of CRM Data to the CRM Data Processor, enter into written terms between itself and the Franchisee which are equivalent to those contained in this paragraph 5.3; and
  - (ii) process CRM Data only on behalf of the Franchisee, only for the purpose(s) as defined by the Franchisee and only in accordance with instructions received from the Franchisee from time to time;
- (b) the Franchisee shall, and shall procure that any CRM Data Processor which it appoints shall, at all times have in place appropriate technical and organisational measures against unauthorised or unlawful processing of CRM Data and against accidental loss or destruction of, or damage to, CRM Data and that such measures shall:
  - (i) reflect the level of harm, damage and/or distress that might be suffered by the Data Subject to whom the CRM Data relates in the event of a breach of the measures as set out herein;
  - (ii) ensure that only authorised personnel have access to CRM Data and that any persons authorised to have access to CRM Data will respect and maintain all due confidentiality; and
  - (iii) (in the case of the CRM Data Processor) include compliance with a schedule of minimum security measures pursuant to the written terms between the Franchisee and the CRM Data Processor;
- (c) the Franchisee shall procure that any CRM Data Processor which it appoints shall:
  - (i) promptly notify the Franchisee of any actual or suspected, threatened or 'near miss' incident of accidental or unlawful

destruction or accidental loss, alteration, unauthorised or accidental disclosure of or access to the CRM Data or other breach of this paragraph 5.3(c) ("**Security Breach**") and, pursuant to this the Franchisee shall promptly notify the Secretary of State of all Security Breaches by itself or by the CRM Data Processor (the Franchisee hereby acknowledges that whilst the Secretary of State is not Data Controller in respect of the CRM Data, the Secretary of State's legitimate interests given its duties under the Act may be affected in the event of a Security Breach and as such the Secretary of State wishes to be notified of the same); and

- (ii) promptly provide the Franchisee on request with all reasonable information, assistance and co-operation in relation to its use of the CRM Data, including in relation to any audit by the Franchisee or by any person appointed on its behalf to permit an accurate and complete assessment of compliance with this paragraph 5;
- (d) the Franchisee shall, and shall procure that any CRM Data Processor which it appoints shall, at all times take reasonable steps to ensure the reliability of its/their personnel who have access to the CRM Data and ensure they are aware of the obligations of the Franchisee or the CRM Data Processor (as appropriate) in relation to the same; and
- (e) the Franchisee shall, and shall procure that any CRM Data Processor which it appoints shall, not cause or permit the CRM Data to be transferred to any location outside the European Economic Area (as defined in the Data Protection Act or otherwise as appropriate) without the prior written permission of:
  - (i) (in the case of the Franchisee) the Secretary of State; or
  - (ii) (in the case of any Data Processor appointed by the Franchisee) the Franchisee provided that the Franchisee shall not give any such consent without the prior written permission of the Secretary of State;

and in any case without first executing as between the Data Controller and the relevant Data Processor outside the EEA the Standard Contractual Clauses for Data Processors established in Third Countries pursuant to the Commission Decision (2010/87/EU) of 5 February 2010 under the EU Directive (95/46/EC).

## 6. **Rail Passenger Counts Database**

- 6.1 Subject to compliance by the Franchisee with its obligations set out in this Schedule 1.5, the Secretary of State shall as soon as reasonably practicable following the date of this Franchise Agreement:
- (a) use reasonable endeavours to set up and thereafter maintain the RPC Database;
  - (b) subject to the proviso in paragraph 6.1(a), use reasonable endeavours to populate the RPC Database with such Actual Passenger Demand information as the Franchisee shall provide pursuant to the Franchisee's

obligations contained elsewhere in this Franchise Agreement and any other information that the Secretary of State shall desire; and

- (c) subject to the proviso in paragraph 6.1(a), use reasonable endeavours to provide the Franchisee with log-in details to the RPC Database in order to allow the Franchisee to access Actual Passenger Demand information that has been provided by the Franchisee, any Network Rail Data, any Third Party Data and to generate reports from the RPC Database.

6.2 The RPC Database is not intended to be used as the sole basis for any business decision. The Secretary of State makes no representation as to the accuracy and/or completeness of:

- (a) any data or information contained in the RPC Database;
- (b) the raw Actual Passenger Demand information provided by the Franchisee or any Network Rail Data or any Third Party Data (as inputted to the RPC Database by whatever means); or
- (c) any product of that Actual Passenger Demand information, Network Rail Data and/or Third Party Data.

6.3

- (a) The Secretary of State is not liable for:
  - (i) any inaccuracy, incompleteness or other error in Actual Passenger Demand information, Network Rail Data, Third Party Data or product of the above provided to the Secretary of State by the Franchisee, NR or a third party; or
  - (ii) any failure of the RPC Database to achieve any particular business result for the Franchisee. For the avoidance of doubt, it is the responsibility of the Franchisee to decide the appropriateness of using the RPC Database to achieve its own business results;
  - (iii) any loss, destruction, corruption, degradation, inaccuracy or damage of or to the Actual Passenger Demand information following its submission to the RPC Database;
  - (iv) any loss or damage to the property or assets of the Franchisee (tangible or intangible) as a result of a breach of paragraph 6.1 of this Schedule 1.5; or
  - (v) any indirect, special or consequential loss or damage.
- (b) The Secretary of State's total liability for the duration of this Franchise Agreement in respect of a breach of its obligations under paragraph 6.1 of this Schedule 1.5 for all other heads of loss or damage which can lawfully be limited shall be limited to the extent to which the Secretary of State is successful in recovering the equivalent loss from such entity to whom the Secretary of State subcontracts its obligations under paragraph 6.1 of this Schedule 1.5 (the "**Subcontractor**"), subject to the following provisions:

- (i) if reasonably requested by the Franchisee within 3 months of the Franchisee incurring such loss or damage, the Secretary of State shall use reasonable endeavours to recover the equivalent losses from the Subcontractor;
  - (ii) it shall not be reasonable for the Franchisee to make a request pursuant to paragraph 6.3(b)(i) above if the value of the Franchisee's losses do not exceed [*insert de minimis threshold*];
  - (iii) prior to accounting to the Franchisee for any sums recovered from the Subcontractor pursuant to this paragraph 6.3(b), the Secretary of State shall be entitled to deduct and retain any reasonable costs and expenses incurred in pursuing such a claim which he does not successfully recover from the Subcontractor; and
  - (iv) the Secretary of State shall be entitled to deduct from any sums recovered from the Subcontractor pursuant to this paragraph 6.3(b) such sum as he reasonably deems appropriate to take account of the Secretary of State's actual or potential liability to other train operating companies pursuant to equivalent arrangements with them, with a view to distributing any sums received from the Subcontractor fairly between the various operators.
- (c) The Franchisee shall use all reasonable endeavours to mitigate any losses incurred by it as a result of a breach by the Secretary of State of its obligations contained in paragraph 6.1 of this Schedule 1.5.
- 6.4 The parties acknowledge that it is intended that the RPC Database will also contain actual passenger demand information relating to franchisees other than the Franchisee but a franchisee will have access only to information relating to its own franchise, via the log on details provided pursuant to paragraph 6.1(c). For the avoidance of doubt, the licence granted at paragraph 6.11 shall only permit the usage of the RPC Database, Derivative Output and Intellectual Property Rights related to the Actual Passenger Demand information supplied by the Franchisee.
- 6.5 Without prejudice to paragraphs 2.1 and 2.2 of Schedule 15.1 (Reletting Provisions) the Franchisee agrees that, following the expiry or termination by whatever means of the Franchise Agreement and any Continuation Document, the Secretary of State shall be entitled to allow access to the Franchisee's Actual Passenger Demand information by way of granting access to that area of the RPC Database or otherwise to any future operator of the Passenger Services (whether or not in direct succession to the Franchisee) or to such part of the Actual Passenger Demand information as relates to those Passenger Services which is being taken over by such future operator.
- 6.6 All Intellectual Property Rights in the RPC Database and Derivative Output shall at all times remain owned by the Secretary of State and to the extent that any rights in the RPC Database vest in the Franchisee by operation of law, the Franchisee hereby assigns such rights to the Secretary of State.
- 6.7 All Intellectual Property Rights in the Actual Passenger Demand information will at all times remain owned by the Franchisee and to the extent that any rights in the Actual Passenger Demand information vest in the Secretary of State by operation of law, the Secretary of State hereby assigns such rights to the Franchisee.

- 6.8 All Intellectual Property Rights in the Network Rail Data will at all times remain owned by the relevant NR entity and to the extent that any rights in the Network Rail Data vest in the Secretary of State or the Franchisee by operation of law, the Secretary of State and/or the Franchisee (as applicable) will enter into a separate agreement with the relevant Network Rail entity to assign such rights to it.
- 6.9 All Intellectual Property Rights in the Third Party Data will at all times remain owned by the third party from whom they have been obtained and to the extent that any rights in the Third Party Data vest in the Secretary of State or the Franchisee by operation of law, the Secretary of State and/or the Franchisee (as applicable) will enter into a separate agreement with the relevant Third Party to assign such rights to it.
- 6.10 Each party:
- (a) acknowledges and agrees that it shall not acquire or claim any title to any of the other party's Intellectual Property Rights (or those of the other party's licensors) by virtue of the rights granted to it under this Agreement or through its use of such Intellectual Property Rights; and
  - (b) agrees that it will not, at any time, do, or omit to do, anything which is likely to prejudice the other party's ownership (or the other party's licensors' ownership) of such Intellectual Property Rights.
- 6.11 The Secretary of State hereby grants, for the duration of the Franchise Period, the Franchisee a non-exclusive, non-transferrable licence to use:
- (a) the RPC Database;
  - (b) any Derivative Output; and
  - (c) all Intellectual Property Rights in the same
- in the United Kingdom for the purposes of accessing the Actual Passenger Demand information by using the functionality of the RPC Database.
- 6.12 The Franchisee hereby grants the Secretary of State a perpetual, non-terminable, non-exclusive licence (which is transferrable and/or capable of being sub-licensed only in the circumstances set out in this paragraph 6.12 and in paragraphs 2.1 and 2.2 of Schedule 17 (Confidentiality and Freedom of Information)) to use the Actual Passenger Demand information and all Intellectual Property Rights in the same:
- (a) in the RPC Database; and/or
  - (b) for such purposes as he may reasonably require including for the purposes of assisting his decision making on future train service requirements, infrastructure, station and rolling stock investment, the best use of the network and the alleviation of overcrowding; and/or
  - (c) including to share such Actual Passenger Demand information with third parties meeting the criteria set out in paragraphs 2.1 and 2.2 of Schedule 17; and/or
  - (d) to allow a future operator of the Passenger Services (whether or not in direct succession to the Franchisee) to view and access such Actual



Passenger Demand information via the RPC Database as directly relates to the services that it will be running

and such rights to use the Actual Passenger Demand information and all Intellectual Property Rights pursuant to this paragraph 6.12 shall continue following expiry or termination of this Agreement.

- 6.13 Paragraphs 6.2, 6.3, 6.6, 6.7 and 6.12 of this Schedule 1.5 shall continue in force after expiry or termination of this Franchise Agreement or any Continuation Document, together with any other provisions which expressly or impliedly continue in force after the expiry or termination of the Franchise Agreement or any Continuation Document.
- 6.14 The parties intend that the provisions of The Contract (Rights of Third Parties) Act 1999 will apply to allow the relevant NR entity to rely on and enforce against a third party the provisions of paragraph 6.8 of this Schedule 1.5.

Final Draft - Subject to Contract

## SCHEDULE 1.6

### Franchise Services

#### 1. Franchise Services

The Franchisee may at all times during the Franchise Term provide and operate the Franchise Services specified in this Schedule 1.6 and the Passenger Services.

#### 2. Restrictions relating to Franchise Services

2.1 The Franchisee shall not directly or indirectly, without the prior written consent of the Secretary of State, carry on any business or activity other than the provision and operation of the Franchise Services.

2.2 The Franchisee shall not without the prior written consent of the Secretary of State operate Passenger Services other than on the following routes (and, when necessary in the event of planned or unplanned disruption or to the extent reasonably necessary to preserve train crew knowledge of such routes but only between the hours of 2100 and 0659 (Monday - Saturday) or 0859 (Sunday), any reasonable diversionary routes that the Franchisee is permitted to use pursuant to its Track Access Agreement)<sup>41</sup>:

- (a) Newcastle to Carlisle (via Hexham);
- (b) Newcastle to Chathill;
- (c) Newcastle to Middlesbrough (via Hartlepool);
- (d) Newcastle to Darlington;
- (e) Stockton to Eaglescliffe;
- (f) Darlington to Bishop Auckland;
- (g) Darlington to Stockton;
- (h) Darlington to Middlesbrough;
- (i) Middlesbrough to Saltburn;
- (j) Middlesbrough to Whitby;
- (k) York to Leeds (via Harrogate);
- (l) York to Leeds (via Micklefield);
- (m) York to Selby (via Hambleton North Junction);
- (n) York to Moorthorpe (via Sherburn-in-Elmet and Pontefract Baghill);

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<sup>41</sup>

Bidders to populate: To be amended to include other routes not already specified in paragraph 2.2 and for which DfT approval to include has been obtained in accordance with the guidance specified in the ITT.

- (o) Sherburn-in-Elmet to Selby;
- (p) Leeds to Hull;
- (q) Hull to Scarborough;
- (r) Leeds to Castleford;
- (s) Castleford to Goole;
- (t) Leeds to Sheffield (via Wakefield Kirkgate and Barnsley);
- (u) Leeds to Sheffield (via Moorthorpe);
- (v) Leeds to Doncaster;
- (w) Doncaster to Selby;
- (x) Doncaster to Hull (via Kirk Sandall);
- (y) Doncaster to Scunthorpe;
- (z) Doncaster to Sheffield (via Conisbrough);
- (aa) Sheffield to Retford (high level and low level);
- (bb) Retford (low level) to Lincoln;
- (cc) Retford to Cleethorpes (via Brigg);
- (dd) Sheffield to Nottingham (via Langley Mill);
- (ee) Sheffield to Nottingham (via Derby);
- (ff) Sheffield to Huddersfield;
- (gg) Huddersfield to Castleford (via Wakefield Kirkgate);
- (hh) Knottingley to Wakefield Westgate;
- (ii) Leeds to Manchester Victoria (via Dewsbury and Huddersfield);
- (jj) Leeds to Manchester Victoria (via Dewsbury and Hebden Bridge);
- (kk) Leeds to Bradford Interchange;
- (ll) Bradford Interchange to Huddersfield (via Brighouse);
- (mm) Bradford Interchange to Manchester Victoria (via Hebden Bridge);
- (nn) Leeds to Bradford Forster Square;
- (oo) Leeds to Skipton;
- (pp) Skipton to Carnforth;
- (qq) Skipton to Carlisle via Settle;

- (rr) Leeds to Ilkley;
- (ss) Bradford Forster Square to Skipton;
- (tt) Bradford Forster Square to Ilkley;
- (uu) Manchester Piccadilly to Stalybridge (via Guide Bridge);
- (vv) Manchester Piccadilly to Glossop and Hadfield;
- (ww) Manchester Piccadilly to Sheffield (via Reddish North and Marple);
- (xx) Guide Bridge to Romiley;
- (yy) Romiley to Rose Hill;
- (zz) Guide Bridge to Stockport;
- (aaa) Manchester Piccadilly to Chinley (via Stockport);
- (bbb) Manchester Piccadilly to Buxton;
- (ccc) Manchester Piccadilly to Stoke on Trent (via Macclesfield);
- (ddd) Stockport to Crewe;
- (eee) Manchester Piccadilly to Manchester Airport;
- (fff) Manchester Airport to Crewe;
- (ggg) Heald Green to Styal;
- (hhh) Manchester Piccadilly to Chester via Altrincham;
- (iii) Manchester Piccadilly to Chester and Ellesmere Port (via Newton-le-Willows);
- (jjj) Frodsham to Runcorn;
- (kkk) Manchester Piccadilly to Liverpool Lime Street (via Warrington Central);
- (lll) Manchester Victoria to Liverpool Lime Street (via Earlestown);
- (mmm) Manchester Piccadilly to Salford Crescent;
- (nnn) Manchester Victoria to Salford Crescent;
- (ooo) Manchester Piccadilly to Manchester Victoria (via Ordsall Chord, once completed);
- (ppp) Salford Crescent to Kirkby and Southport (via Atherton and Wigan Wallgate);
- (qqq) Bolton to Wigan North Western;
- (rrr) Wigan North Western to Newton-le-Willows;

- (sss) Wigan North Western to Patricroft;
- (ttt) Salford Crescent to Bolton;
- (uuu) Bolton to Clitheroe (via Blackburn);
- (vvv) Clitheroe to Hellifield;
- (www) Bolton to Preston;
- (xxx) Liverpool Lime Street to Warrington Bank Quay (via Earlestown);
- (yyy) Liverpool Lime Street to Preston (via St Helens Central or St Helens Junction);
- (zzz) Preston to Ormskirk;
- (aaaa) Preston to Blackpool North and Blackpool South;
- (bbbb) Preston to Hebden Bridge and Colne;
- (cccc) Burnley Manchester Road to Todmorden;
- (dddd) Preston to Windermere;
- (eeee) Lancaster to Morecambe and Heysham Port;
- (ffff) Bare Lane to Carnforth; and
- (gggg) Carnforth to Carlisle (via Barrow-in-Furness).

It is acknowledged that a Passenger Service to be operated by the Franchisee on the routes specified above may be operated throughout the route, on part of the route or any combination of the whole or part of any two or more of the routes specified above.

- 2.3 The Secretary of State may impose such conditions to his consent as he considers appropriate for the purpose of securing the continuity of the provision of the Franchise Services at the end of the Franchise Term.
- 2.4 The Franchisee shall not during the Franchise Term, without the consent of the Secretary of State:
- (a) provide or operate any railway passenger services other than the Passenger Services or Charter Services;
  - (b) operate any stations or light maintenance depots other than the Stations and Depots; or
  - (c) hold shares, participations or any other interest in any other company or body corporate unless such company or body corporate is:
    - (i) Network Rail; or
    - (ii) owned directly or indirectly by another participant in the railway industry and the holding is incidental to the Franchisee's participation in an Inter-Operator Scheme or

any other arrangement designed to ensure or facilitate co-operation between such participants or between any such participants and any other person.

2.5 The Franchisee shall not engage any Franchise Employee in any activity or business which it may not conduct or engage in under this paragraph 2.

### 3. **Station Services**

3.1 The Station Services shall comprise:

- (a) the provision of any services to persons at Stations or to Train Operators whose trains call at such Stations, provided that such services:
  - (i) are made available only or principally to passengers alighting from or joining trains calling at such Stations and to such Train Operators;
  - (ii) are provided in connection with the calling of trains at such Stations and are not designed to encourage passengers or other persons to use such Station Services other than in connection with a journey on a train calling at such Stations;
  - (iii) exclude the sale or issue (for a charge) of any goods other than passenger timetables and any items included in the price of a Fare; and
  - (iv) may include the provision of car parking spaces; and
- (b) the provision of access to any person under an Access Agreement at any Station.

3.2 The Station Services shall include the provision of any service which the Franchisee may provide, or may be required to provide, under any Access Agreement in effect on the Start Date or as lawfully directed by the ORR from time to time.

### 4. **Light Maintenance Services**

4.1 Light Maintenance Services shall comprise:

- (a) the provision of access to any other person under an Access Agreement;
- (b) the carrying out of inspections of rolling stock vehicles;
- (c) the carrying out of maintenance work on rolling stock vehicles of a kind which is normally carried out at regular intervals of 12 months or less;
- (d) replacement of failed components and consumables on rolling stock vehicles;
- (e) the preparation of rolling stock vehicles for service;
- (f) the stabling or other temporary holding of rolling stock vehicles;
- (g) the refuelling of rolling stock vehicles;

- (h) the replenishment of water tanks; and
- (i) the cleaning of the exterior or the interior of rolling stock vehicles,

in each case for itself and/or other Train Operators, at any Station or Depot.

4.2 Light Maintenance Services shall include the provision of any service which the Franchisee may provide, or may be required to provide, under any Access Agreement in effect on the Start Date or as lawfully directed by the ORR from time to time.

## 5. **Ancillary Services**

The Franchisee may carry out the following Ancillary Services:

- (a) the selling, lending or hiring of any goods or rights and the provision of any services (whether for a charge or not) on any train used in the provision of the Passenger Services where such goods or services are sold or provided principally for consumption or use on the relevant train, including the sale of any Fares, meals, light refreshments, newspapers, magazines, books, entertainment materials information or materials targeted at tourists and other leisure passengers (such as maps) or phone cards;
- (b) the provision of any service at any station which, if provided on a train used in the provision of the Passenger Services, would fall within paragraph 5(a) or which, if provided at a Station, would fall within paragraph 3 and which, in each case, is made available only or principally to persons at such stations who either are about to travel or have recently travelled on a train used in the provision of the Passenger Services;
- (c) in any Reporting Period, the subleasing, hiring or licensing of up to ten per cent of the rolling stock vehicles used in the provision of the Passenger Services (such percentage to be determined by reference to the aggregate period of time for which such rolling stock vehicles are sub-let, hired or licensed and the aggregate period of time for which they are used in the provision of the Passenger Services);
- (d) the lending, seconding, hiring or contracting out during any Reporting Period to another person or persons (whether for a charge or not) of:
  - (i) up to 1 per cent. of the number of Franchise Employees as at the Start Date, for over 90 per cent. of their normal working hours during such Reporting Period (including on a full-time basis); and
  - (ii) 1 per cent. of any other Franchise Employees as at the Start Date,provided that this paragraph shall not apply to any employee lent, seconded, hired or contracted out under any of paragraphs 5(a) to 5(c) inclusive and 5(e) to 5(p) inclusive, or engaged in any other activity which is permitted under this Schedule 1.6 (Franchise Services);
- (e) any heavy maintenance of rolling stock vehicles which does not fall within the Light Maintenance Services, carried out on behalf of any other

person at the following Depot(s), subject to the number of persons engaged or employed in such activity not exceeding by more than ten per cent the number so engaged or employed on the Start Date:

- (i) **[Insert Details]**;<sup>42</sup>
- (f) the selling at any location of any Fare which is valid, in whole or in part, on the Passenger Services and the selling of any other Fare at any location where such Fares may be purchased from the Franchisee on or before the date of the Franchise Agreement or at any other location, provided that the majority of Fares sold at any such other location shall be Fares which are valid, in whole or in part, on the Passenger Services;
- (g) the selling, in conjunction with any Fare, of any other rights which entitle the purchaser thereof to:
  - (i) travel on any other train or light rail service;
  - (ii) travel on any aircraft;
  - (iii) travel on any shipping or ferry service;
  - (iv) travel on any bus; or
  - (v) attend any event or attraction or enter any location;
- (h) the lending, seconding, hiring or contracting out of Franchise Employees to other Train Operators in order to enable such Train Operators to provide services at the Stations to passengers travelling on any such operator's trains;
- (i) the provision of telephone information and web site relating to railway passenger services within Great Britain to passengers;
- (j) the supervision, management and training of train crew of other Train Operators provided such activity is necessarily incidental to the provision of the Passenger Services and could not reasonably be carried out by or through an Affiliate of the Franchisee;
- (k) the subleasing, hiring, licensing, lending, selling of any rolling stock vehicles or other assets of the Franchisee or the lending, hiring or contracting out of any employees of the Franchisee or the provision of any other services to Network Rail or any other Train Operator on an emergency basis;
- (l) the licensing or permitting of any other person (including an Affiliate of the Franchisee) to carry out any activity or business, in connection with the provision of the Franchise Services, or otherwise, on any rolling stock vehicle operated by the Franchisee, at any station served by the Passenger Services, at any Depot, or otherwise (including the letting, leasing or licensing (on an exclusive basis or otherwise) of any part or all of a Station or Depot to such other person);
- (m) such other activity or business as may be reasonably necessary for the purpose of providing any other Franchise Services or complying with the

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<sup>42</sup> Bidders to populate.



Franchise Agreement, provided that it could not reasonably be carried out by or through an Affiliate of the Franchisee;

- (n) the subleasing to any other person of the following property which is not comprised in a Station or Depot:
  - (i) [insert details]<sup>43</sup>
- (o) the provision or operation of Charter Services, subject to the Train Mileage of such Charter Services not exceeding in any Reporting Period two per cent of the scheduled Train Mileage of Passenger Services provided by the Franchisee in such Reporting Period;
- (p) the provision of consultancy services reasonably ancillary to the provision of the other Franchise Services; and
- (q) any services or activity not falling within paragraphs 3, 4 or 5(a) to 5(p), subject to the gross value of any such services or activity (excluding any attribution of costs) not exceeding £25,000 per annum in each Franchisee Year, per item and in aggregate, £250,000 per annum in each Franchisee Year provided that in the second and each subsequent Franchisee Year, these amounts will be increased by "RPI", and "RPI" shall have the meaning given to it in Schedule 8.2 (Annual Franchise Payments).

#### 6. **Affiliates of the Franchisee**

Nothing in this Schedule 1.6 shall restrict any Affiliate of the Franchisee from having an interest in or participating in any business or activity.

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<sup>43</sup> Bidders to populate

## SCHEDULE 1.7

### The Train Fleet

#### 1. The Composition of the Train Fleet

##### 1.1 The Train Fleet consists of:

- (a) from the Start Date until the lease expiry dates referred to in Column 5 of Table 1, the rolling stock vehicles set out in Table 1 ("**Original Rolling Stock**") with the capacity characteristics referred to in Column 3 of Table 1;
- (b) from the dates set out in Column 1 of Table 2 until the lease expiry dates referred to in Column 6 of Table 2, the rolling stock vehicles ("**Specified Additional Rolling Stock**") set out in Table 2, with the capacity characteristics referred to in Column 4 of Table 2; and
- (c) from the relevant dates specified in paragraph 1.2(a), each Unspecified Additional Rolling Stock.

##### 1.2 The Franchisee shall by no later than:

- (a) each relevant date specified in Table 3, introduce into revenue earning passenger service; and
- (b) the date which is [•]<sup>44</sup> months prior to each such date, enter into Rolling Stock Leases (subject to compliance with all other relevant provisions of this Agreement including in relation to Rolling Stock Related Contracts) in respect of,

the quantum of rolling stock specified in Column 2 of Table 3 and which (unless otherwise agreed by the Secretary of State) provides at least the minimum capacity specified in Column 3 of Table 3 and has at least the minimum reliability, capability and quality characteristics referred to in Column 4 of Table 3 ("**Unspecified Additional Rolling Stock**").

##### 1.3 The Passenger Carrying Capacity of any rolling stock vehicles shall be as set out in Tables 1 or 2 or as determined by the Secretary of State in accordance with paragraph 2.4 (as applicable).

#### 2. Changes to the Train Fleet

##### 2.1 The Franchisee shall maintain the composition of the Train Fleet during the Franchise Term, unless the Secretary of State otherwise agrees, such that there are no changes to the Train Fleet, including changes:

- (a) to the classes or types;
- (b) to the interior configurations; or

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<sup>44</sup> Period to be inserted by the DfT based on the bidders bid proposal in relation to the lead time between entering in to the Transaction Documents for the new rolling stock and the date of introduction of the new rolling stock.

(c) which may reduce the journey time capabilities,  
of any rolling stock vehicles specified in the Train Fleet.

- 2.2 The Franchisee shall procure that the rolling stock vehicles described in the Tables below, with the capacity and other characteristics referred to there, are available for deployment in the provision of the Passenger Services to the extent required by the Timetable and Train Plan during the periods referred to there.
- 2.3 During the Franchise Term, the Franchisee shall advise the Secretary of State of any rolling stock vehicles damaged beyond economic repair or likely to be unavailable for service for a period of three consecutive Reporting Periods or more.
- 2.4 If any change is made to the Train Fleet in accordance with this Schedule 1.7 (The Train Fleet), the Secretary of State may, after consulting the Franchisee, notify the Franchisee of the Passenger Carrying Capacity of any rolling stock vehicles or class of rolling stock vehicles comprising the Train Fleet following such change.

### 3. **Fitment of Controlled Emission Toilets**

- 3.1 Where as at 1 January 2020 a Rolling Stock Unit comprised in the Train Fleet and used for the provision of the Passenger Services has toilets fitted thereon then such toilets shall be Controlled Emission Toilets and shall have baby changing facilities.
- 3.2 The Franchisee shall ensure that the contents of the toilet retention tanks relating to each Controlled Emission Toilet fitted on Rolling Stock Units in accordance with the requirements of paragraph 3.1 are disposed in a safe and hygienic manner at suitable facilities at Depots and stabling points specifically designed for that purpose.
- 3.3 The provisions of paragraph 2 and paragraph 6 of Part 2 of Schedule 6.1 (Committed Obligations and Related Provisions) shall apply in respect of the obligations of the Franchisee specified in paragraph 3.1.
- 3.4 For the purposes of paragraph 3.1 "**Controlled Emission Toilets**" means a toilet fitted on a Rolling Stock Unit and which retains effluent in retention tanks such that effluent is not discharged on the rail tracks.

**Table 1 (Original Rolling Stock)** [*Bidders to populate*]

Column 1	Column 2	Column 3				Column 4	Column 5
Class of vehicle	Number of vehicles and unit configuration	Capacity of units				Owner/ Lessor	Lease expiry date(s)
		Seats	Standing	Total	Standard Class		
Class 333	64 (16 x 4 car)	360 <sup>45</sup>	107 <sup>46</sup>	467 <sup>47</sup>	360 <sup>48</sup>	Angel Trains	24 July 2020 <sup>49</sup>
<i>Insert details of the Northern DA loco hauled stock<sup>50</sup></i>							

**Table 2 (Specified Additional Rolling Stock)** [*Bidders to populate*]

Column 1	Column 2	Column 3	Column 4				Column 5	Column 6
Lease start date(s)	Class of vehicle	Number of vehicles and unit configuration	Capacity of units <sup>6</sup>				Owner/ Lessor	Lease expiry date(s)
			Seats	Standing	Total	Standard Class		

**Table 3 (Unspecified Additional Rolling Stock)<sup>51</sup>** [*Bidders to populate*]

Column 1	Column 2	Column 3				Column 4
Date of introduction into revenue earning passenger service	Number of vehicles	Capacity of units				Characteristics
		Seats	Standing	Total	Standard Class	

45 **DfT to confirm**

46 **DfT to confirm**

47 **DfT to confirm**

48 **DfT to confirm**

49 Bidders to Populate – Dates can be amended if the bidder proposal is to lease the Units for a period that is longer than the Section 54 Back Stop Date of 24 July 2020.

50 **DfT to confirm**

51 Bidders to note that Unspecified Rolling Stock must be **new** Rolling Stock

## **SCHEDULE 2**

### **Assets, Leases, Third Parties, Other Franchise Operations and Schemes**

- Schedule 2.1: Asset Vesting and Transfer**
- Schedule 2.2: Security of Access Agreements, Rolling Stock Leases, Station and Depot Leases**
- Schedule 2.3: Third Party Delivery of Passenger Services and Other Franchisees**
- Schedule 2.4: Other Franchise Operations**
- Schedule 2.5: Transport, Travel and Other Schemes**
- Appendix: List of Transport, Travel and Other Schemes**

## SCHEDULE 2.1

### Asset Vesting and Transfer

*[Bidders to populate – Bidders to specify whether Part 1 or Part 2 of this Schedule 2.1 applies with the effect that the part which does not apply would be deleted].*

#### PART 1

##### 1. Vesting of Property Leases<sup>52</sup>

- 1.1 The Franchisee shall not without the prior written consent of the Secretary of State (such consent not to be unreasonably withheld), whether generally or on a case-by-case basis:
- (a) enter into any new Property Lease; or
  - (b) effect any amendment to any Property Lease, except to the extent that the Franchisee is required to do so by virtue of any station or depot access conditions to which it is a party.
- 1.2 In respect of the new Property Leases specified in paragraph 1.3 or any other new Property Lease with Network Rail, the Franchisee shall enter into such Property Leases:
- (a) with the intent that Section 31 of the Act shall apply to such leases; and
  - (b) in the agreed terms marked **SL** and **DL** (as appropriate).
- 1.3 The Franchisee shall enter into the following leases with Network Rail:
- (a) a lease of each Station, on or before the expiry of the Station Lease relating to each such Station (each such lease, once granted, shall be a Station Lease for the purposes of the Franchise Agreement);
  - (b) a lease of each Depot, on or before the expiry of the Depot Lease relating to each such Depot (each such lease, once granted, shall be a Depot Lease for the purposes of the Franchise Agreement);
  - (c) a supplemental lease relating to any Station or Depot, as soon as practicable following the successful completion of any procedure (including obtaining any requisite approval from the ORR) for including additional land within the demise of such Station or Depot (as the case may be) and each such supplemental lease, once granted, shall be a Station Lease or a Depot Lease (as the case may be) for the purposes of the Franchise Agreement; and
  - (d) a lease of any Network Rail owned station or depot, which:
    - (i) the Secretary of State consents to or requires the Franchisee to be a party to; and

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<sup>52</sup> If Franchisee to enter into Property Leases during Franchise Term.

- (ii) the Franchisee was not a party to on the date hereof, but which has been contemplated by the Franchise Agreement,

and the Franchisee shall enter into such lease as soon as practicable after its terms and form have been agreed and all applicable preconditions to its granting have been satisfied or waived (including obtaining any requisite approval of the ORR). Any such supplemental lease, once granted, shall be a Station Lease or a Depot Lease (as the case may be) for the purposes of the Franchise Agreement and any such station or depot (as the case may be) shall be a Station or Depot for the purposes of the Franchise Agreement.

- 1.4 The Franchisee shall not be in contravention of paragraph 1.3 if and to the extent that Network Rail refuses to enter into any leases specified therein.
- 1.5 In respect of any assignment or amendment of any Property Lease to which Section 31 of the Act applied on its grant, each of the Secretary of State and the Franchisee acknowledges that it is their intention that Section 31 of the Act shall continue to apply to such assigned or amended lease.

## **PART 2**

### **1. Property Leases<sup>53</sup>**

- 1.1 The Franchisee shall not without the prior written consent of the Secretary of State (such consent not to be unreasonably withheld), whether generally or on a case-by-case basis:
- (a) enter into any new Property Lease; or
  - (b) effect any amendment to any Property Lease, except to the extent that the Franchisee is required to do so by virtue of any station or depot access conditions to which it is a party.
- 1.2 In respect of any new Property Leases with Network Rail, the Franchisee shall enter into such Property Leases:
- (a) with the intent that Section 31 of the Act shall apply to such leases; and
  - (b) in the agreed terms marked **SL** and **DL** (as appropriate).
- 1.3 In respect of any assignment or amendment of any Property Lease to which Section 31 of the Act applied on its grant, each of the Secretary of State and the Franchisee acknowledge that it is their intention that Section 31 of the Act shall continue to apply to such assigned or amended lease.

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<sup>53</sup> If Franchisee to enter into new Property Leases on the Start Date.

## SCHEDULE 2.2

### Security of Access Agreements, Rolling Stock Leases, Station and Depot Leases

#### 1. **Novation of Access Agreements during the Franchise Term**

1.1 The Franchisee shall, to the extent so requested by the Secretary of State (other than on termination of the Franchise Agreement, for which the provisions of paragraph 1 of Schedule 15.4 (Provisions Applying on and after Termination) apply):

- (a) following receipt of a notice purporting to terminate any Access Agreement to which it is a party, in relation to such Access Agreement; or
- (b) following receipt of a notice purporting to terminate a Station Lease or Depot Lease in whole or in part or on becoming aware of any proceedings or any other steps having or purporting to have similar effect, in relation to any Access Agreement under which it is a Facility Owner by virtue of such Station Lease or Depot Lease,

novate its interest under any such relevant Access Agreement (and any related Collateral Agreement) to the Secretary of State or as he may direct.

1.2 Such obligation to novate shall be subject to the agreement of any counterparty to such Access Agreement or Collateral Agreement and, to the extent applicable, the ORR.

1.3 Such novation shall be on such terms as the Secretary of State may reasonably require, including:

- (a) that the Franchisee shall not be released from any accrued but unperformed obligation, the consequences of any breach of the relevant agreement which is the subject of arbitration or litigation between the parties thereto or any liability in respect of any act or omission under or in relation to the relevant agreement prior to, or as at the date of, any such novation (except to the extent that the Secretary of State or his nominee agrees to assume responsibility for such unperformed obligation, such liability or the consequences of such breach in connection with the relevant novation); and
- (b) that neither the Secretary of State nor his nominee shall be obliged, in connection with the novation, to agree to assume responsibility for any unperformed obligation, liability or consequences of a breach referred to in paragraph 1.3(a),

but shall not, unless the Franchisee otherwise agrees, be on terms which release any counterparty to the relevant agreement from any liability to the Franchisee arising prior to the date of such novation.

1.4 The Franchisee shall, on the occurrence of any of the circumstances specified in paragraph 1.1 in relation to any other Train Operator who is a party to an Access Agreement to which the Franchisee is also party, agree to the novation of the relevant Train Operator's interest under the relevant Access Agreement to the Secretary of State or as he may direct, subject, to the extent applicable, to the



consent of the ORR. The provisions of paragraph 1.3 shall apply to any such novation.

- 1.5 The Franchisee shall notify the Secretary of State on becoming aware of any circumstances which might lead to the Secretary of State being able to require the Franchisee to novate its interest or agree to the novation of another Train Operator's interest under this paragraph 1.

## 2. **Rolling Stock Related Contracts and insurance arrangements**

- 2.1 The Franchisee shall not:

- (a) execute any Rolling Stock Related Contract;
- (b) exercise any option or other discretion in any Rolling Stock Related Contract that would result in any increased payment or delay in delivery being made by or to the Franchisee or the relevant counterparty or which may result in it being reasonably likely to be unable to comply with the terms of the Franchise Agreement; or
- (c) amend or waive the terms of any Rolling Stock Related Contract,

without, in each case, the prior written consent of the Secretary of State (not to be unreasonably withheld).

- 2.1A The Franchisee shall supply to the Secretary of State a copy of all draft Rolling Stock Related Contracts and, immediately following execution, all executed Rolling Stock Related Contracts (including any agreement amending any Rolling Stock Related Contract) together with:

- (a) such other information or documentation relating to such Rolling Stock Related Contract and/or the relevant rolling stock as the Secretary of State may request (which may include offer letters (original and final));
- (b) the terms proposed by any person providing finance in relation to the relevant rolling stock (including cash flows);
- (c) any agreement (in whatever form) to which the Franchisee (or an Affiliate of the Franchisee) is a party and which relates to the relevant rolling stock;
- (d) information relating to capital allowances, details of any changes in the terms (including rentals) on which the relevant rolling stock is proposed to be leased compared to the terms on which such rolling stock was previously leased; and
- (e) a detailed justification of the Franchisee's proposed maintenance strategy for the relevant rolling stock and/or the Franchisee's analysis of the whole life costs of the relevant rolling stock.

- 2.1B Where the information or documentation so requested by the Secretary of State is not held by the Franchisee, the Franchisee shall use reasonable endeavours to obtain the relevant information or documentation from a third party (including any person from whom the Franchisee leases rolling stock).

- 2.2 The Franchisee shall not, without the prior written consent of the Secretary of State:
- (a) amend the terms of any insurance arrangements which relate to rolling stock vehicles used by it in the provision of the Passenger Services to which it is a party on the Start Date; or
  - (b) enter into any new insurance arrangements after the Start Date which relate to rolling stock vehicles used or to be used by it in the provision of the Passenger Services ("**New Insurance Arrangements**").
- 2.3 Not used.
- 2.4 The Franchisee shall, in addition, if it enters into any New Insurance Arrangements, use all reasonable endeavours to ensure that the relevant insurers waive their rights of subrogation against any Train Operator which may have equivalent insurance arrangements providing for a similar waiver of rights of subrogation against the Franchisee, whether on a reciprocal basis or otherwise.
- 2.5 Without limiting paragraph 2.1, where the rolling stock to be leased by the Franchisee under any Rolling Stock Lease is Cascaded Rolling Stock the Secretary of State may:
- (a) as a condition of giving his consent to the Franchisee executing such Rolling Stock Lease, require that such Rolling Stock Lease contains a provision whereby, in the event of a Relevant Delay, the Secretary of State may require that such Cascaded Rolling Stock can continue to be used by the Prior Train Operator during such period as the Secretary of State shall specify. Without limitation this may include the Franchisee subleasing the Cascaded Rolling Stock back to the Prior Train Operator and/or a delay to the date on which the Cascaded Rolling Stock is required to be delivered to the Franchisee under such Rolling Stock Lease; and
  - (b) where the Secretary of State requires such a provision to be included in the relevant Rolling Stock Lease, if a Relevant Delay occurs, require the Franchisee to make the Cascaded Rolling Stock available for use by the Prior Train Operator during such period as the Secretary of State may require.

For the purpose of this paragraph 2.5, paragraph 2.6 and paragraph 2.7:

**"Cascaded Rolling Stock"** means rolling stock proposed to be used by the Franchisee in the provision of the Passenger Services the availability of which is, in the opinion of the Secretary of State, directly or indirectly dependent upon the successful introduction into service of any Relevant Rolling Stock by any other Train Operator;

**"Prior Train Operator"** means the Train Operator which used or is using the Cascaded Rolling Stock immediately prior to its proposed use by the Franchisee;

**"Relevant Delay"** means any delay to the successful introduction into service of any Relevant Rolling Stock; and

**"Relevant Rolling Stock"** means rolling stock to be acquired by another Train Operator which, when acquired, will initiate the "cascade" of rolling stock that

directly or indirectly makes the Cascaded Rolling Stock available for use by the Franchisee.

## 2.6

- (a) Where the Secretary of State exercises his right pursuant to paragraph 2.5(b) to make Cascaded Rolling Stock available for use by the Prior Train Operator during a specified period there shall be a Change and where this is a Qualifying Change, it shall be assumed that the period that the Prior Train Operator retains any Cascaded Rolling Stock shall not exceed ninety days and the only Revised Inputs shall be in relation to the difference between each of the rolling stock lease costs and variable track usage charge for the Cascaded Rolling Stock and the rolling stock lease costs and variable track usage charge applicable in relation to whatever rolling stock is to be used by the Franchisee in place of the Cascaded Rolling Stock.
- (b) Where there is a Change pursuant to paragraph 2.6(a) and the period that the Prior Train Operator retains any Cascaded Rolling Stock is more than ninety days there shall be a further Change. Where such Change is a Qualifying Change the modifications to the methodology for calculating Revised Inputs provided for in paragraph 2.6(a) shall not apply.
- (c) Where there is a Change pursuant to paragraphs 2.6(a) or 2.6(b) and any such Change is a Qualifying Change there shall be a further Change (which shall be a Qualifying Change irrespective of whether such Change meets the requirements of the definition of Qualifying Change) on the date that the last Cascaded Rolling Stock ceases to be retained by the Prior Train Operator.

## 2.7

- (a) Where the Secretary of State exercises his right pursuant to paragraph 2.5(b) to require the Franchisee to make the Cascaded Rolling Stock available for use by the Prior Train Operator during a specified period, the Franchisee shall not be liable for any failure to comply with its obligations under the Franchise Agreement to the extent that:
  - (i) such failure to comply arises directly as a result of the Franchisee being unable to use the Cascaded Rolling Stock; and
  - (ii) the Franchisee uses all reasonable endeavours to comply with the relevant obligations notwithstanding the unavailability of the Cascaded Rolling Stock.
- (b) The Franchisee shall notify the Secretary of State as soon as reasonably practicable if it becomes aware of any material risk that a Relevant Delay will occur. If a Relevant Delay does occur the Franchisee shall use all reasonable endeavours to mitigate the impact on the delivery of the Franchise Services of the unavailability of the Cascaded Rolling Stock at the expected time including by identifying and proposing value for money alternative sources of replacement rolling stock.
- (c) If a Relevant Delay has occurred or the Secretary of State believes that there is a material risk that a Relevant Delay will occur he may serve a notice on the Franchisee requiring it to produce a plan to a reasonable

specification provided with the notice to remedy or mitigate the impact of the delayed availability of the Cascaded Rolling Stock ("**Delayed Cascade Mitigation Plan**"). Such specification may include measures to be implemented by the Franchisee to mitigate the direct or indirect impact of the Relevant Delay on the Prior Train Operator or any other affected Train Operator. The Delayed Cascade Mitigation Plan shall provide a comprehensive analysis backed by relevant data and assumptions of:

- (i) all cost and revenue and other financial implications of options contained within it including the potential implications for Franchise Payments;
- (ii) the implications (if any) for Benchmarks; and
- (iii) the likely impact of options within it for existing and future passenger journeys and journey opportunities.

The Franchisee shall meet with the Secretary of State to discuss the Delayed Cascade Mitigation Plan and provide such further information or analysis and further iterations of the Delayed Cascade Mitigation Plan as the Secretary of State shall reasonably require.

### 3. **Assignment of Property Leases during the Franchise Term**

3.1 The Franchisee shall (other than on termination of the Franchise Agreement, for which the provisions of paragraph 4.5 of Schedule 15.4 (Provisions Applying on and after Termination) shall apply) following receipt of a notice purporting to terminate a Property Lease or on becoming aware of any proceedings or any other steps having or purporting to have similar effect, if requested by the Secretary of State, assign its interest under all or any Property Leases to the Secretary of State or as he may direct, subject where applicable to the agreement of any other party to such Property Lease or the ORR.

3.2 Such assignment shall be on such terms as the Secretary of State may reasonably require, including:

- (a) that the Franchisee shall not be released from any accrued but unperformed obligation, the consequences of any antecedent breach of a covenant or obligation in the Property Leases or any liability in respect of any act or omission under or in relation to the Property Lease prior to, or as at the date of, any such assignment (except to the extent that the Secretary of State or his nominee agrees to assume responsibility for such unperformed obligation, such liability or the consequences of such breach in connection with the relevant assignment); and
- (b) that neither the Secretary of State nor his nominee shall be obliged, in connection with such assignment, to agree to assume responsibility for any unperformed obligation, liability or consequences of a breach referred to in paragraph 3.2(a), and the Franchisee shall indemnify the Secretary of State or his nominee, as the case may be, on an after-tax basis against any costs, losses, liabilities or expenses suffered or incurred in relation thereto.

3.3 The Franchisee shall, on the occurrence of any of the circumstances specified in paragraph 3.1 in relation to any other Train Operator who is a party to a Property Lease to which the Franchisee is also party, agree to the assignment of such Train

Operator's interest under the relevant Property Lease to the Secretary of State or as he may direct, subject, where applicable, to the consent of Network Rail. The provisions of paragraph 3.2 shall apply to any such assignment.

- 3.4 The Franchisee shall notify the Secretary of State on becoming aware of any circumstances which might lead to the Secretary of State being able to require the Franchisee to assign its interest or agree to the assignment of another Train Operator's interest under this paragraph 3.

#### 4. **Station and Depot Leases**

- 4.1 The Franchisee shall at all times enforce its rights under each Station Lease and Depot Lease.

- 4.2 The Franchisee shall not:

- (a) terminate or agree to terminate in whole or in part, or take or omit to take any other action which might result in the termination of any Station Lease or Depot Lease;
- (b) assign all or part of its interest under any Station Lease or Depot Lease; or
- (c) sublet the whole or substantially the whole of the property comprised in any Station Lease or Depot Lease,

except to the extent that the Secretary of State may otherwise agree from time to time (such agreement not to be unreasonably withheld if the Franchisee has made arrangements, reasonably satisfactory to the Secretary of State, for the continued operation of such Station or Depot (as the case may be) for the remainder of the Franchise Term or if consent to the Closure of the relevant Station or Depot has been granted).

#### 5. **Station Subleases**

- 5.1 Unless the Secretary of State agrees otherwise, the Franchisee shall not sublet to any of its Affiliates any part of the property comprised in any Property Lease except on terms that any such subletting:

- (a) (other than any subletting to an Affiliate which is a Train Operator) is terminable without compensation immediately upon the termination of the Franchise Agreement; and
- (b) is excluded from the provisions of Part II of the Landlord and Tenant Act 1954 and the Tenancy of Shops (Scotland) Act 1949.

- 5.2 If so requested by the Secretary of State, the Franchisee shall:

- (a) extend each Station Sublease on the same terms for such period as the Secretary of State may request (including a period equivalent to the franchise term of the Train Operator who is the lessee under such Station Sublease); and
- (b) if such Station Sublease terminates (which for the purposes of this paragraph 5.2(b) shall include the termination, at or around the time of termination of the Previous Franchise Agreement, of a station sublease in respect of which the Franchisee was the lessor), grant a new Station

Sublease on the same terms to such Train Operator and for such period as the Secretary of State may request (including a period equivalent to the franchise term of the Train Operator who is the lessee under such Station Sublease),

subject, where required, to the consent of Network Rail (and, if required, the relevant sub-lessee) and to the duration of the relevant Station Lease.

- 5.3 The Franchisee shall notify the Secretary of State immediately on it becoming aware of any event which might give the Franchisee a right to forfeit or terminate any Station Sublease. The Franchisee shall notify the Secretary of State if it wishes to forfeit or terminate any such Station Sublease but shall not (without the Secretary of State's prior written consent) effect such forfeiture or termination until the date which occurs three months after the date of such notice.

## SCHEDULE 2.3

### Third Party Delivery of Passenger Services and Other Franchisees

#### 1. Subcontracting any Passenger Services

- 1.1 Subject to paragraph 1.2, the Franchisee may not subcontract or delegate the provision of the Passenger Services without the prior written consent of the Secretary of State.
- 1.2 The Franchisee may subcontract or delegate the provision of the Passenger Services, provided that:
- (a) the Secretary of State receives prior written notice of any such subcontracting or delegation;
  - (b) the Franchisee continues to be party to all Access Agreements and Property Leases necessary to provide such Passenger Services and to enjoy all relevant access and operational rights thereunder;
  - (c) the Franchisee continues to specify and control the terms and conditions (subject to the requirements of the Inter-Operator Schemes) on which such Passenger Services are to be provided, including the determination of the Price or Child Price (as the case may be) of any Fares;
  - (d) the Train Mileage of the Passenger Services so delegated or subcontracted does not exceed 5 per cent. of the aggregate scheduled Train Mileage of the Franchisee in any Reporting Period; and
  - (e) the Franchisee continues to perform its obligations under Schedule 1.1 (Service Development) in respect of any subcontracted or delegated services.
- 1.3 Any such subcontracting or delegation shall not relieve the Franchisee from any of its obligations under the Franchise Agreement, including its obligations under this paragraph 1 and Schedule 14 (Preservation of Assets).

#### 2. Other Franchisees

- 2.1 If the franchise agreement of another franchisee terminates or a railway administration order is made in respect of another franchisee, the Franchisee shall co-operate with any reasonable request of the Secretary of State to ensure:
- (a) that the services provided or operated by such other franchisee may continue to be provided or operated by any successor Train Operator or the railway administrator; and
  - (b) that the benefit of any arrangements between the Franchisee and such other franchisee which were designated as a key contract under such franchise agreement immediately prior to its termination or to a railway administration order being made will continue to be provided to any successor Train Operator or to the railway administrator.
- 2.2 The benefit of any arrangements of the type referred to in paragraph 2.1(b) shall be provided on substantially the same terms as previously obtained by the

relevant franchisee, subject to paragraph 9 of Schedule 19 (Other Provisions) and paragraph 2.3, provided that the Secretary of State may exclude or modify any terms agreed or amended by such franchisee in the 12 months preceding the date on which such franchisee's franchise agreement was terminated or the date on which the relevant railway administration order was made which were, in the Secretary of State's reasonable opinion, to the material detriment of such franchisee's business. The benefit of such arrangements shall be provided for such period as the Secretary of State may reasonably require to allow the relevant Train Operator or railway administrator to renegotiate such arrangements or make alternative arrangements.

- 2.3 The Franchisee shall notify the Secretary of State of its intention to terminate any contract with any other Train Operator which is designated as a "**Key Contract**" under that Train Operator's franchise agreement and shall give that Train Operator sufficient notice to enable it to make suitable alternative arrangements for its passengers without causing disruption to the railway passenger services provided by such Train Operator.
- 2.4 If the franchise agreement of another franchisee terminates in contemplation of the entry into or entry into effect of a new franchise agreement with the same franchisee in respect of all or a material part of the relevant railway passenger services, the Franchisee shall waive any event of default or other right it may have to terminate any agreement with such franchisee arising out of such termination, provided that the entry into or entry into effect of such new franchise agreement takes place.
- 2.5 References in this paragraph 2 to a franchisee include references to any franchise operator of that franchisee.



## SCHEDULE 2.4

### Other Franchise Operations

#### 1. **Rolling Stock Testing and Commissioning**

1.1 The Franchisee shall, to the extent reasonably requested by the Secretary of State and subject to payment of the Franchisee's reasonable costs by the relevant third party, co-operate with any third party which the Secretary of State may specify (including a Successor Operator, a rolling stock vehicle manufacturer, Network Rail or the Secretary of State) in connection with the testing and commissioning of new rolling stock vehicles or any new equipment to be fitted to rolling stock vehicles (whether such rolling stock vehicles are new or otherwise). Such co-operation shall not unreasonably disrupt the provision and operation of the Franchise Services and may include:

- (a) the movement of test trains within and around depots;
- (b) making available suitably qualified personnel to operate test trains along the Routes and provide information on the Routes;
- (c) making Train Slots available for such purposes;
- (d) granting or procuring the grant of access to the third party and its representatives to any relevant facilities; and
- (e) the delivery of rolling stock vehicles to specific locations.

#### 2. **Restrictions on Closures of Railway Passenger Services or Railway Facilities**

2.1 Except to the extent that the Secretary of State agrees otherwise, the Franchisee shall not:

- (a) cease to operate;
- (b) cease to secure the operation of; or
- (c) propose to terminate the use of,

any Station (or part of a Station) or any railway passenger service over a Route where such cessation or proposal might result in a Closure.

2.2 If any procedures are commenced under Part 4 of the Railways Act 2005 in relation to a Closure, the Franchisee shall, at its own cost and to the extent so requested by the Secretary of State, take such action as the Secretary of State may require in order to enable the Secretary of State to comply with any duty imposed on him under Part 4 of the Railways Act 2005 in relation to such Closure.

#### 3. **Not Used**

#### 4. **Royal Train**

4.1 The Franchisee shall, if and to the extent requested by any person (including DB Schenker Rail (UK) Limited) and subject to the payment by such person of any

reasonable costs of the Franchisee, co-operate in the provision by such person of railway passenger services for Her Majesty Queen Elizabeth II or any successor head of state or members of the family or representatives of either of them.

4.2 The provision of railway services for Her Majesty Queen Elizabeth II or any successor head of state or members of the family or representatives of either of them may include:

- (a) running a "sweeper" train in front of the royal train;
- (b) having spare locomotives on standby as rescue traction; and/or
- (c) carrying out security requirements or co-operating with other persons in ensuring that security requirements are carried out prior to calling at any station on the Routes.

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## SCHEDULE 2.5

### Transport, Travel and Other Schemes

1. **Not Used**
2. **Local Authority Concessionary Travel Schemes**
  - 2.1 The Franchisee shall:
    - (a) subject to paragraph 2.2, participate in and comply with its obligations under:
      - (i) the concessionary travel schemes listed in the Appendix to this Schedule 2.5; and
      - (ii) any other concessionary travel scheme which the Franchisee is required to participate in during the Franchise Term pursuant to paragraph 2.1(b); and
    - (b) subject to paragraph 2.3, if so requested by the Secretary of State, participate in and comply with its prospective obligations under:
      - (i) any concessionary travel scheme listed in the Franchise Agreement the terms of which have been amended since the date of the Franchise Agreement; and
      - (ii) such other concessionary travel schemes as any relevant Local Authority may require or request it to participate in.
  - 2.2 Subject to the terms of the relevant concessionary travel scheme, the Franchisee shall be entitled to cease to participate in any scheme referred to in paragraph 2.1(a) where, in the reasonable opinion of the Secretary of State:
    - (a) the Franchisee's continuing participation in such scheme; and/or
    - (b) the obligations assumed by the relevant Local Authority in connection therewith,each pursuant to Part II of the Travel Concession Schemes Regulations 1986 (SI 1986/77) (the "**Regulations**"), would fail to leave the Franchisee financially no worse off (within the meaning of the Regulations) than it was immediately following the Start Date.
  - 2.3 The Secretary of State shall not require the Franchisee to participate in any scheme referred to in paragraph 2.1(b) where the Secretary of State is reasonably satisfied that:
    - (a) the reimbursement arrangements with respect to the Franchisee's participation in any such scheme; and/or
    - (b) the obligations to be assumed by such Local Authority in connection therewith,

each pursuant to the Regulations would fail to leave the Franchisee financially no worse off (within the meaning of the Regulations) as a result of such participation.

- 2.4 The Secretary of State shall consult the Franchisee before making any request of the Franchisee to participate in any amended or new concessionary travel scheme pursuant to paragraph 2.1(b) and shall allow the Franchisee a reasonable opportunity to make representations to him with respect to any such participation.
- 2.5 The Franchisee shall supply to the Secretary of State, in respect of any concessionary travel schemes referred to in paragraph 2.1, such information within such period as the Secretary of State may reasonably require for the purposes of determining whether or not the Franchisee is or will be financially no worse off (within the meaning of the Regulations) as a consequence of its participation in any such scheme, and/or the obligations assumed by such Local Authority in connection therewith.
- 2.6 If the Secretary of State and the Franchisee are unable to agree whether the Franchisee will be financially no worse off (within the meaning of the Regulations), the Secretary of State and the Franchisee may resolve such dispute in accordance with the Dispute Resolution Rules.

### 3. **Multi-modal Fares Schemes**

3.1 The Franchisee shall:

- (a) subject to paragraph 3.2, participate in and comply with its obligations under:
- (i) the multi-modal fares schemes set out in paragraph 3 of the Appendix to this Schedule 2.5; and
  - (ii) any other multi-modal fares scheme which the Franchisee is required to participate in during the Franchise Term pursuant to paragraph 3.1(b);

including by co-operating in the implementation of any smart card technology pursuant to any such multi modal fares schemes; and

- (b) subject to paragraph 3.3, if so requested by the Secretary of State, participate in and comply with its prospective obligations under:
- (i) any multi-modal fares scheme set out in paragraph 3 of the Appendix to this Schedule 2.5, the terms of which have been amended since the date of signature of this Agreement; and
  - (ii) such other multi-modal fares schemes as any relevant Local Authority may require or request it to participate in.

3.2 Subject to the terms of the relevant multi-modal fares scheme, the Franchisee shall be entitled to cease to participate in any scheme referred to in paragraph 3.1(a) where, in the reasonable opinion of the Secretary of State:

- (a) the Franchisee's continuing participation in such scheme; and/or
- (b) the obligations assumed by the relevant Local Authority in connection therewith,

would fail, by way of distribution of income or otherwise, to render the Franchisee financially no worse off.

- 3.3 The Secretary of State shall not require the Franchisee to participate in any scheme referred to in paragraph 3.1(b) where the Secretary of State is reasonably satisfied that the Franchisee's participation in any such scheme and/or the obligations to be assumed by the relevant Local Authority in connection therewith, would fail, by way of distribution of income or otherwise, to render the Franchisee financially no worse off.
- 3.4 In determining whether the Franchisee shall, pursuant to paragraph 3.2, continue to participate or, pursuant to paragraph 3.3, participate in any multi-modal fares scheme, the Secretary of State shall construe the term "financially no worse off" to mean:
- (a) in respect of any multi-modal fares scheme set out in paragraph 3 of the Appendix to this Schedule 2.5, that the Franchisee incurs no greater financial loss than the financial loss (if any) incurred by the Franchisee at the Start Date under that scheme, as adjusted by reference to any change in the level of prices according to the Retail Prices Index since such date;
  - (b) in respect of any multi-modal fares scheme which replaces and (in the Secretary of State's reasonable opinion) is reasonably similar to any such scheme as may be set out in paragraph 3 of the Appendix to this Schedule 2.5, that the Franchisee incurs no greater financial loss than the financial loss (if any) incurred by the Franchisee at the Start Date under the replaced scheme, as adjusted by reference to any change in the level of prices according to the Retail Prices Index since such date; and
  - (c) in respect of any multi-modal fares scheme which does not replace or which does replace but which is not (in the Secretary of State's reasonable opinion) reasonably similar to any such scheme or schemes as may be set out in paragraph 3 of the Appendix to this Schedule 2.5, such reimbursement arrangements as agreed by the relevant parties to such multi-modal fares schemes (or on failure to agree, as determined by the Secretary of State).
- 3.5 The Secretary of State shall consult the Franchisee before making any request of the Franchisee to participate in any amended or new multi-modal fares scheme pursuant to paragraph 3.1(b) and shall allow the Franchisee a reasonable opportunity to make representations to it with respect to any such participation.
- 3.6 The Franchisee shall supply to the Secretary of State, in respect of any multi-modal fares schemes referred to in paragraph 3.1 such information within such period as the Secretary of State may reasonably require for the purposes of determining whether or not the Franchisee is or will be financially no worse off as a consequence of its participation in any such scheme and/or the obligations to be assumed by the relevant Local Authority in connection therewith.
- 3.7 If the Secretary of State and the Franchisee are unable to agree whether the Franchisee will be financially no worse off, the Secretary of State and the Franchisee may resolve such dispute in accordance with the Dispute Resolution Rules.

#### 4. **Discount Fare Schemes**

##### 4.1 If the Secretary of State:

- (a) effects, or proposes to effect, an amendment to a Discount Fare Scheme;
- (b) introduces any new Discount Fare Scheme; or
- (c) ceases to approve a Discount Fare Scheme,

for the purposes of Section 28 of the Act, such amendment, intended amendment, introduction or cessation of approval shall be a Change.

4.2 The Secretary of State shall provide a reasonable opportunity to the Franchisee to make representations to him before amending, introducing or ceasing to approve a Discount Fare Scheme pursuant to paragraph 4.1.

4.3 The Franchisee shall supply to the Secretary of State, in respect of any Discount Fare Scheme referred to in paragraph 4.1, such information within such period as the Secretary of State may reasonably require for the purposes of determining the financial effect of any such amendment, intended amendment, introduction or cessation of approval.

#### 5. **Inter-Operator Schemes**

5.1 The Franchisee shall participate in and comply with its obligations under the terms of each of the Inter-Operator Schemes.

5.2 Without limiting paragraphs 5.1 and 5.3, the Franchisee agrees to be bound by Parts IV and V of Chapter 4 of the Ticketing and Settlement Agreement and shall not amend, or agree or propose to amend, the Ticketing and Settlement Agreement without the prior written consent of the Secretary of State.

5.3 The Franchisee shall not amend, or agree or propose to amend, any Inter-Operator Scheme other than in accordance with its terms.

5.4 The Franchisee shall:

- (a) provide reasonable notice to the Secretary of State of any proposal to amend any Inter-Operator Scheme which it intends to make or of which it receives notification and which, in its opinion, is reasonably likely materially to affect the provision of the Franchise Services; and
- (b) have regard to the Secretary of State's views in respect of any such proposal.

5.5 If an amendment is effected or proposed to be effected to an Inter-Operator Scheme which requires the consent or approval of the Secretary of State in accordance with the terms thereof, such amendment shall be treated as a Change to the extent and only to the extent that the Franchisee makes a saving as a consequence of such amendment or proposed amendment.

## APPENDIX TO SCHEDULE 2.5

### List of Transport, Travel and Other Schemes

#### 1 Integrated Transport Schemes

None

#### 2 Local Authority Concessionary Travel Schemes

2.1 Transport for Greater Manchester: Concessionary Fares Scheme (free, discounted price or flat fares for elderly, disabled and young persons).

2.2 Merseytravel: Concessionary Fares Scheme (free or discounted price travel for elderly, disabled and young persons).

2.3 West Yorkshire Combined Authority: Concessionary Fares Scheme (free or discounted price travel for senior citizens, blind, disabled and young persons).

2.4 South Yorkshire Passenger Transport Executive: Concessionary Fares Scheme.

2.5 Tyne & Wear Passenger Transport Executive: Concessionary Fare Scheme.

2.6 Education season ticket schemes also operate with the following:

Lancashire County Council, Cheshire County Council, Derbyshire County Council, and Cumbria County Council.

2.7 Concessionary schemes with the following bodies:

Durham County Council, North Lincolnshire County Council, North East Lincolnshire County Council, Hull City Council and Derbyshire County Council.

2.8 Scholar Season Ticket schemes with the following authorities:

North Lincolnshire County Council, North East Lincolnshire County Council, West Yorkshire Combined Authority, Lincolnshire County Council, North Yorkshire County Council (one scheme on the Whitby branch line and one relating to the Esk Valley Rail Partnership), Northumberland County Council, Hull City Council.

#### 3 Multi-modal Fares Schemes

3.1 Transport for Greater Manchester:

(a) County Cards (Greater Manchester Travelcards Limited season tickets);

(b) Metrolink tickets (Metro and train);

(c) Wayfarer tickets (bus, Metro and train);

(d) Day Saver (Off peak Rover ticket with bus, train and tram combinations);  
and

(e) Rail Ranger.

3.2 Merseytravel:

TRIO, Rail Pass and Saveaway- Multi-modal season tickets and off peak Rovers.

3.3 West Yorkshire Combined Authority:

- (a) Metrocards/M-Cards;
- (b) Metro Dayrover tickets (daily off-peak);
- (c) Not used;
- (d) Metrorover tickets (half-price travel for the unemployed).

3.4 Tyne & Wear Passenger Transport Executive:

Network Travel tickets.

3.5 South Yorkshire Passenger Transport Executive:

- (a) Travelmaster;
- (b) Railmaster.

3.6 Derbyshire County Council

Derbyshire Wayfarer - off peak Rover



**SCHEDULE 3**

**Not Used**

Final Draft - Subject to Contract

## **SCHEDULE 4**

### **Persons with Disabilities and Disability Discrimination**

**Schedule 4:                   Persons with Disabilities and Disability  
Discrimination  
Appendix 1 to Schedule 4: Minor Works**

**Appendix 2 to Schedule 4: Alternative Transport**

Final Draft - Subject to Contract

## **Persons with Disabilities and Disability Discrimination**

### **1. Relationship with other obligations relating to persons with disabilities**

1.1 The Franchisee acknowledges that its obligations in this Schedule 4 are in addition to and do not limit its obligations to comply with:

- (a) the EA and any regulations imposed by it;
- (b) any applicable condition(s) in any of its Licences (including in respect of persons with disabilities); and
- (c) any other of the requirements of the Franchise Agreement.

1.2 This Schedule 4 sets out:

- (a) specific arrangements which apply in respect of physical alterations to stations to facilitate accessibility and use by Disabled Persons; and
- (b) specific obligations of the Franchisee directed at meeting the needs of persons with disabilities.

### **2. Physical Alterations and Accessibility of Stations**

2.1 In respect of physical alteration works at stations to facilitate accessibility and use by Disabled Persons, it is acknowledged by the Franchisee that:

- (a) there is limited funding available to the Secretary of State to assist franchisees and/or franchise operators with the carrying out of those works;
- (b) consequently, there is a need for such works to be carried out over a period of time to reflect the availability of funding, and for such works to be prioritised with regard to where there is the greatest need and/or where physical alterations can have the greatest effect; and
- (c) the Secretary of State's national programme of works of physical alterations at stations addresses these issues in a structured way.

2.2 The Franchisee shall:

- (a) co-operate reasonably with and assist the Secretary of State in the development and furtherance by the Secretary of State of the programme described in paragraph 2.1(c) by providing to the Secretary of State:
  - (i) information concerning the usage of Stations (including, where and to the extent reasonably practicable, usage of Stations by Disabled Persons); and
  - (ii) advice as to the most economic way in which accessibility for Disabled Persons could, in the

Franchisee's reasonable opinion, be improved at Stations;

- (b) co-operate reasonably with other Train Operators and/or Network Rail to seek to ensure that, where it would be advantageous to do so, having regard to the needs of Disabled Persons, any planned work on the Stations to facilitate accessibility and use by Disabled Persons is, so far as reasonably practicable, co-ordinated with other work to be carried out at the Stations and/or other parts of the network; and
- (c) use all reasonable endeavours to secure sources of grant funding (other than from itself or an Affiliate) for improving accessibility for Disabled Persons at Stations (in addition to any funding secured through the Secretary of State pursuant to paragraph 2.5), including from Local Authorities, local development agencies and the Lottery Commission. The Franchisee shall notify the Secretary of State of:
  - (i) any such additional funding which it secures; and
  - (ii) the terms on which such additional funding has been granted.

2.3 In participating in any multi-modal fares scheme, the Franchisee shall use all reasonable endeavours to secure, through the planning and development of such scheme, improvements in disabled access to the entrances of any relevant station, including within and in the immediate proximity of such station.

2.4 If, during the Franchise Term:

- (a) the Franchisee has complied with its obligations in Section 20(4) and Section 20(9), as varied by paragraph 2(3) of Schedule 2, of the EA (to take such steps as are reasonable to provide a reasonable alternative method of making services at a Station accessible to a Disabled Person to avoid a Disabled Person being placed at a substantial disadvantage by a physical feature at a Station) and its obligations in paragraph 2.7 concerning Minor Works; and
- (b) notwithstanding such compliance, the Franchisee reasonably considers it is still required to carry out or procure physical works of alteration at a Station in order to comply with the EA Requirements in respect of that Station, and, in so carrying out or procuring, would incur expenditure which it would not otherwise have an obligation to incur,

the Franchisee may seek funding from the Secretary of State in respect of that expenditure.

2.5 If the Franchisee seeks funding from the Secretary of State under paragraph 2.4, and demonstrates to the Secretary of State's satisfaction that the criteria in paragraph 2.4 have been satisfied, then the Secretary of State may agree to adjust the amount of Franchise Payments in respect of some or all of the works and/or expenditure. In considering his response to any such request, the Secretary of State will have regard to the

availability of funding and the priorities set out in the national programme described in paragraph 2.1(c), together with any other available sources of funding described in paragraph 2.2(c). If and to the extent the Secretary of State agrees to adjust Franchise Payments in accordance with this paragraph 2.5 in any Franchisee Year:

- (a) the Secretary of State shall make such adjustment to the Franchise Payments; and
- (b) the Franchisee shall spend such additional funds:
  - (i) in order to comply with the EA Requirements referred to in paragraph 2.4(b); and
  - (ii) in accordance with any conditions the Secretary of State may notify the Franchisee of.

2.6 If and to the extent the Franchisee is required to pay any increased access charges as a result of additional expenditure required to be incurred by another station Facility Owner for the purpose of complying with the EA Requirements in respect of a Franchisee Access Station, provided that the Franchisee:

- (a) notifies the Secretary of State within seven days of becoming aware of any proposal for the increase in such charges (or the works to which they relate); and
- (b) complies with the Secretary of State's reasonable directions regarding the exercise of any rights the Franchisee may have in respect thereof,

the imposition of the increased access charges shall be a Change.

2.7 The Franchisee shall:

- (a) establish and manage the Minor Works' Budget to fund the carrying out of Minor Works. For the purposes of this paragraph 2.7, Minor Works means small scale physical alterations or additions to improve accessibility of Stations to Disabled Persons, not involving substantial works of construction or reconstruction. The Minor Works:
  - (i) may, but shall not necessarily include, the Minor Works described in Appendix 1 (Minor Works) of this Schedule 4;
  - (ii) shall not include any works which Network Rail, the Franchisee or any other person has a separate obligation to carry out, except where:
    - (A) such obligation is an obligation of the Franchisee under the EA; or
    - (B) the inclusion of such works would lead to the acceleration of the timescale for their completion and the Secretary of State gives his consent pursuant to paragraph 2.7(a)(iii);

- (iii) shall only include works other than those permitted by paragraphs 2.7(a)(i) and 2.7(a)(ii) with the prior consent of the Secretary of State; and
  - (iv) must comply with the standards provided for in the Code of Practice, unless otherwise agreed with the prior consent of the Secretary of State;
- (b) as soon as reasonably practicable (and in any event within four months) after the Start Date and thereafter before the start of each Franchisee Year:
- (i) develop a Minor Works' Programme and consult with the Disabled Persons Transport Advisory Committee and relevant Passengers' Council in relation thereto;
  - (ii) in conjunction with its activities in paragraph 2.7(b)(i), and, consistent with its obligations under paragraph 2.2(b), liaise with Network Rail and other Train Operators as necessary with regard to the determination and implementation of each Minor Works' Programme; and
  - (iii) following the consultation and liaison described in paragraphs 2.7(b)(i) and 2.7(b)(ii), obtain the Secretary of State's prior approval (such approval not to be unreasonably withheld) of each Minor Works' Programme;
- (c) carry out or procure the carrying out of the Minor Works' Programme in each Franchisee Year and in doing so, spend at least the amount of the Minor Works' Budget for the relevant Franchisee Year in such Franchisee Year (unless otherwise agreed by the Secretary of State);
- (d) report progress to the Secretary of State in determining and carrying out the Minor Works' Programme no less than once every three Reporting Periods; and
- (e) co-operate, as the Secretary of State may reasonably require, with Network Rail or any other person seeking to carry out or procure Minor Works at the Stations or any other stations.

### 3. Dealing with Claims Relating to Stations

3.1 If the Franchisee receives notification of a claim under the EA in respect of any alleged non-compliance with the EA Requirements or otherwise in respect of any Station (an "**EA Claim**") then the Franchisee shall:

- (a) notify the Secretary of State within seven days of receiving notification of the EA Claim. The Franchisee shall at the same time notify the Secretary of State of any reasonable alternative methods of making services at the Station accessible to Disabled Persons that it has considered and/or put in place pursuant to Section 20(4) and Section 20(9), as varied by paragraph 2(3) of Schedule 2, of the EA;

- (b) if required by the Secretary of State, defend the EA Claim or any aspect of the EA Claim (which may include appealing the judgment). The Secretary of State will, subject to paragraph 3.4, pay the Franchisee's reasonable costs of:
    - (i) any defence or appeal required by the Secretary of State; and/or
    - (ii) compliance with the Secretary of State's instructions in accordance with paragraph 3.1(c); and
  - (c) act in accordance with the reasonable instructions of the Secretary of State to defend the EA Claim (or any aspect of it) as required under paragraph 3.1(b) and shall not (without the prior consent of the Secretary of State) settle or enter into any compromise in relation to the EA Claim (or the relevant aspect of it), including by entering into mediation.
- 3.2 If, in the reasonable opinion of the Franchisee, it will be more cost effective to settle the EA Claim rather than act in accordance with the Secretary of State's requirement under paragraph 3.1, it shall produce for the Secretary of State's approval a settlement proposal, setting out the terms of the Franchisee's proposals to make an offer to the Disabled Person making the EA Claim and its reasons for making such offer (the "**Settlement Proposal**").
- 3.3 If the Secretary of State does not accept the Settlement Proposal and still requires the Franchisee to defend the EA Claim (or any aspect of it) then the Franchisee shall defend the EA Claim in accordance with paragraph 3.1.
- 3.4 If the Franchisee is required to defend an EA Claim where it has submitted a Settlement Proposal to the Secretary of State and an award is made in respect of the EA Claim in favour of the person bringing it which is higher than the figure set out in the Settlement Proposal, then, subject to paragraph 3.5, the Secretary of State shall pay to the Franchisee:
- (a) the difference between such an award and the figure set out in the Settlement Proposal; and
  - (b) the further reasonable costs incurred or payable by the Franchisee in defending the EA Claim, to the extent that such costs have not already been paid by the Secretary of State under paragraph 3.1(b).
- 3.5 The Secretary of State shall not have any obligation to make the payments described in paragraphs 3.1(b) or 3.4 where it is determined or, if no declaration or determination by the court on this point has been sought or made, the Secretary of State, in his reasonable opinion, considers that the Franchisee has not taken such steps as it is reasonable, in all the circumstances of the case, for it to take to provide a reasonable alternative method of making services at the Station accessible to Disabled Persons.
4. **Specific additional obligations relating to persons with disabilities**
- 4.1 **Not used.**

- 4.2 The Franchisee shall establish and implement procedures necessary to:
- (a) record the making of reservations for seating accommodation for and/or the provision of assistance to, persons with disabilities which are made through the Passenger Assistance (or whatever service may replace it from time to time for the purposes of ORR's most recent guidance on Disabled People's Protection Policies);
  - (b) record whether such seating accommodation and/or assistance is actually provided; and
  - (c) provide such records to the Secretary of State on his request.

4.2A Any helpline established by the Franchisee for the purposes of making reservations for seating accommodation for and/or the provision of assistance to, persons with disabilities shall be provided free of charge.

4.3 Where the Franchisee's Disabled People's Protection Policy:

- (a) has been established before the date of the Franchise Agreement; and
- (b) has not been revised and approved by the ORR to take into account the ORR's most recent published guidance on Disabled People's Protection Policies as at the date of the Franchise Agreement,

the Franchisee shall within six months of the date of the Franchise Agreement revise its Disabled People's Protection Policy such that it complies with that guidance, and obtain the ORR's approval of the revised version.

4.4 The Franchisee shall comply with the requirements set out in Appendix 2 (Alternative Transport) of this Schedule 4 in respect of the provision of alternative means of transportation for persons with disabilities.



## APPENDIX 1 TO SCHEDULE 4

### Minor Works

1. Providing additional signage, where it does not currently exist, to allow better way finding around the station by Disabled Persons.
2. Removing:
  - 2.1 thresholds (above 15 millimetres) which do not comply with the Code of Practice; or
  - 2.2 fewer than three steps,  
from the entrances to booking halls or platforms to enable those facilities to have step-free access.
3. Providing contrasting manifestations on glazed areas where contrasting manifestations do not currently exist.
4. Providing additional handrails around the station where handrails do not currently exist and where the Franchisee reasonably believes they may be required by a Disabled Person.
5. Providing new accessible stair nosings where stair nosings do not currently exist.
6. Providing new tactile surfaces, including at the top and bottom of flights of steps (but excluding at platform edges) where tactile surfaces do not currently exist.
7. Providing additional seating that is accessible to Disabled Persons, but not replacing existing seating.
8. Providing induction loops for ticket office windows where induction loops do not currently exist.
9. Replacing non-standard fittings with fittings that are compliant with the Code of Practice in existing disabled toilets, which would include replacing non-standard fittings in respect of toilet bowls and sinks, but would not include making major changes to plumbing or to the dimensions of the toilet area.
10. Providing dropped kerbs at drop off/set down points or station car parks to enable access/egress thereto where dropped kerbs do not currently exist.
11. Marking out existing car-parking bays for use by persons with disabilities which comply with the Code of Practice, where such car parking bays do not currently comply.

## APPENDIX 2 TO SCHEDULE 4

### Alternative Transport

1. References in this Appendix 2 to passengers are references to passengers with disabilities who are wheelchair users or otherwise severely mobility impaired.
2. Subject to paragraph 4, where:
  - (a) a passenger wants to travel on a Passenger Service; and
  - (b) the design of the station at which the passenger's journey on such Passenger Service is to start (the "**Departure Station**") or finish (the "**Destination Station**") prevents the passenger from using that station to access or disembark from that Passenger Service,

the Franchisee shall provide alternative transport for that passenger in accordance with paragraph 3.
3. The Franchisee shall provide alternative transport for the passenger referred to in paragraph 2:
  - (a) from the Departure Station to the next station at which the Passenger Service is scheduled to call and at which it is possible for the passenger to access that Passenger Service;
  - (b) to the Destination Station, from the station closest to such station at which the Passenger Service is scheduled to call and which it is possible for the passenger to use to disembark from that Passenger Service; and/or
  - (c) to or from such other station as the Franchisee may, having regard to the journey and the needs of the passenger, agree,

and, in any case, at no cost additional to the price of the Fare which would otherwise be payable for the passenger's rail journey.
4. The Franchisee's obligations under this Appendix 2 are subject to:
  - (a) reasonable prior notice of the passenger's requirement for alternative transport; and
  - (b) the availability of suitable alternative transport (provided that the Franchisee has used all reasonable endeavours to ensure that it has arrangements in place to meet requirements for the provision of such alternative transport).

## **SCHEDULE 5**

### **Fares**

- Schedule 5.1: Purpose, Structure and Construction**
- Schedule 5.2: Franchisee's Obligation to Create Fares**
- Schedule 5.3: Allocation of Fares to Fares Baskets**
- Schedule 5.4: Regulation of Fares Basket Values**
- Schedule 5.5: Regulation of Individual Fares and T&WPTE Fares**
- Schedule 5.6: Exceeding the Regulated Value, Regulated Price or Regulated Child Price**
- Schedule 5.7: Changes to Fares and Fares Regulation**
- Schedule 5.8: Fares Regulation Information and Monitoring**
- Schedule 5.9: Smart Ticketing**

## **SCHEDULE 5.1**

### **Purpose, Structure and Construction**

#### **1. Purpose of Schedule 5**

##### **Purpose of provisions relating to Creating Fares**

1.1 The purpose of Schedule 5.2 (Franchisee's Obligation to Create Fares) is to ensure that:

- (a) PTE Fares and Protected Fares are Created in accordance with the Ticketing and Settlement Agreement; and
- (b) appropriate restrictions are placed on the Franchisee's ability to Create Fares.

##### **Purpose of Fares Regulation**

1.2 The purpose of Schedules 5.3 (Allocation of Fares to Fares Baskets) to 5.8 (Fares Regulation Information and Monitoring) (inclusive) is to provide for the regulation of Fares by the Secretary of State pursuant to Section 28 of the Act.

1.3 For the purpose of regulating Fares, each Fare that is to be regulated shall be allocated in accordance with this Schedule 5 to one of the following Fares Baskets:

- (a) the PTE/Protected Fares Basket; or
- (b) the T&WPTE Fares Basket.

1.4 The Secretary of State's regulation of Fares places a limit on the Price or Child Price of each Fare that is allocated by the Secretary of State to the PTE/Protected Fares Basket. The limit on the Price or Child Price of each Fare is set by reference to:

- (a) the overall increase of the Prices and the Child Prices of all Fares in the PTE/Protected Fares Basket; and
- (b) the individual increase in the Price or the Child Price of each Fare in the PTE/Protected Fares Basket.

1.5 Subject to the more detailed provisions of Schedules 5.4 (Regulation of Fares Basket Values) and 5.5 (Regulation of Individual Fares and T&WPTE Fares):

- (a) the overall increase of the Prices and the Child Prices of all Fares in the PTE/Protected Fares Basket may not exceed the Retail Prices Index + k per cent. per annum in respect of each Fare Year;
- (b) the increase in the Price or the Child Price of any individual Fare in the PTE/Protected Fares Basket may not exceed the Retail

Prices Index + k per cent. + f per cent. per annum in respect of each Fare Year; and

- (c) The Secretary of State may specify the Prices and Child Prices to be set for T&WPTE Fares and is required to compensate the Franchisee if the overall increase of Prices and Child Prices of all T&WPTE Fares in the T&WPTE Fares Basket is less than RPI + k per cent. per annum.

For the purposes of this paragraph 1.5(a), "k" shall have the meaning given to it in paragraph 4.2 of Schedule 5.4 (Regulation of Fares Basket Value) and for the purposes of paragraph 1.5(a) "k" and "f" shall have the meaning given to each such term in paragraph 2.2 of Schedule 5.5 (Regulation of Individual Fares and T&WPTE Fares).

- 1.6 The Secretary of State may alter these limits, and other aspects of the regulation of Fares, in accordance with the more detailed provisions of Schedule 5.7 (Changes to Fares and Fares Regulation).

## 2. **Structure of Schedule 5**

- 2.1 Schedule 5.2 (Franchisee's Obligation to Create Fares) sets out or refers to the Franchisee's obligations to Create Fares.

- 2.2 Schedule 5.3 (Allocation of Fares to Fares Baskets) sets out the allocation of Fares to Fares Baskets.

- 2.3 Schedule 5.4 (Regulation of Fares Basket Values) sets out the limits applicable to the overall increase in Prices and Child Prices of all Fares in the PTE/Protected Fares Basket.

- 2.4 Schedule 5.5 (Regulation of Individual Fares and T&WPTE Fares) sets out:

- (a) the limits applicable to the increase in the Price or Child Price of any individual Fare in the PTE/Protected Fares Basket; and
- (b) the rights of the Secretary of State to specify to the Franchisee the T&WPTE Fares and the Price of all T&WPTE Fares and the compensation arrangements that apply if the overall increase of Prices and Child Prices of all T&WPTE Fares in the T&WPTE Fares Basket is less than RPI + k per cent. per annum ("k" having the meaning given to it in paragraph 1.5 of this Schedule 5.1).

- 2.5 Schedule 5.6 (Exceeding the Regulated Value, Regulated Price or Regulated Child Price) sets out the consequences of the Franchisee exceeding:

- (a) the Regulated Value of the PTE/Protected Fares Basket; or
- (b) the Regulated Price or Regulated Child Price of any Fare.

- 2.6 Schedule 5.7 (Changes to Fares and Fares Regulation) sets out the Secretary of State's ability to vary the foregoing provisions.

- 2.7 Schedule 5.8 (Fares Regulation Information and Monitoring) sets out Fares regulation information and monitoring provisions.

2.8 Schedule 5.9 (Smart Ticketing) sets out provisions relating to the introduction of smart ticketing.

3. **Construction**

**References to "Fare"**

3.1 For the purposes of:

(a) Schedule 5.2 (Franchisee's Obligation to Create Fares), Fare shall have the wide meaning given to it in paragraph (a) of that definition; and

(b) Schedules 5.3 (Allocation of Fares to Fares Baskets) to 5.8 (Fares Regulation Information and Monitoring) (inclusive), Fare shall have the narrow meaning given to it in paragraph (b) of that definition.

3.2 References in this Schedule 5 to a Fare shall, except to the extent the context otherwise requires, be construed as references to the Fare which is or can be Created by the Lead Operator for the Flow to which the Fare relates or, if such Flow is not a Compulsory Inter-available Flow, any Fare which the Franchisee has Created or can Create in respect of that Flow as the Secretary of State may specify.

**Fares Documents**

3.3 In the event that, in the Secretary of State's reasonable opinion, there is a immaterial inconsistency between the Fares, the maximum Price or Child Price (as the case may be) for any Fare recorded by RSP in 2010 or the 2010 Nominal Ticket Sales:

(a) described in or determined in accordance with this Schedule 5; and

(b) described in the relevant Fares Document,

the relevant Fares Document shall prevail.

3.4 In the event that, in the Secretary of State's reasonable opinion, there is a material inconsistency between the Fares, the maximum Price or Child Price (as the case may be) for any Fare recorded by RSP in 2010 or the 2010 Nominal Ticket Sales:

(a) described in or determined in accordance with this Schedule 5; and

(b) described in the relevant Fares Document,

this Schedule 5 shall prevail.

**Setting of Child Prices**

3.5 Any requirement under this Schedule 5 to set a Child Price in respect of a Fare shall be satisfied by the Franchisee Creating either:

- (a) a Fare which is only valid for use by persons under the age of 16; or
- (b) a Fare which is valid for use:
  - (i) by any person at a price; and
  - (ii) by persons under the age of 16 at a discounted price relative to the price set pursuant to paragraph 3.5(b)(i).

**New Stations**

3.6 Subject to paragraph 3.2, the Secretary of State may include within the definitions of:

- (a) Fares Basket;
- (b) PTE Fare;
- (c) Protected Fare; and
- (d) T&WPTE Fare,

Fares to or from any New Station, on such basis as he may, after consultation with the Franchisee, reasonably determine and references in this Schedule 5 to Fares Basket, PTE Fare, Protected Fare, T&WPTE Fare and Fares and other relevant definitions shall be construed accordingly.

## **SCHEDULE 5.2**

### **Franchisee's Obligation to Create Fares**

- 1. Creation of PTE Fares and Protected Fares**
  - 1.1 The Franchisee shall ensure that each PTE Fare and each Protected Fare has been Created, to the extent it is entitled or obliged to do so under the terms of the Ticketing and Settlement Agreement.
  - 1.2 The Franchisee's obligations in relation to the Creation of T&WPTE Fares are, amongst other things, set out in paragraph 3 of Schedule 5.5 (Regulation of Individual Fares and T&WPTE Fares).
- 2. Restrictions on Creation of Fares**
  - 2.1 The Franchisee shall set the Child Price for any Fare that it Creates so that that Fare may be purchased by or for a person under the age of 16 for an amount which is no greater than the lowest amount that would be paid if that person were the holder of a 16 to 25 Railcard with no minimum fare (as amended or replaced from time to time) and whose purchase was made without condition.
  - 2.2 The Franchisee shall not Create or agree to Create any Fare or Discount Card with a validity of 13 or more months without the consent of the Secretary of State (such consent not to be unreasonably withheld).



## **SCHEDULE 5.3**

### **Allocation of Fares to Fares Baskets**

#### **1. Allocation of Fares to Fares Baskets**

1.1 On or prior to the Start Date the Secretary of State shall allocate:

(a) each PTE Fare and each Protected Fare to the PTE/Protected Fares Basket; and

(b) each T&WPTE Fare to the T&WPTE Fares Basket,

in each case, in accordance with this Schedule 5.3.

1.2 Subject to paragraph 2:

(a) every PTE Fare and Protected Fare shall be allocated by the Secretary of State to the PTE/Protected Fares Basket;

(b) every T&WPTE Fare shall be allocated by the Secretary of State to the T&WPTE Fares Basket.

#### **2. Designation of Non-Fares Basket Fares**

2.1 On or prior to the Start Date, the Secretary of State shall:

(a) separately (or in aggregate with other Fares of the same type in the opposite direction or for similar journeys that have the same Price or Child Price as the case may be) rank, in descending order according to their Gross Revenue for the period of 12 months which ended 31 March 2010:

(i) all PTE Fares; and

(ii) all Protected Fares;

(b) aggregate, following such ranking:

(i) those PTE Fares with the lowest Gross Revenue, until the total of the aggregated Gross Revenue of such fares accounts for up to five per cent. of the aggregate Reference Revenue of all PTE Fares; and

(ii) those Protected Fares with the lowest Gross Revenue, until the total of the aggregated Gross Revenue of such fares accounts for up to five per cent. of the aggregate Reference Revenue of all Protected Fares; and

(c) designate, following such aggregation:

(i) those PTE Fares referred to in paragraph 2.1(b)(i) as Non-Fares Basket Fares; and

- (ii) those Protected Fares referred to in paragraph 2.1(b)(ii) as Non-Fares Basket Fares.

2.2 Without prejudice to the Secretary of State's right to require the content of a Fares Basket to change at any time prior to the Start Date, or, thereafter, prior to the commencement of any Fares Setting Round, pursuant to paragraph 1 of Schedule 5.7 (Changes to Fares and Fares Regulation), any PTE Fare or Protected Fare that is also designated as a Non-Fares Basket Fare shall not be allocated to the PTE/Protected Fares Basket. For the avoidance of doubt, T&WPTE Fares shall not be designated as Non-Fare Basket Fares.

2.3 The Secretary of State may de-designate any Non-Fares Basket Fare pursuant to paragraph 1.1 of Schedule 5.7 (Changes to Fares and Fares Regulation).

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## SCHEDULE 5.4

### Regulation of Fares Basket Values

1. **Value of the PTE/Protected Fares Basket not to exceed Regulated Value**

Subject to paragraph 1.3 of Schedule 5.6 (Exceeding the Regulated Value, Regulated Price or Regulated Child Price) the Franchisee shall procure that the Value of the PTE/Protected Fares Basket at any time in any Fare Year does not exceed its Regulated Value for that Fare Year.

2. **Value**

The Value of the PTE/Protected Fares Basket at any time shall be the aggregate of the Projected Revenue of each Fare in that PTE/Protected Fares Basket at that time.

3. **Projected Revenue**

3.1 The Projected Revenue of any Fare at any time shall be an amount equal to:

$P \times 2010 \text{ Nominal Ticket Sales}$

where:

P is the Price or Child Price (as the case may be) of that Fare at that time; and

2010 Nominal Ticket Sales is the number of nominal ticket sales of that Fare for 2010 ascertained as follows:

$$\frac{A}{B}$$

where:

A is the aggregate Gross Revenue recorded by RSP as attributable to sales of that Fare and any other Fare with which it was aggregated under paragraph 2.1(a) of Schedule 5.3 (Allocation of Fares to Fares Baskets) for the period of 12 months which ended 31 March 2010; and

B is the Price or Child Price (as the case may be) for that Fare recorded by RSP in February 2010.

4. **Regulated Value**

4.1 The Regulated Value of the PTE/Protected Fares Basket for any Fare Year shall be an amount equal to:

$$2010 \text{ Ticket Revenue} \times \text{PPAI}$$

where:

2010 Ticket Revenue is the aggregate Gross Revenue recorded by RSP as attributable to sales of all Fares in that PTE/Protected Fares Basket for the period of 12 months which ended 31 March 2010;

PPAI is:

- (a) in respect of the Fare Year commencing 1 January 2011, the Permitted Aggregate Increase for that Fare Year; and
- (b) in respect of each Fare Year commencing on or after 1 January 2012, the product of the Permitted Aggregate Increase for each Fare Year between that Fare Year and the Fare Year which begins on 1 January 2011 (inclusively).

4.2 The Permitted Aggregate Increase in any Fare Year shall be an amount equal to:

$$\text{PAI} = \frac{(100 \times \text{RPI}) + k}{100}$$

where:

PAI is the Permitted Aggregate Increase in that Fare Year;

RPI is an amount equal to:

$$\frac{\text{RPI}_{-1}}{\text{RPI}_{-2}}$$

where:

RPI-1 is the Retail Prices Index for the July of the calendar year preceding that Fare Year; and

RPI-2 is the Retail Prices Index for the July of the calendar year preceding the calendar year referred in the definition of RPI-1; and

k is equal to + 1.

5. **Application to the T&WPTE Fares Basket**

For the avoidance of doubt, except as provided in paragraph 3.9 of Schedule 5.5 (Regulation of Individual Fares and T&WPTE Fares), this Schedule 5.4 shall not apply to the T&WPTE Fares Basket.

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## SCHEDULE 5.5

### Regulation of Individual Fares and T&WPTE Fares

#### 1. **Price or Child Price not to exceed Regulated Price or Regulated Child Price**

1.1 The Franchisee shall procure that the Price or Child Price (as the case may be) of each PTE Fare and each Protected Fare included in the PTE/Protected Fares Basket in any Fare Year does not exceed the Regulated Price or Regulated Child Price (as the case may be) for such Fare in that Fare Year.

1.2 The Franchisee shall procure that the Price or Child Price (as the case may be) of any Season Ticket Fare (excluding any T&WPTE Season Ticket Fare) shall be the same in both directions.

#### 2. **Regulated Price**

2.1 The Regulated Price or the Regulated Child Price (as the case may be) for any Fare in any Fare Year shall be an amount equal to the greater of:

- (a) Preceding Year Ticket Price + £0.20p; and
- (b) Preceding Year Ticket Price x PII

where:

Preceding Year  
Ticket Price

for the Fare Year commencing 1 January 2011, is the maximum Price or Child Price (as the case may be) for that Fare recorded by RSP in 2010 and, for any subsequent Fare Year, is the maximum Price or Child Price (as the case may be) recorded by RSP in the Fare Year preceding that Fare Year, provided that such maximum Price or Child Price (as the case may be) complied with the requirements of this Schedule 5.5. If such maximum Price or Child Price (as the case may be) did not so comply, then such maximum Price or Child Price (as the case may be) shall be the last Price or Child Price (as the case may be) recorded by RSP which did so comply; and

PII is the Permitted Individual Increase in any Fare Year, as determined in accordance with paragraph 2.2.

2.2 The Permitted Individual Increase in any Fare Year shall be determined in accordance with the following formula:

$$PII = \frac{(100 \times RPI) + k + f}{100}$$

where:

PII is the Permitted Individual Increase in that Fare Year;

RPI is an amount equal to:

$$\frac{RPI_{-1}}{RPI_{-2}}$$

where: RPI<sub>-1</sub> is the Retail Prices Index for the July of the calendar year preceding that Fare Year; and

RPI<sub>-2</sub> is the Retail Prices Index for the July of the calendar year preceding the calendar year referred in the definition of RPI-1;

k is equal to + 1; and

f is equal to + 2.

2.3 Where:

(a) the Franchisee sets the Price or Child Price (as the case may be) of any PTE Fare or Protected Fare in any Fare Year; and

(b) the Secretary of State reasonably determines that the Price or Child Price (as the case may be) of such PTE Fare or Protected Fare was set solely for the purpose of increasing the value of the Preceding Year Ticket Price in the next Fare Year,

the Preceding Year Ticket Price for the purposes of determining the Regulated Price or Regulated Child Price (as the case may be) pursuant to paragraph 2.1 in the next Fare Year shall be the maximum Price or Child Price (as the case may be) prior to such setting that complied with the requirements of this Schedule 5.5, as recorded by RSP in the relevant preceding Fare Year.

### 3. **[T&WPTE FARES**

3.1 The Franchisee shall comply with its obligations under this paragraph 3, when Creating or setting the Price or Child Price for any T&WPTE Fare or otherwise.

3.2 By no later than the date that is six weeks from the date of commencement of any Fares Setting Round the Secretary of State shall, notify the Franchisee of all T&WPTE Fares and the Price and Child Price of all T&WPTE Fares that he requires the Franchisee to Create. On receipt of such notification the Franchisee shall, to the extent it is entitled to do so under the terms of the Ticketing and Settlement Agreement, ensure that such T&WPTE Fares are Created and that the Prices and Child Prices charged in respect of each such T&WPTE Fare so Created are as notified to it by the Secretary of State pursuant to this paragraph 3.2. The Price and Child Price of all T&WPTE Fares specified to the Franchisee pursuant to this paragraph 3.2 shall be in multiples of 5p except in the case of a T&WPTE Season Ticket Fare when it shall be in multiples of 10p.

3.3 The Secretary of State may, from to time, notify the Franchisee of any specification of T&WPTE Fares and/or the Price and Child Price of any T&WPTE Fares as notified to the Franchisee in accordance with paragraph 3.2 that he may wish to alter. On receipt of such notification the Franchisee

shall, to the extent it is entitled to do so under the terms of the Ticketing and Settlement Agreement, ensure that such alterations are given effect.

- 3.4 The Secretary of State may, from time to time, notify the Franchisee of any Temporary Fares (as such term is defined in the Ticketing and Settlement Agreement) relating to a T&WPTE Fare and the Price and Child Price of such Temporary Fares that he requires the Franchisee to Create. On receipt of such notification the Franchisee shall follow the procedures set out in the Ticketing and Settlement Agreement in respect of the Creation of Temporary Fares and shall, to the extent it is entitled to do so under the terms of the Ticketing and Settlement Agreement, ensure that such Temporary Fares are Created and that the Prices and Child Prices charged in respect of each such Temporary Fare so Created are as notified to it by the Secretary of State pursuant to this paragraph 3.4. The provisions of paragraph 3 of Schedule 1.4 (Passenger Facing Obligations) shall apply to Temporary Fares in the same way as they apply to other T&WPTE Fares.
- 3.5 The Price and Child Price of all T&WPTE Fares specified in the T&WPTE Fares Document applicable as at the Start Date shall be deemed to have been specified by the Secretary of State for the purposes of paragraph 3.2 as at the Start Date.
- 3.6 Except as otherwise specified in this paragraph 3 the Franchisee shall not Create any T&WPTE Fares.
- 3.7 Nothing in this paragraph 3 shall prevent the giving by the Franchisee of any discount or reduction to which the purchaser of a T&WPTE Fare may be entitled by virtue of:
- (a) presenting a Discount Card issued by the Franchisee or a Train Operator pursuant to any scheme in force at the Franchise Commencement Date or to the operation of Law or any other Discount Card permitted by T&WPTE;
  - (b) the Passenger's Charter or the passenger's charter of any other Train Operator; or
  - (c) any relevant conditions of carriage.
- 3.8 Unless otherwise specified by the Secretary of State from time to time, there shall be no charge for the carriage of bicycles and other accompanied items on the Passenger Services operated within the former metropolitan county of Tyne & Wear.
- 3.9 Paragraph 3.10 shall apply if at any time the Value of the T&WPTE Fares Basket is less than the Regulated Value of the T&WPTE Fares Basket for that Fare Year solely as a consequence of the specification required by the Secretary of State pursuant to paragraph 3.2 (including any alteration to such specification pursuant to paragraph 3.3). For the purposes of this paragraph 3.9 and paragraph 3.10, the Value and the Regulated Value of the T&WPTE Fares Basket shall be calculated in accordance with Schedule 5.4 (Regulation of Fares Basket Values).
- 3.10 Where this paragraph 3.10 applies, the Secretary of State shall compensate the Franchisee, by way of adjustment to Franchise Payments, for the amount of revenue lost by the Franchisee as a result of the Value



of the T&WPTE Fare Basket being less than the Regulated Value of the T&WPTE Fares Basket. The Secretary of State and the Franchisee shall agree (or, on failing to agree, the Secretary of State shall reasonably determine) the amount of the revenue lost by the Franchisee as a result of the T&WPTE Fare Basket being less than the Regulated Value of the T&WPTE Fares Basket. In agreeing or determining the amount of revenue so lost by the Franchisee consideration shall be given to:

- (a) the actual pattern of travel on the relevant Railway Passenger Services at the relevant time; and
- (b) the effect upon demand for the relevant Railway Passenger Services of the Value of the T&WPTE Fares Basket being less than the Regulated Value of the T&WPTE Fares Basket.

3.11 Tickets which are valid for travel on Tyne & Wear Metro on the T&WPTE Flows (being those Flows referred to in the definition of T&WPTE Fare) shall be accepted by the Franchisee, without further charge, for travel on the Passenger Services on the T&WPTE Flows.

3.12 The Secretary of State shall, by way of adjustment to Franchise Payments, reimburse to the Franchisee the amount of any additional direct costs (excluding any costs ordinarily incurred as a result of a change in the price of a T&WPTE Fare) incurred by the Franchisee as a result of complying with any request by the Secretary of State for a change in the specification of a T&WPTE Fare pursuant to paragraph 3.3, provided that no such reimbursement shall be made where such reimbursement would in any Franchisee Year amount to less than £50,000.

3.13 For the avoidance of doubt, the provisions of paragraphs 1 and 2 of this Schedule 5.5 shall not apply to T&WPTE Fares.

#### **4 Through Fares Between City Line Stations And Northern or Wirral Line Stations**

Where the Franchisee is the Lead Operator in respect of a Flow in either direction between any City Line Station and any Northern Line Station or Wirral Line Station, the Franchisee shall not set the Price or Child Price of any Fare between any City Line Station and any Northern Line Station or Wirral Line Station in either direction at an amount which is greater than the sum of the Price or Child Price (as the case may be) of the same or equivalent Fare for that part of the journey which is between City Line Stations and the Price or the Child Price (as the case may be) of the same or equivalent Fare for that part of the journey which is between Northern Line Stations and/or Wirral Line Stations.]<sup>54</sup>

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<sup>54</sup> Draft – subject to finalisation by DfT and Nexus.

## SCHEDULE 5.6

### **Exceeding the Regulated Value, Regulated Price or Regulated Child Price**

#### **1. Exceeding the Regulated Value**

1.1 If the Franchisee is in contravention of paragraph 1 of Schedule 5.4 (Regulation of Fares Basket Values) in respect of the PTE/Protected Fares Basket:

(a) it shall reduce the Price or Child Price of Fares in the PTE/Protected Fares Basket at the next available opportunity and, in any event, at the next Fares Setting Round, so as to comply with the requirements of paragraph 1 of Schedule 5.4 (Regulation of Fares Basket Values) from such date; and

(a) the Secretary of State may adjust Franchise Payments by an amount equivalent in his opinion to the sum of:

(i) any additional gross revenue accruing to the Franchisee or any person selling Fares on its behalf as a result of the Value of the PTE/Protected Fares Basket exceeding its Regulated Value permitted under Schedule 5.4 (Regulation of Fares Basket Values); and

(ii) any costs incurred by the Secretary of State in determining the amount of such additional gross revenue.

1.2 Any adjustment to Franchise Payments by the Secretary of State pursuant to paragraph 1.1:

(a) shall not be treated as a Change; and

(b) shall be without prejudice to any other rights or remedies of the Secretary of State under the Act or the Franchise Agreement in respect of such contravention.

1.3 It shall not be a contravention of paragraph 1 of Schedule 5.4 (Regulation of Fares Basket Values) if and to the extent that:

(a) the Value of the PTE/Protected Fares Basket exceeds its Regulated Value in any Fare Year;

(b) such excess is caused by the Price or Child Price of any relevant PTE Fare being set pursuant to the terms of the Ticketing and Settlement Agreement by another person (other than an Affiliate); and

(c) the Franchisee does not have a reasonable opportunity, under any procedure for consulting or notifying Train Operators of alterations to the Prices and Child Prices of Fares under the Ticketing and Settlement Agreement or otherwise, to alter some or all of the other PTE Fares in the PTE/Protected Fares Basket

so as to avoid the Value of the PTE/Protected Fares Basket exceeding its Regulated Value.

1.4 If and to the extent that the circumstances described in paragraph 1.3 prevail in any Fare Year, the Franchisee shall not subsequently increase during that Fare Year, or any subsequent Fare Year, the Price or Child Price of any PTE Fare in the PTE/Protected Fares Basket which it is entitled to set pursuant to the terms of the Ticketing and Settlement Agreement, unless, following such increase, the Franchisee would, otherwise than under paragraph 1.3, comply with the provisions of paragraph 1 of Schedule 5.4 (Regulation of Fares Basket Values) in relation to the PTE/Protected Fares Basket.

1.5 Where circumstances described in paragraph 1.3 prevail in any Fare Year, the Franchisee shall not be required to reduce the Price or Child Price of any other PTE Fare at any time during that Fare Year, or any subsequent Fare Year, where such Price or Child Price has previously been set in a Fares Setting Round.

2. **Exceeding the Regulated Price or Regulated Child Price**

2.1 If the Franchisee is in contravention of paragraph 1 of Schedule 5.5 (Regulation of Individual Fares and T&WPTE Fares):

(a) it shall reduce the Price or Child Price of any relevant Fare at the next available opportunity and, in any event, at the next Fares Setting Round, so as to comply with the requirements of paragraph 1 of Schedule 5.5 (Regulation of Individual Fares and T&WPTE Fares) from such date; and

(b) the Secretary of State may adjust Franchise Payments by an amount equivalent in his opinion to the sum of:

(i) any additional gross revenue accruing to the Franchisee or any person selling Fares on its behalf as a result of the sale of Fares at Prices and/or Child Prices in excess of the relevant amounts permitted under Schedule 5.5 (Regulation of Individual Fares and T&WPTE Fares); and

(ii) any costs incurred by the Secretary of State in determining the amount of such additional gross revenue.

2.2 Any adjustment to Franchise Payments by the Secretary of State pursuant to paragraph 2.1:

(a) shall not be a Change; and

(b) shall be without prejudice to any other rights or remedies of the Secretary of State under the Act or the Franchise Agreement in respect of such contravention.

3. **Application of the T&WPTE**

For the avoidance of doubt, the provisions of this Schedule 5.6 shall not apply to the T&WPTE Fares Basket or the T&WPTE Fares.

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## SCHEDULE 5.7

### Changes to Fares and Fares Regulation

#### 1. Changes to Fares Baskets

1.1 The Secretary of State may require the content of the PTE/Protected Fares Basket to change in accordance with the following:

- (a) where the Secretary of State is not satisfied that the Price or Child Price of any Non-Fares Basket Fare is reasonably constrained by the Price or Child Price of other Fares which:
  - (i) have been set in respect of the same, or part of the same, Flow as such Non-Fares Basket Fare, or a Flow which is reasonably proximate to the Flow on which such Non-Fares Basket Fare has been set; and
  - (ii) have been included in the PTE/Protected Fares Basket,

the Secretary of State may de-designate any Non-Fares Basket Fare and include such Non-Fares Basket Fare in the PTE/Protected Fares Basket;

- (b) where any PTE Fare has been included in the PTE/Protected Fares Basket, the Secretary of State may require the inclusion in the PTE/Protected Fares Basket of any Weekly Season Ticket, Monthly Season Ticket, Quarterly Season Ticket, Annual Season Ticket, unrestricted Single Fare or unrestricted Return Fare that existed on that Flow in February 2010;
- (c) where any Protected Fare for a Flow has been included in the PTE/Protected Fares Basket, the Secretary of State may require the inclusion in the PTE/Protected Fares Basket of any Protected Return Fare or Protected Weekly Season Ticket that existed on that Flow in February 2003; and/or
- (d) where the Secretary of State changes the Reference Revenue and/or the Gross Revenue of any Fare pursuant to paragraph 3.1(a) and/or (b) then, in relation to the PTE/Protected Fares Basket in which such Fare is or would be included, and without limiting paragraphs 1.1(a) to (c) inclusive, the Secretary of State may also:
  - (i) make any of the changes to the PTE/Protected Fares Basket contemplated by this paragraph 1.1;
  - (ii) designate any Fare as a Non-Fares Basket Fare in accordance with the provisions (other than the requirement that such designation occurs on or prior to the Start Date) of paragraph 2 of Schedule 5.3 (Allocation of Fares to Fares Baskets); and/or

- (iii) de-designate any Non-Fares Basket Fare and include such Non-Fares Basket Fare in the relevant Fares Basket.

1.2 The Secretary of State shall serve notice in writing on the Franchisee:

- (a) at any time prior to the Start Date; and
- (b) thereafter, no later than the commencement of any Fares Setting Round,

to require any Fare to be included in the PTE/Protected Fares Basket or to designate any Fare as a Non-Fares Basket Fare pursuant to paragraph 1.1.

## 2. **Changes to the 2010 Nominal Ticket Sales**

2.1 The Franchisee may, in the event of any significant change to the pattern of travel on the Passenger Services during the Franchise Term, apply to the Secretary of State for the value of factors A and/or B in the formula for determining 2010 Nominal Ticket Sales in paragraph 3 of Schedule 5.4 (Regulation of Fares Basket Values) to be adjusted to take account of such changes, such that:

- (a) the value of factor A is re-calculated by using the Gross Revenue in respect of the sales of the relevant Fares for the most recently completed period of 12 months ending 31 March; and/or
- (b) the value of factor B is recalculated by using the Price or Child Price (as the case may be) of the relevant Fares recorded by RSP in the month of February during such period.

2.2 The Secretary of State shall act reasonably in relation to any such application but shall not under any circumstances be obliged to accept any such application in whole or in part. The Secretary of State shall be entitled to impose conditions upon any such acceptance, including conditions requiring that the value of both factors A and B are adjusted and/or that the value of factors A and B are adjusted in respect of any or all Fares in the relevant Fares Basket.

## 3. **Changes to the Reference Revenue, Gross Revenue, 2010 Nominal Ticket Sales and/or 2010 Ticket Revenue**

3.1 The Secretary of State may, by notice in writing served on the Franchisee no later than the date of commencement of any Fares Setting Round, require:

- (a) the Reference Revenue of the PTE/Protected Fares Basket to be calculated by reference to a different reference period for the purpose of paragraph 2 of Schedule 5.3 (Allocation of Fares to Fares Baskets) than the period of 12 months ended 31 March 2010; and/or
- (b) the Gross Revenue of all PTE Fares and Protected Fares to be recalculated for the purpose of paragraph 2 of Schedule 5.3 (Allocation of Fares to Fares Baskets) by reference to a different reference period than the period of 12 months ended 31 March 2010; and/or

- (c) the value of factor A in the formula for determining the 2010 Nominal Ticket Sales in paragraph 3 of Schedule 5.4 (Regulation of Fares Basket Values) to be re-calculated in respect of any Fare by reference to a different reference period than the period of 12 months ended 31 March 2010; and/or
  - (d) the value of factor B in the formula for determining the 2010 Nominal Ticket Sales in paragraph 3 of Schedule 5.4 (Regulation of Fares Basket Values) to be re-calculated in respect of any Fare by reference to a different reference date other than February 2010; and/or
  - (e) the 2010 Ticket Revenue in respect of any Fares Basket to be re-calculated for the purpose of paragraph 4 of Schedule 5.4 (Regulation of Fares Basket Values) by reference to a different reference period than the period of 12 months ended 31 March 2010.
- 3.2 Where, in accordance with paragraph 3.1(e), the 2010 Ticket Revenue in respect of the PTE/Protected Fares Basket is re-calculated by reference to a different reference period, the value of "PPAI" in paragraph 4 of Schedule 5.4 (Regulation of Fares Basket Values) shall be determined solely by reference to the product of the Permitted Aggregate Increase for each Fare Year beginning after the end of such reference period.
- 3.3 Any revision pursuant to paragraph 3.1 or 3.2 shall take effect upon commencement of the next Fare Year to commence after the Fares Setting Round referred to in paragraph 3.1.

#### 4. **Changes to Prices**

The Franchisee may request permission from the Secretary of State from time to time to increase any Prices or Child Prices beyond the levels permitted under Schedules 5.4 (Regulation of Fares Basket Values) and 5.5 (Regulation of Individual Fares) in connection with any proposed or actual improvement in any aspect of the Passenger Services relating to such Fares. The Secretary of State shall act reasonably in relation to any such request but shall not under any circumstances be obliged to accept any such request in whole or in part.

#### 5. **Changes to Fares Regulation**

The parties agree that the Secretary of State shall have the power at any time and on more than one occasion during the Franchise Term to alter the obligations of, and restrictions on, the Franchisee under Schedules 5.1 (Purpose Structure and Construction) to 5.8 (Fares Regulation Information and Monitoring) inclusive for any Fare Year, or part thereof (including alteration of the value of "k" under paragraph 4.2 of Schedule 5.4 (Regulation of Fares Basket Values) and/or paragraph 2.2 of Schedule 5.5 (Regulation of Individual Fares and T&WPTE Fares) and/or paragraph 3.8 of Schedule 5.5 and/or alteration of the value of "f" under paragraph 2.2 of Schedule 5.5 (Regulation of Individual Fares and T&WPTE Fares)). The exercise by the Secretary of State of his powers under this paragraph 5 shall be a Change.

6. **Changes to Compulsory Inter-available Flows**

6.1 Where:

- (a) pursuant to Clause 4-7 of the Ticketing and Settlement Agreement, the consent of the Secretary of State is requested for the abolition of a Compulsory Inter-available Flow (the "**Reference Flow**") in respect of which any Fare Created would be a PTE Fare, a Protected Fare or a T&WPTE Fare (the "**Reference Fare**"); and
- (b) a Flow exists, which, in the Secretary of State's opinion, is substantially similar to the Reference Flow (the "**Equivalent Flow**"),

the Secretary of State may, as a condition of granting his consent to the abolition of the Reference Flow, by written notice to the Franchisee, require any Fare Created in respect of the Equivalent Flow which has substantially the same characteristics as the Reference Fare to be included in a Fares Basket (the "**Equivalent Fare**").

6.2 The Secretary of State shall not issue any such notice in respect of an Equivalent Fare unless the provisions of such notice have first been approved by the Ticketing and Settlement Scheme Council (as defined in the Ticketing and Settlement Agreement) or a delegate of such council.

6.3 The Price and Child Price of any Equivalent Fare in the first Fare Year in which it is to be introduced shall be no greater than the maximum permitted Price or Child Price in that Fare Year of the relevant Reference Fare, as if such Reference Fare had not been abolished.

7. **Change of Lead Operator/Major Flow Operator**

7.1 Except as otherwise required under paragraph 19 of Schedule 6.2 (Northern Franchise Specific Provisions), the Franchisee shall not without the Secretary of State's prior approval, agree to any request under the Ticketing and Settlement Agreement that it cease to be Lead Operator in respect of any Flow.

7.2 The Franchisee shall inform the Secretary of State if it becomes the Lead Operator in respect of any Flow. Upon the Franchisee becoming the Lead Operator in respect of any Flow, the Secretary of State may without limiting paragraph 3, exercise his rights pursuant to paragraph 3 in relation to the relevant Fares Basket.

7.3 The Franchisee shall inform the Secretary of State if it ceases to be a Major Flow Operator in respect of any Flow.

8. **Changes to Fares Documents**

8.1 Following:

- (a) any allocation of Fares to any Fares Basket pursuant to Schedule 5.3 (Allocation of Fares to Fares Baskets); or
- (b) any subsequent adjustment thereof pursuant to this Schedule 5.7,



the Secretary of State shall set out in the PTE/Protected Fares Document and/or the T&WPTE Fares Document (as the case may be) all Fares then included in the relevant Fares Basket and, as soon as reasonably practicable thereafter, the Secretary of State shall issue or reissue (as the case may be) such Fares Document(s) to the Franchisee.

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## **SCHEDULE 5.8**

### **Fares Regulation Information and Monitoring**

#### **1. Information**

- 1.1 The Franchisee shall provide to the Secretary of State (and in respect of the T&WPTE Fares, to both the Secretary of State and the Tyne & Wear Passenger Transport Executive) by no later than week 12 of each Fares Setting Round, a summary (to such level of detail or generality as the Secretary of State may reasonably require) of the Prices and Child Prices of the PTE Fares, Protected Fares and the T&WPTE Fares it is intending to set.
- 1.2 The Franchisee shall notify, or procure the notification to, the Secretary of State (and in the case of the T&WPTE Fares, to both the Secretary of State and the Tyne & Wear Passenger Transport Executive) of any proposed increase to the Price or Child Price of any PTE Fare or any Protected Fare or T&WPTE Fares and shall provide such details of any such proposal at such times (including before and during each Fares Setting Round) and in such form (including by electronic data transfer) as the Secretary of State may reasonably request from time to time.
- 1.3 The Franchisee shall make available, or procure that RSP makes available, to the Secretary of State (or in the case of the T&WPTE Fares, to both the Secretary of State and the Tyne & Wear Passenger Transport Executive), for any Fares Setting Round during the Franchise Term, such details (including the proposed Prices or Child Prices) of the Initial Permanent Fare of any PTE Fare, Protected Fare and T&WPTE Fare for each such Fares Setting Round as the Secretary of State may reasonably request from time to time.

#### **2. Monitoring**

- 2.1 The Franchisee shall provide to the Secretary of State (and in respect of a T&WPTE Fare, to both the Secretary of State and the Tyne & Wear Passenger Transport Executive):
  - (a) such access as the Secretary of State (or in the case of a T&WPTE Fare, the Secretary of State and/or the Tyne & Wear Passenger Transport Executive) may require to information pertaining to the Prices or Child Prices of PTE Fares, Protected Fares and T&WPTE Fares from time to time; and
  - (b) such further information as the Secretary of State (and in respect of a T&WPTE Fare, the Secretary of State and/or the Tyne & Wear Passenger Transport Executive) may require for the purpose of determining the Gross Revenue of the Franchisee in relation to any particular Fare or Fares or any particular period.
- 2.2 By no later than week 17 of each Fares Setting Round, the Franchisee will provide to the Secretary of State (and in respect of a T&WPTE Fare, to both the Secretary of State and the Tyne & Wear Passenger Transport Executive) written confirmation from a statutory director of the Franchisee of whether the Franchisee has complied with its obligations under this

Schedule 5 (Fares) during each such Fares Setting Round. It shall be a contravention of the Franchise Agreement if any such written confirmation from a statutory director of the Franchisee is, in the reasonable opinion of the Secretary of State, in any material respect, untrue, inaccurate and/or misleading.

- 2.3 The Franchisee shall take such action as the Secretary of State may require following receipt of any details from the Franchisee pursuant to paragraph 1 in order to ensure that the Franchisee will comply with the provisions of Schedule 5.2 (Franchisee's Obligation to Create Fares) to this Schedule 5.8 (inclusive).

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## SCHEDULE 5.9

### Smart Ticketing

#### 1. Smart Ticketing

##### 1.1 The Franchisee shall:

- (a) join and comply with any ATOC approved smart ticketing related schemes;
- (b) develop an approach to the use of smart ticketing to facilitate the roll out of more flexible ticket types and demand management over time;
- (c) co-operate with Network Rail, other Train Operators, relevant local authorities, passenger transport executives and the combined authorities created pursuant to the Local Democracy, Economic Development and Construction Act 2009 in relation to the provision, maintenance and operation of smart ticketing equipment, and in relation to proposals to:
  - (i) introduce new multi-modal fare schemes; and
  - (ii) convert any multi-modal fare schemes to use smart ticketing.

##### 1.2 The Franchisee shall fully and effectively co-operate with the Secretary of State in the development and implementation of any programme sponsored by the Secretary of State for the introduction of smart ticketing on the network upon which the Passenger Services operate.

##### 1.3 In relation to any ITSO Certified Smartmedia ticketing scheme, the Franchisee shall:

- (a) continue to provide, make available and promote (and where applicable effectively maintain) such a scheme (including any associated equipment and resources) for the Franchise Period; and
- (b) ensure that all scheme components (and any amendment, extension or replacement thereof) inherited, used or introduced by the Franchisee (whether on a permanent or a trial basis) are at all times compliant with:
  - (i) version 2.1.4 of the ITSO specification and the ITSO operating licence;
  - (ii) version 02-00 of RSPS3002,or such subsequent versions as the Franchisee and the Secretary of State may agree; and
- (c) ensure that any ITSO Certified Smartmedia readers introduced by the Franchisee (whether on a permanent or temporary basis)

shall conform to EMV level 1 certification (hardware) and be capable of being upgraded whilst in operation to EMV level 2 (application).

- 1.4 In addition and without prejudice to its obligations in paragraph 1.2, the Franchisee shall undertake such actions as the Secretary of State may reasonably require in connection with the introduction of smart ticketing on the network. The Secretary of State will reimburse the reasonable costs incurred by the Franchisee in complying with any such requirement provided that:
- (a) prior to incurring such costs, the Franchisee has obtained the Secretary of State's approval of the same; and
  - (b) the Franchisee has not already recovered (or is able to recover) such costs through any Franchise Payment, pursuant to any other provision of this Agreement or pursuant to any other agreement between the Franchisee and the Secretary of State.
- 1.5 The Franchisee shall continue to allow passengers, at least to the same extent as on the Start Date, to print tickets in respect of the Passenger Services remotely.
- 1.6 Where prior to the Start Date the Train Operator under the Previous Franchise Agreement participated in and accepted "Smart" ticketing and/or multi-modal products issued by Local Authorities or passenger transport executives ("**Existing Smart Products**"), the Franchisee shall, from the Start Date, continue to participate in, and accept such Existing Smart Products on the same basis as provided by the Train Operator under the Previous Franchise Agreement.

## **SCHEDULE 6**

### **Committed Obligations and Franchise Specific Obligations**

**Schedule 6.1: Committed Obligations and Related Provisions**

**Part 1: List of Committed Obligations**

**Part 2: Miscellaneous Provisions**

**Schedule 6.2: Northern Franchise Specific Provisions**

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## PART 1 TO SCHEDULE 6.1

### List of Committed Obligations

*[This Part will specify the terms of the Committed Obligations and the dates by which the Committed Obligations must be performed<sup>55</sup>. For any Specimen Scheme this will also include the applicable expenditure commitment and the output intended to be delivered by the Specimen Scheme.]*

*Where the DfT wishes to contractualise initiatives in the bid as Committed Obligations, the DfT will provide bidders with drafting which reflects such requirements.]*

#### 1. Secure Stations Accreditation

1.1 The Franchisee shall maintain for so long as it is the Facility Owner of such station the "Secure Stations Accreditation" achieved as at the Start Date:

- (a) by the Train Operator under the Previous Franchise Agreement at each of the following stations:
  - (i) Adwick;
  - (ii) Alnmouth;
  - (iii) Barnsley;
  - (iv) Bishop Auckland;
  - (v) Bredbury;
  - (vi) Broad Green;
  - (vii) Chapeltown;
  - (viii) Chester Le Street;
  - (ix) Eaglescliffe;
  - (x) Ecclestone Park;
  - (xi) Edge Hill;
  - (xii) Halewood;
  - (xiii) Hartlepool;
  - (xiv) Hexham;
  - (xv) Horwich Parkway;
  - (xvi) Huyton;

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<sup>55</sup> To be populated by the Committed Obligations set out in the bidder's Schedule of Committed Obligations in accordance with the ITT.

- (xvii) Lea Green;
- (xviii) Meadowhall;
- (xix) Morpeth;
- (xx) Mossley Hill;
- (xxi) Newton-Le-Willows;
- (xxii) Prescott;
- (xxiii) Rainhill;
- (xxiv) Redcar Central;
- (xxv) Roby;
- (xxvi) Rotherham Central;
- (xxvii) St Helens Central;
- (xxviii) Sunderland;
- (xxix) Swinton South Yorks;
- (xxx) Thorne North;
- (xxxii) Wavertree Tech Park;
- (xxxii) West Allerton;
- (xxxiii) Whiston; and
- (xxxiv) Wombwell;

(b) by the previous Train Operator of the TransPennine Express Franchise at each of the following stations:

- (i) Arnside;
- (ii) Barrow-in-Furness;
- (iii) Birchwood;
- (iv) Burneside;
- (v) Carnforth;
- (vi) Grange Over Sands;
- (vii) Kendal;
- (viii) Staveley;
- (ix) Ulverston;



- (x) Warrington Central; and
- (xi) Windermere.

2. **Secure Car Park Accreditation**

2.1 The Franchisee shall maintain for so long as it is the Facility Owner of such Station the secure car park accreditation achieved as at the Start Date by:

(a) the Train Operator under the Previous Franchise Agreement at the car parks located at each of the following Stations:

- (i) Beverley;
- (ii) Blackburn;
- (iii) Bridlington;
- (iv) Hexham;
- (v) Horwich Parkway;
- (vi) Lostock Parkway;
- (vii) Poynton;
- (viii) Redcar Central;
- (ix) Sandbach;
- (x) Skipton;
- (xi) St Helens Central; and
- (xii) Whitby; and.

(b) by the previous Train Operator of the TransPennine Express Franchise at the car parks located at each of the following stations:

- (i) Arnside;
- (ii) Barrow-in Furness;
- (iii) Carnforth;
- (iv) Grange Over Sands;
- (v) Staveley;
- (vi) Ulverston;
- (vii) Warrington Central; and
- (viii) Windermere.

3. **Minimum Requirement for the Provision of Wi-Fi on board**

3.1 [By no later than 1 January 2020]<sup>56</sup> the Franchisee shall provide an operating wireless internet service ("**Wireless Internet Service**") in both first class and Standard Class Accommodation on all its Train Fleet used for the provision of the Passenger Services.

3.2 The Wireless Internet Service procured by the Franchisee pursuant to paragraph 3.1 shall:

(a) be made available to all passengers who use the Passenger Services at no cost to the passenger which for these purposes, but without limitation, shall mean that:

(i) the passenger will not have to pay directly or indirectly to use such Wireless Internet Service whether on an intermittent or continuous basis; and

(ii) the passenger is able to access the Wireless Internet Service without utilising any minutes data or other allowance (such as 3G or 4G mobile broadband connection) that may be available to such passenger through any subscription they may have with one or more internet service providers or mobile network operators; and

(b) comply with the Minimum Wi-Fi Service Requirements. For the purposes of paragraph 3, the "**Minimum Wi-Fi Service Requirements**" are as follows:

(i) the Wireless Internet Service shall permit passengers connected to such service to browse web pages on the internet and send and receive mails electronically through any mobile, tablet or computer device they may use for this purpose; and

(ii) subject to the availability of the Train To Internet Coverage the Wireless Internet Service shall be available for use by passengers at all times for the duration of each passengers journey. For the purposes of this paragraph 3.2(b) "**Train to Internet Coverage**" means the availability of one or more commercial networks (such as 3G or 4G high speed packet access provided by third party mobile network operators) and/or any alternative network solutions installed along the rail network upon which the Passenger Services operate to work together with the equipment installed on trains to permit access to the internet.

3.3 The Franchisee shall monitor the performance of the Wireless Internet Service for the purposes of providing to the Secretary of State a report on the performance of the Wireless Internet Service. Such report shall include information on the customer usage statistics, statistics on the availability of the Wireless Internet Service including information on the average internet speed (in Megabits per

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<sup>56</sup> Bidders to populate – If an earlier date for the fitment of the Train Equipment is offered by the Bidder in its bid, provisions should be amended to include such earlier date

second) and the latency figures (in milliseconds) and shall be submitted to the Secretary of State [one month after the end of each Franchisee Year]<sup>57</sup>.

3.4 [By no later than 1 January 2020]<sup>58</sup>, the Franchisee shall procure that all rolling stock vehicles comprised in its Train Fleet and used for the provision of the Passenger Services are fitted with such equipment as is necessary to ensure compliance with the requirements of paragraph 3. Any such equipment shall, subject to paragraph 3.6, include the following:

(a) CAT-7 Ethernet cabling (or such other local area network cabling technology that offers equivalent bandwidth to Ethernet) forming a through Rolling Stock Unit Ethernet backbone including inter-carriage connectivity; and

(b) an additional CAT-7 Ethernet cable (or such other local area network cabling technology that offers equivalent bandwidth to Ethernet) with supporting Power over Ethernet from the designated rolling stock vehicle equipment space to the middle of the void located at the ceiling of each rolling stock vehicle so as to permit the connection of additional internet access point equipment in the future.

3.5 Where any rolling stock vehicle comprised in the Train Fleet as at the Start Date is already fitted with through Rolling Stock Unit Ethernet backbones that are not compliant with the requirements of paragraphs 3.4(a) or 3.4(b), the Franchisee shall be permitted to retain these cables and the provisions of paragraph 3.4(a) and 3.4(b) shall not apply in respect of such rolling stock vehicle.

#### 4. **Station Travel Plans**

The Franchisee shall maintain and keep up to date any station travel plans implemented by the Train Operator under the Previous Franchise Agreement and which are in existence at a Station as at the Start Date.

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<sup>57</sup> Bidders to populate – Bidder may only amend to provide for more frequent reporting than that specified in this provision.

<sup>58</sup> Bidders to populate – If an earlier date for the fitment of the Train Equipment is offered by the Bidder in its bid, this provision should be amended to include such earlier date.

## **PART 2 TO SCHEDULE 6.1**

### **Miscellaneous Provisions**

#### **1. Application**

This Part 2 of this Schedule 6.1 (Committed Obligations and Related Provisions) sets out further terms which apply to the Committed Obligations set out in Part 1 (List of Committed Obligations) to this Schedule 6.1 and the references to Committed Obligations in this Part 2 of this Schedule 6.1 are only to the Committed Obligations in Part 1 (List of Committed Obligations) of this Schedule 6.1.

#### **2. Continuation of Availability**

2.1 The Franchisee shall maintain facilities or activities or other matters established in accordance with its Committed Obligations throughout the remainder of the Franchise Term, regardless of whether or not such Committed Obligation specifically provides for the Franchisee to maintain throughout the Franchise Term the facilities, activities or other matters established in accordance with such Committed Obligation, unless such Committed Obligation expressly provides for the cessation of such maintenance at an earlier date.

2.2 The Franchisee shall be treated as maintaining the relevant facilities, activities or other matters which are the subject of the Committed Obligations notwithstanding temporary non-availability due to accidental damage or vandalism or maintenance, repair or replacement activities, or temporary staff absence, subject in each case to the Franchisee taking all reasonable steps to keep any such period of temporary non-availability to a minimum.

2.3 Where Part 1 (List of Committed Obligations) to this Schedule 6.1 (Committed Obligations and Related Provisions) includes a commitment regarding staffing or particular appointments the Franchisee plans to make:

- (a) the obligation of the Franchisee shall not be regarded as being contravened by:
  - (i) temporary absences (for example for sickness or holiday); or
  - (ii) temporary non-fulfilment of a relevant post whilst the Franchisee is recruiting for that post, subject to the Franchisee using all reasonable endeavours to keep the duration between appointments as short as reasonably practicable; and
- (b) the Franchisee's rights and obligations in relation to the numbers or deployment of its other staff remain unaffected.

### 3. **Expenditure Commitments**

#### **Annual Expenditure**

- 3.1 Where Part 1 (List of Committed Obligations) to this Schedule 6.1 (Committed Obligations and Related Provisions) provides for the expenditure of an annual amount (or an amount over some other period) by the Franchisee, that amount:
- (a) is assessed net of Value Added Tax; and
  - (b) is the amount required to be expended by the Franchisee itself or procured by the Franchisee to be expended.

#### **Expenditure Commitments in real amounts**

- 3.2 All expenditure commitments set out in Part 1 (List of Committed Obligations) to this Schedule 6.1 (Committed Obligations and Related Provisions), to the extent they have not already been incurred by the Franchisee, shall be indexed by the Retail Prices Index (in the same way as variable costs are indexed in Schedule 8.2 (Annual Franchise Payments)).

#### **Expenditure by Network Rail**

- 3.3 All amounts which the Franchisee has committed (whether unconditionally or otherwise) pursuant to Part 1 (List of Committed Obligations) to this Schedule 6.1 (Committed Obligations and Related Provisions) to expend in connection with improvements to track or Stations shall be in addition to any expenditure made by Network Rail as part of its infrastructure improvements or maintenance programme to the extent such expenditure is not directly funded or reimbursed by the Franchisee.

#### **Underspend**

- 3.4 Where in relation to any Committed Obligation that is expressed in terms of a requirement to spend not less than a specified sum in fulfilling its stated objective, the Franchisee is able to achieve that stated objective without incurring the full amount referred to in that Committed Obligation, whether because of cost savings or otherwise, the Franchisee shall notify the Secretary of State, together with a statement of the costs it has incurred (excluding any third party funding) in delivering the relevant obligations and a reconciliation against the amount it had committed to spend (excluding any third party funding) ("**Underspend**").
- 3.5 The Parties shall, acting reasonably, seek to agree an alternative scheme or schemes which would give rise to benefits to passengers using the Passenger Services to be funded using the Underspend and, once agreed, the Franchisee shall apply such Underspend in the delivery of the agreed scheme(s). In circumstances only where, despite having used reasonable endeavours the Parties fail to agree an alternative scheme in relation to which the Underspend will be applied, such Underspend shall be repaid to the Secretary of State as soon as reasonably practicable.

### 4. **Liaison and Co-Operation**

Where the Franchisee is committed to liaison and co-operation under Part 1 (List of Committed Obligations) to this Schedule 6.1 (Committed Obligations and Related Provisions), it shall participate actively in the relevant measures including through the application of management time and internal resources,

correspondence and attendance at meetings, in each case as the Franchisee reasonably considers in all the circumstances to be an appropriate use of its resources and effective to help achieve the relevant objective.

## **5. Nature of Commitment**

5.1 Any commitment in terms of Part 1 (List of Committed Obligations) to this Schedule 6.1 (Committed Obligations and Related Provisions) shall be in addition to any obligation of the Franchisee elsewhere in this Agreement and nothing in this Schedule 6.1 shall limit or restrict an obligation imposed on the Franchisee elsewhere in this Agreement.

5.2 Save as expressly provided in Part 1 (List of Committed Obligations) to this Schedule 6.1 (Committed Obligations and Related Provisions), each Committed Obligation is a separate obligation from any other Committed Obligation and satisfaction of or steps taken towards the satisfaction of one Committed Obligation will not amount to or contribute towards satisfaction of any other Committed Obligation.

5.3 Where in Part 1 (List of Committed Obligations) to this Schedule 6.1 (Committed Obligations and Related Provisions), references are made to particular manufacturers or suppliers of equipment or services, the Franchisee may fulfil its relevant commitment by using reasonable equivalents.

5.4 Each commitment under this Schedule 6.1 (Committed Obligations and Related Provisions) shall come to an end on expiry of the Franchise Term for whatever reason.

## **6. Review of Compliance**

6.1 Progress with Committed Obligations shall be considered and discussed at Franchise Performance Meetings and the Franchisee shall ensure that progress with regard to Committed Obligations is included in Periodic Update Reports provided in accordance with paragraph 4A of Schedule 11 (Agreement Management Provisions).

6.2 In addition to its obligation under paragraph 6.1, the Franchisee shall from time to time promptly provide such evidence of its compliance with any Committed Obligation as the Secretary of State may reasonably request.

## **7. Late Completion or Non-Delivery of Committed Obligations**

If the Franchisee fails to deliver in full a Committed Obligation in accordance with and by the timeframe specified for its delivery in Part 1 (List of Committed Obligations) to this Schedule 6.1 (Committed Obligations and Related Provisions), such late, partial or non-delivery shall constitute a contravention of the Franchise Agreement.

## **8. Specimen Schemes**

8.1 The Franchisee may propose to undertake an Alternative Scheme in place of a Specimen Scheme. Any such Alternative Scheme must:

- (a) be intended to deliver as a minimum the relevant Specimen Scheme Output;

- (b) require the Franchisee to incur expenditure of no less than the expenditure which the Franchisee is committed to incur in relation to the relevant Specimen Scheme; and
  - (c) deliver at least an equivalent level of benefits (whether to passengers, the Secretary of State, the wider rail industry or otherwise) as the Specimen Scheme.
- 8.2 If the Franchisee wishes to propose an Alternative Scheme, the Franchisee will provide the Secretary of State with such details of the Alternative Scheme as the Secretary of State may reasonably require.
- 8.3 If the Secretary of State approves (such approval not to be unreasonably withheld or delayed) such Alternative Scheme then it shall replace the relevant Specimen Scheme and Part 1 of this Schedule 6.1 shall be amended accordingly.
- 8.4 For the avoidance of doubt, if the Franchisee does not propose or the Secretary of State does not approve an Alternative Scheme then the Franchisee shall remain obliged to deliver the relevant Specimen Scheme in accordance with Part 1 of this Schedule 6.1.

## 9. **Third Party Consents, Agreement and Conditions**

- 9.1 Where, in delivering a Committed Obligation, the Franchisee is required to obtain one or more consents or satisfy one or more conditions, the Franchisee shall use all reasonable endeavours to obtain such consents and/or satisfy such conditions within such timescales as would enable the Franchisee to deliver such Committed Obligation by the delivery date specified in respect of such Committed Obligation. If the Franchisee is unable to satisfy the relevant condition and/or obtain the relevant consent or the proposed terms upon which the relevant consent would be granted would, in the reasonable opinion of the Franchisee, be likely to prejudice the financial and/or commercial viability of delivering the Committed Obligation, the Franchisee may apply to the Secretary of State for the approval referred to in paragraph 9.2. For the purposes of this paragraph 9, the expression "**consent**" shall mean those approvals, authorisations, consents, derogations, exemptions, licences, permissions, and registrations which are required by Law or any contract to which the Franchisee is a party, to be obtained by the Franchisee in connection with the delivery of a Committed Obligation.
- 9.2 The Secretary of State's approval for the purposes of this paragraph 9 is his approval for the Franchisee to modify the relevant Committed Obligation so as to deliver a scheme which would give rise to benefits to passengers using the Passenger Services similar to (but not necessarily the same as) those benefits which would have arisen if the Franchisee delivered the relevant Committed Obligation. The modifications to the relevant Committed Obligation shall be agreed between the Franchisee and the Secretary of State or failing such agreement shall be reasonably determined by the Secretary of State. The approval of the Secretary of State may not be unreasonably withheld.
- 9.3 If the Secretary of State gives his approval pursuant to this paragraph 9 in respect of a Committed Obligation, then to the extent that the Franchisee delivers the modified Committed Obligation by the date agreed between the Franchisee and the Secretary of State, or failing such agreement by the date reasonably determined by the Secretary of State, the Franchisee shall not be in breach of the Franchise Agreement.

10. **Reasonable Endeavours**

Where in respect of any Committed Obligation the Franchisee is obliged to use all reasonable endeavours or reasonable endeavours to do or procure that something is done by a specified date then, without prejudice to any other rights the Secretary of State may have (whether under the Franchise Agreement or otherwise) in respect of any contravention arising if the same is not achieved by such specified date the Franchisee shall consult with the Secretary of State and if required by the Secretary of State shall continue to use all reasonable endeavours or reasonable endeavours (as applicable) to do or procure that the relevant thing is done as soon as reasonably practicable thereafter.



## SCHEDULE 6.2

### Northern Franchise Specific Provisions

#### 1. **British Transport Police**

1.1 The Franchisee shall give due consideration to any request by the British Transport Police to provide suitable accommodation (including additional or alternative accommodation) or facilities at Stations to enable the British Transport Police to effectively perform the services owed to the Franchisee under any contract or arrangement entered into between the British Transport Police and the Franchisee.

1.2 The Franchisee shall:

- (a) work in partnership with the British Transport Police to assess and review regularly the security and crime risk at all Stations and across the franchise generally;
- (b) work with the British Transport Police to:
  - (i) reduce crime and anti-social behaviour on the railway;
  - (ii) reduce minutes lost to police-related disruption;
  - (iii) increase passenger confidence with personal security on train and on station;
- (c) co-operate with the British Transport Police to provide it with access to records and/or systems maintained by the Franchisee which relate to lost property to enable the British Transport Police to have access to such information when dealing with items reported to them as lost. The Franchisee shall consult with the British Transport Police as to its requirements in relation to such records and/or systems and shall ensure that the British Transport Police has access to such records and/or systems within 12 months of the Start Date.

1.3 The Franchisee shall consult with the British Transport Police in relation to plans to develop any part of the land within a Property Lease which could affect staff or customers and give the British Transport Police an opportunity to advise on and/or provide comments on any opportunities for the enhancement of safety and reduction in crime.

#### 2. **Efficiency Benefit Share**

2.1 The Franchisee shall obtain the prior consent of the Secretary of State prior to exercising any rights it may have under the Track Access Agreement or otherwise to opt out from the Efficiency Benefit Share Mechanism.

2.2 Where a Train Operator under a Previous Franchise Agreement has exercised its right under a track access agreement to opt out from the Efficiency Benefit Share Mechanism, the Franchisee shall take all steps necessary to ensure that it opts back into the Efficiency Benefit Share Mechanism including through agreement of

a new Track Access Agreement or a variation of an existing Track Access Agreement.

### 3. **ERTMS Programme**

#### 3.1

(a) The Franchisee shall:

(i) co-operate in good faith with the relevant third parties involved in the implementation of the ERTMS Programme (including Network Rail and the relevant rolling stock providers) with the intention of ensuring its timely, efficient and cost effective implementation and, in particular assisting in the development and implementation of the programme for the design and fitment of the relevant ERTMS equipment on the first rolling stock unit of each class of rolling stock comprised in the Train Fleet for which the Franchisee is identified as the "Lead TOC" under the National Joint ROSCO First-In-Class Project (the "**First in Class Unit**") and the testing and commissioning of such equipment on each First in Class Unit. It is acknowledged by the Secretary of State and the Franchisee that Network Rail is responsible for the capital costs for the design and fitment of the relevant ERTMS equipment on each First in Class Unit;

(ii) prepare a plan and submit a plan to the Secretary of State within six months of the Start Date (and keep such plan under review and provide an updated plan to the Secretary of State on a quarterly basis) which addresses how it will deliver those activities for the implementation of the ERTMS Programme for which it is responsible including:

(A) the training of Franchise Employees who are drivers or rolling stock maintenance staff and other relevant Franchise Employees;

(B) the obtaining of such approvals and consents as may be required for the retro fitment of the relevant equipment to the other rolling stock units (other than the First In Class Units) comprised in the Train Fleet as are to be used for the operation of the Passenger Services on the ERTMS Enabled Network (the "**Affected Train Fleet**");

(C) the installation, testing and commissioning of the relevant ERTMS equipment on each unit comprised in the Affected Train Fleet; and

(D) the maintenance of any such ERTMS equipment fitted on the Affected Train Fleet and the First in Class Units,

(the "**Franchisee ERTMS Plan**") and any Franchisee ERTMS Plan prepared by the Franchisee pursuant to this

paragraph shall be prepared on the basis that is consistent with the Proposed ERTMS Implementation Plan;

- (iii) implement the Franchisee ERTMS Plan in accordance with its terms; and
- (iv) following the implementation of ERTMS on any part of the routes specified in the Proposed ERTMS Implementation Plan (the "**ERTMS Enabled Network**") co-operate, in good faith, with Network Rail, the lessors of the Affected Train Fleet and the First in Class Units and other relevant third parties, with a view to ensuring the on-going efficient operation of the Passenger Services operated on the ERTMS Enabled Network including by working together with Network Rail, the lessors of the Affected Train Fleet and the other relevant third parties to resolve any compatibility issues that may arise between the train borne equipment and the trackside equipment.

- (b) If at any time the Secretary of State (acting reasonably) is satisfied that the Franchisee has not complied or is not likely to comply with its obligations in this paragraph 3.1 he may at his discretion, and entirely without prejudice to his other rights consequent upon the relevant contravention, serve a Remedial Plan Notice pursuant to paragraph 1.1 of Schedule 10.1 (Remedial Plans and Remedial Agreements).

3.2 The Franchisee shall at the request of the Secretary of State provide to him (as soon as reasonably practicable and in any event within five Weekdays following the receipt by the Franchisee of any such request) such information (including progress reports and the latest Franchisee ERTMS Plan as at the date of such request) as the Secretary of State may reasonably require in relation to the implementation of the ERTMS Programme including for the purposes of:

- (a) satisfying himself that:
  - (i) the Franchisee ERTMS Plan is robust and deliverable; and
  - (ii) the implementation of the ERTMS Programme is being undertaken in accordance with the Proposed ERTMS Implementation Plan; and
- (b) reporting on progress in relation to matters relating to the implementation of the ERTMS Programme (including progress on the implementation of the Franchisee ERTMS Plan).

The Franchisee shall, upon reasonable notice, attend any such meeting as the Secretary of State may reasonably require for the purposes of discussing and explaining the Franchisee ERTMS Plan (including progress on the implementation of such plan).

3.3 Within one year following the first implementation of ERTMS on the ERTMS Enabled Network, the Franchisee shall carry out a detailed review of (i) the performance of the relevant ERTMS equipment installed by the Franchisee on the Affected Train Fleet and the First in Class Units pursuant to this paragraph 3 following the implementation of ERTMS on the ERTMS Enabled Network by Network Rail and (ii) the extent to which the performance of the relevant ERTMS equipment installed by the Franchisee on the Affected Train Fleet and the First in Class Units pursuant

to this paragraph 3 has been adversely impacted or otherwise affected by failures in the trackside ERTMS equipment installed by Network Rail on the ERTMS Enabled Network and submit a report to the Secretary of State documenting the outcomes of such review in such format (and in such detail) as the Secretary of State may (acting reasonably) specify.

3.4 The Franchisee shall use all reasonable endeavours to ensure that any Track Access Agreement that it enters into with Network Rail reflects the following principles:

- (a) there will be no right for the Franchisee to claim compensation from Network Rail under Condition G.2 of the Network Code in relation to the direct or indirect consequences of any and all impacts on the Passenger Services due to the implementation of the ERTMS Programme except in the circumstances provided in paragraph 3.4(b) ("**Network Change Compensation Claims**"); and
- (b) the Franchisee will have the right to claim under Condition G.2 of the Network Code for any additional costs (which for these purposes shall include any loss of revenue which the Franchisee is entitled to claim thereunder) it incurs where there is a material change to the actual implementation plans (including the relevant timescales for the delivery of such plans) adopted by Network Rail in respect of the ERTMS Programme when compared to the plans as specified in the Proposed ERTMS Implementation Plan except where such material change is wholly attributable to the actions or inactions of the Franchisee.

3.5 If and to the extent that the Track Access Agreement entered into by the Franchisee does not reflect any of the principles set out in paragraph 3.4 including as a result of:

- (a) the Franchisee not being able to obtain the ORR's approval to any such terms; or
- (b) the Franchisee not complying with its obligations under paragraph 3.4 and entirely without prejudice to the other rights the Secretary of State may have under the Franchise Agreement consequent upon a contravention by the Franchisee of the provisions of paragraph 3.4,

then the Franchisee shall immediately pay to the Secretary of State (as a debt), an amount equal to any amounts received by the Franchisee from Network Rail in respect of any Network Change Compensation Claim(s). Any amounts payable by the Franchisee to the Secretary of State pursuant to this paragraph 3.5 shall be paid on the next Payment Date following receipt by the Franchisee of any such amounts from Network Rail or where no such Payment Date exists shall be paid within 30 days of receipt by the Franchisee of any such amounts from Network Rail.

#### 4. **Stations related provisions**

##### **Station Asset Management Plan**

4.1 By the second anniversary of the Start Date the Franchisee shall ensure that:

- (a) the Station Asset Management Plan has been created so that it describes in relation to each Station:

- (i) the maintenance, repair and renewal activity undertaken by the Franchisee, Network Rail, any Local Authority, any Community Rail Partnership and any other relevant stakeholder since the Start Date;
- (ii) the maintenance, repair and renewal activity planned by the Franchisee, Network Rail, any Local Authority, any Community Rail Partnership and any other relevant stakeholder, which the Franchisee is aware of;
- (iii) the assumptions the Franchisee has made about the current state and future degradation of station assets at the Start Date or, if an asset becomes a station asset on a later date, the assumptions of the Franchisee about the current state and future degradation of each relevant asset on the date that it becomes a station asset;
- (iv) under and over provision of station assets at the Start Date given current and projected future customer volumes and reasonable customer demands;
- (v) the plans to ensure that delivery of Station Services is resilient to periods of extreme weather and minimises disruption to passengers; and
- (vi) how the Principles of Inclusive Design will be taken into account in the renewal of station assets,

and covers a period of forty years from the date it is created, as if the Franchisee was to operate the Stations for such period;

- (b) the Station Asset Management Plan has been certified as complying with the requirements of ISO55001:2014 (or such other reasonably equivalent standard as may be approved in writing by the Secretary of State from time to time in place of ISO55001:2014) (the "**Station Asset Management Plan Accreditation**"); and
- (c) it has put in place such arrangements as are necessary (to the satisfaction of the Secretary of State) to ensure that the Station Asset Management Plan is (and continues to be maintained in) a format acceptable to the Secretary of State which is capable of being transferred to a Successor Operator as part of the Handover Package so that the Successor Operator is able to access, use and amend the Station Asset Management Plan using the same format.

#### 4.2 The Franchisee shall:

- (a) promptly upon receipt by the Franchisee, provide to the Secretary of State a certificate of accreditation issued by an organisation accredited by the United Kingdom Accreditation Service (UKAS) which has been signed by a statutory director of the Franchisee and which confirms that the Station Asset Management Plan Accreditation has been achieved (the "**Station Asset Management Plan Accreditation Certificate**"); and
- (b) maintain the Station Asset Management Plan Accreditation from the date that it is required to be achieved (being the second anniversary of the Start Date) for the remainder of the Franchise Term.

If the Station Asset Management Plan Accreditation is at any time lost then the Franchisee shall promptly report that fact to the Secretary of State and secure the restoration of the Station Asset Management Plan Accreditation as soon as reasonably practicable, reporting to the Secretary of State on the measures it is proposing to take to achieve that restoration and progress made.

- 4.3 By the date of each anniversary of the Start Date, the Franchisee shall conduct consultations with relevant stakeholders (including ACoRP, passengers, Station users and members of relevant local communities) in relation to the potential risks, opportunities and priorities for investment and operational efficiencies in relation to Stations. The Franchisee shall act reasonably in determining the scope of the specification of such consultations including the Stations to be considered.
- 4.4 By the third anniversary of the Start Date and by the date of each subsequent anniversary of the Start Date the Franchisee shall have reviewed the Station Asset Management Plan and shall submit to the Secretary of State a draft updated version of the Station Asset Management Plan incorporating a schedule of any revisions to the Station Asset Management Plan and a brief summary of the rationale supporting any change for review and approval. Updating shall reflect changed and developing circumstances and the requirements of the Station Asset Management Plan Accreditation together with, where relevant, the outcomes of, and the Franchisee's responses to the stakeholder consultation process described in paragraph 4.3 above. The updated Station Asset Management Plan shall include the information required by paragraph 4.1(a) above, save that for the purposes of this paragraph 4.4, references to "**Start Date**" in paragraph 4.1(a) shall be read as "the date on which the Station Asset Management Plan is reviewed by the Franchisee in accordance with paragraph 4.3 of this Schedule 6.2". The Station Asset Management Plan shall be updated so that following each update it continues to cover a forty year time period from the date of the update.
- 4.5 If:
- (a) the Secretary of State approves an updated draft Station Asset Management Plan submitted to it pursuant to paragraph 4.4 above, such document shall become the then current Station Asset Management Plan; or
  - (b) the Secretary of State does not approve an updated draft Station Asset Management Plan submitted to it pursuant to paragraph 4.4 above, then the Franchisee shall make such amendments to it as the Secretary of State shall reasonably direct.

#### **Station Social and Commercial Development Plan**

- 4.6 By the date of each anniversary of the Start Date the Franchisee shall submit to the Secretary of State a draft updated version of the Station Social and Commercial Development Plan, incorporating a schedule of any revisions to the Station Social and Commercial Development Plan and a brief summary of the rationale supporting any change for review and approval. Updating shall reflect changed and developing circumstances together with, where relevant, the outcomes of, and the Franchisee's responses to, the stakeholder consultation process described in paragraph 4.3 above. The Station Social and Commercial Development Plan shall be updated so that following each update it continues to cover a ten year time period from the date of the update. The Franchisee shall implement the Station Social and Commercial Development Plan as it may be updated from time to time.

- 4.7 If:
- (a) the Secretary of State approves an updated draft Station Social and Commercial Development Plan submitted to it pursuant to paragraph 4.6 above, such document shall become the then current Station Social and Commercial Development Plan; or
  - (b) the Secretary of State does not approve an updated draft Station Social and Commercial Development Plan submitted to it pursuant to paragraph 4.6 above, then the Franchisee shall make such amendments to it as the Secretary of State shall reasonably direct (it being agreed that it will be unreasonable for the Secretary of State to make amendments that increase cost and risk to the Franchisee beyond parameters specified in the Record of Assumptions).

**Inclusive design**

- 4.8 The Franchisee shall ensure that all renewal, enhancement and other building works at Stations are implemented in accordance with the Principles of Inclusive Design.

**Information about Station improvement measures**

- 4.9 The Franchisee shall at all times during the Franchise Term maintain records in relation to the measures taken by it to improve the Station environment at each of the Stations, covering the areas and the information set out in Table A below.
- 4.10 The Franchisee shall, subject to paragraph 4.11 below, provide to the Secretary of State the information set out in Table A within one Reporting Period of each anniversary of the Start Date during the Franchise Term.
- 4.11 When so requested by the Secretary of State, the Franchisee shall, within such reasonable period as the Secretary of State may specify, make such information available for review by the Secretary of State by reference to:
- (a) such level of disaggregation as is reasonably specified by the Secretary of State; and
  - (b) any particular Station as is reasonably specified by the Secretary of State.
- 4.12 The following key shall apply to Table A:

- A = information to be provided on or before any Passenger Change Date;
- B = information to be provided for every Reporting Period within 17 days of the last day of each Reporting Period; and
- C = information to be provided annually within 10 days of the last day of each Franchisee Year.

**Table A<sup>59</sup>**

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<sup>59</sup> Bidders to populate.

Information to be provided	Information (format)	When information to be provided

#### **Addressing issues of security, antisocial behaviour and crime at Stations**

4.13 The Franchisee shall, on a continuous basis during the Franchise Term, monitor and record all reported and observed incidents of;

- (a) anti-social behaviour; and
- (b) criminality (including assaults on passengers and Franchise Employees, theft, criminal damage to railway property and graffiti vandalism),

which occur at Stations, and shall in each case take active and vigorous steps to address, minimise and avoid future instances of anti social behaviour and criminality at Stations taking account of such data. The Franchisee may comply with its obligations to monitor and record incidents under this paragraph by providing copies of relevant information provided by the Franchisee to the British Transport Police where such information is relevant.

4.14 The Franchisee shall provide to the Secretary of State upon request such information as the Secretary of State may reasonably require from time to time in respect of the Franchisee's compliance with the requirements of paragraph 4.13 above.

#### **Station transfers**

4.15 The Franchisee shall use all reasonable endeavours to provide such assistance and information as the Secretary of State may reasonably require to assist:

- (a) Network Rail in preparing its plans in relation to the potential transfer of each of:
  - (i) Manchester Victoria Station; and
  - (ii) Manchester Oxford Road Station,
 to Network Rail during the Franchise Term; and/or

- (b) Greater Manchester Combined Authority in preparing its plans in relation to the potential transfer of all or some of the TfGM Stations, which are Stations, to the Greater Manchester Combined Authority during the Franchise Term.

#### **4.16 Station Investment**

- (a) The Franchisee shall at all times during the Franchise Term, co-operate with the Secretary of State and any third party nominated by the Secretary of State and notified to the Franchisee in developing opportunities for financing investment at Stations and Franchisee Access Stations in order to improve the station environment at such stations.
- (b) In co-operating with the Secretary of State and/or any nominated third party in developing any such financing opportunities, the Franchisee shall:



- (i) attend meetings with the Secretary of State and/or such third party to discuss such opportunities;
- (ii) provide the Franchisee's opinion on those opportunities;
- (iii) review and comment on implementation timetables and programmes for any such opportunities; and
- (iv) where requested by the Secretary of State to do so use all reasonable endeavours to engage with Network Rail for the purposes of ascertaining the feasibility and costs of making amendments to any Station Leases in order to facilitate the implementation of those opportunities.

#### 5. **Co-operation with Local Authority Increment and Decrement schemes**

Without prejudice to its other obligations to the Secretary of State pursuant to this Agreement the Franchisee shall fully and effectively co-operate with relevant Local Authorities and act reasonably and in good faith in its engagement with each of them in relation to any Local Authority Increment Schemes and/or Local Authority Decrement Schemes proposed by a Local Authority during the Franchise Term.

#### 6. **Co-operation in respect of Whitby Branch line service enhancements**

6.1 York Potash Ltd (a wholly owned subsidiary of Sirius Minerals PLC) is proposing to construct a new Potash mine near Whitby and, pursuant to the planning permission that it is requesting, it is proposing to fund additional Passenger Services on the Middlesbrough – Whitby branch together with the infrastructure capacity works needed to permit such additional Passenger Services to be operated.

6.2 The Franchisee shall provide all reasonable assistance and co-operation in good faith to the Secretary of State, Network Rail and any relevant third parties (including North Yorkshire County Council, The Esk Valley Railway Development Company and York Potash Ltd) in relation to the proposed implementation of infrastructure and signalling upgrades to the Middlesbrough - Whitby branch line (the "**Whitby Branch Line Enhancement Works**") intended to deliver the increased line capacity needed to permit the operation of four additional Passenger Services per day in each direction between Middlesbrough and Whitby (such additional Passenger Services being referred to below as the "**Additional Whitby Branch Line Services**"). The obligation on the Franchisee to co-operate pursuant to this paragraph 2.2 shall include the Franchisee carrying out in a timely manner all the activities and actions reasonably required to be carried out or taken by a Train Operator which is the principal operator of Passenger Services over a route subject to infrastructure capacity improvement works.

6.3 Where the Franchisee has rights under railway industry procedures or otherwise (including Network Change) which are or may be relevant to the implementation of the proposed Whitby Branch Line Enhancement Works, the Franchisee shall not:

- (a) act in a way designed to directly or indirectly prevent, prejudice or frustrate the delivery of the Whitby Branch Line Enhancement Works; or
- (b) unreasonably raise any objection to the Whitby Branch Line Enhancement Works.

It is acknowledged that the Franchisee may make reasonable objections with a view to mitigating the impact of the proposed Whitby Branch Line Enhancement Works and their implementation on passengers and the Franchise Services, while recognising the need for the proposed Whitby Branch Line Enhancement Works to be able to be undertaken in a reasonable manner.

- 6.4 The Secretary of State and the Franchisee acknowledge and agree that if the Additional Whitby Branch Line Services are to be implemented this will be by way of amendment to the Train Service Requirement. Without prejudice to the provisions of Schedule 1.1 (Service Development), the Franchisee agrees to provide all reasonable assistance and co-operation in good faith to the Secretary of State, Network Rail, North Yorkshire County Council, The Esk Valley Railway Development Company and York Potash Ltd in relation to planning and preparation for any such amendment to the Train Service Requirement.

## 7. **Interface with Rail North**

The Franchisee agrees that it shall co-operate to the extent reasonably required with the Secretary of State and Rail North for the purposes of facilitating the management of this Agreement in the manner envisaged by the Rail North Agreement including through a "strategic board" and joint Rail North/Secretary of State management team. The Franchisee acknowledges that it has been provided with a redacted copy of the Rail North Agreement.

## 8. **Heaton Depot and Neville Hill Depot – IEP**

- 8.1 The Franchisee, for so long as it remains Depot Facility Owner of Heaton Depot and Neville Hill Depot (the "**IEP Depots**"), shall co-operate and engage constructively and in a timely fashion with the Secretary of State, Agility Trains East Limited, Hitachi Rail Europe Limited (the "**Maintainer**"), Network Rail and other relevant third parties in relation to the provision of services and facilities required to support the ongoing maintenance of the Intercity Express Trains ("**IEPs**") by the Maintainer at the IEP Depots, being those services and facilities set out in the document in the agreed terms marked "**DAA**" (the "**IEP Requirements**"). Such co-operation and engagement shall include (but not be limited to):

- (a) supporting third parties in planning for and facilitating implementation of the Enabling Works;
- (b) acting in good faith in relation to the agreement of revised depot access arrangements to reflect the provision of the required services and facilities; and
- (c) once revised depot access agreements have been agreed, complying with such agreements by providing the IEP Requirements to the Maintainer for the duration of the Franchise Term.

- 8.2 For the purposes of this paragraph 8, "**Enabling Works**" means those works required to be performed at each of the IEP Depots pursuant to implementation agreements between the Maintainer and Network Rail, which are necessary to ensure that:

- (a) each IEP Depot is compatible with the IEPs; and
- (b) the Franchisee and/or the Maintainer (as applicable) is capable of performing the maintenance of the IEPs for use in railway passenger

service and making IEPs available to operators of railway passenger services at each of the IEP Depots.

9. **Community Rail Partnerships**

9.1 The Franchisee shall become a member of and shall continue to participate in the Community Rail Partnerships relevant to the Passenger Services, including but not limited to:

<b>Community Partnership</b>	<b>Rail Line / Services forming Partnership</b>
(a) Bentham Line	Leeds – Lancaster – Morecombe
(b) Bishop Line	Darlington – Bishop Auckland
(c) Clitheroe Line	Clitheroe – Manchester Victoria
(d) Crewe – Manchester	Crewe – Manchester
(e) Cumbrian Coast	Carlisle – Barrow
(f) East Lancashire	Colne – Preston
(g) Esk Valley Railway Development Company	Middlesbrough – Whitby
(h) Furness Line	Lancaster – Barrow-in-Furness
(i) Hope Valley & High Peak	Manchester – Sheffield / Buxton / Glossop
(j) Humber Region	Cleethorpes – Barton-on-Humber
(k) Lakes Line	Oxenholme – Windermere
(l) Mid Cheshire	Manchester – Northwich – Chester
(m) North Cheshire	Chester – Warrington
(n) Penistone Line	Huddersfield – Sheffield
(o) Settle Carlisle Railway Development Company	Leeds – Carlisle
(p) South Fylde	Preston – Blackpool South
(q) Tyne Valley	Newcastle – Carlisle
(r) West Lancashire	Wigan – Southport and Preston – Ormskirk
(s) Yorkshire Coast	Hull – Scarborough

(and any successor Community Rail Partnerships).

9.2 The Franchisee shall, at the request of the Secretary of State:

- (a) co-operate with the Secretary of State, Network Rail, ACoRP, local transport authorities and/or any other person as the Secretary of State may nominate for the purposes of developing and furthering the success of Community Rail Partnerships;
- (b) co-operate with, establish and/or participate in any Community Rail Partnership; and
- (c) co-operate in the development of the Secretary of State's initiatives to examine:

- (i) options for a more cost effective delivery of the railway passenger services operated on any Community Rail Route (such options to include changes in working practices of the relevant Franchise Employees, reducing rolling stock lease costs and maximising opportunities for obtaining local funding of development at relevant stations and developing new ways of maintaining and renewing relevant railway infrastructure); and
  - (ii) the actual costs incurred in operating, maintaining and renewing the infrastructure relevant for such Community Rail Route.
- 9.3 The Secretary of State may at any time, by proposing a Variation pursuant to paragraph 1.1(a) of Schedule 9.5 (Variation to the Franchise Agreement and Incentivising Beneficial Changes), require the Franchisee to develop and/or implement any changes to the Franchise Services and/or the transfer of any Franchise Services to another Train Operator in order to deliver either of the initiatives that were examined pursuant to paragraph 9.2(c).
- 9.4 The Franchisee shall become a member and shall continue to participate in the Department for Transport's National Community Rail Steering Group, or any successor body.
- 9.5 Within 3 months of the Start Date in respect of the first Franchisee Year and no later than three months before the start of each subsequent Franchisee Year, the Franchisee shall provide to the Secretary of State a report (the "**Community Rail Report**") setting out the distribution of the CRP Amount in full amongst the Community Rail Partnerships identified in paragraphs 9.1 and 9.2.
- 9.6 The Community Rail Report shall contain the following information:
  - (a) a statement confirming that the Franchisee's distribution of funds to the Community Rail Partnerships takes account of the Secretary of State's then current published Community Rail Development Strategy;
  - (b) a statement confirming that the Franchisee has discussed the funding of the Community Rail Partnerships with ACoRP and has taken sufficient account of ACoRP's views;
  - (c) confirmation that the Franchisee has discussed with all Community Rail Partnerships the aims and needs of such partnerships and the funding required to achieve these;
  - (d) a table setting out the relevant portions of the CRP Amount which are to be paid to each Community Rail Partnership (on a non-indexed basis) over the next three years (it being acknowledged that these amounts are likely to be different for each Community Rail Partnership) and
  - (e) such further information as the Secretary of State may from time to time request.
- 9.7 The Franchisee shall within 30 days of the commencement of each Franchisee Year, make the relevant payments totalling the CRP Amount to each of the Community Rail Partnerships identified in the Community Rail Report for that year.

- 9.8 The Franchisee shall hold an annual full-day conference for Community Rail Partnership officers and station adopters in conjunction with ACoRP to encourage the spread of best practice and to communicate plans for franchise development. The first such conference shall be held within 6 months of the Start Date.
- 9.9 The Franchisee shall devise and implement in collaboration with relevant Community Rail Partnerships a "station adopters scheme" under which members of the local community can "adopt" a local Station and engage in activities such as:
- (a) promotion of the Passengers Services calling at the Station;
  - (b) monitoring and reporting faults, damage and anti social and criminal behaviour;
  - (c) carrying out minor Station cleaning and maintenance tasks and the development and cultivation of station gardens.

The Franchisee shall take reasonable steps to promote the station adopters scheme and provide safety and other training and support to participants.

- 9.10 In collaboration with relevant Community Rail Partnerships and other Stakeholders the Franchisee shall use reasonable endeavours to identify sources of third party funding for Community Rail Partnerships and encourage such third parties to make funding commitments.

## 10. **TSR Enhancement Services**

- 10.1 The Franchisee acknowledges that the Secretary of State has specified in the Train Service Requirement a significant increase (in terms of number and frequency) in the provision of Passenger Services on certain Routes (each a "**TSR Enhancement Service**") and that the Secretary of State will wish to review whether the benefits of the continued provision of any TSR Enhancement Service outweighs the costs of operating any such TSR Enhancement Service.

- 10.2 Accordingly, at the request of the Secretary of State and within 3 months from the date of any such request (or such alternative period as may be agreed by the Secretary of State, the Franchisee shall submit a report containing such information and analysis as the Secretary of State may reasonably request in relation to any TSR Enhancement Service. In particular (without limitation), such information and analysis may include:

- (a) the level of passenger demand in relation to:
  - (i) TSR Enhancement Services that operate before 0700 or after 2100;
  - (ii) TSR Enhancement Services that operate on Routes where the applicable Train Service Requirement requires an increase in the number of Passenger Services that must be operated each day when compared to that specified in the timetable applicable as at December 2014;
- (b) the amount of revenue generated from the provision of each of the TSR Enhancement Services;

- (c) the costs incurred by the Franchisee for the operation of each of the TSR Enhancement Services; and
  - (d) any potential opportunities to increase revenue derived from, or to reduce costs incurred in, operating each of the TSR Enhancement Services.
- 10.3 In relation to the reports required to be provided by the Franchisee under paragraph 10.2 the Secretary of State:
- (a) shall only be entitled to require the Franchisee to submit no more than two such reports;
  - (b) may request that any information contained in any such report is made available by reference to such level of aggregation (including in relation to early – morning and late – evening Passenger Services in general) or disaggregation (including by particular routes, service group or passenger services) as the Secretary of State may reasonably require; and
  - (c) shall, prior to issuing a request to the Franchisee to submit a report pursuant to paragraph 10.2, consult the Franchisee such that the Franchisee has the opportunity to comment on whether or not it will be feasible to provide the information and analysis that the Secretary of State intends to request in exercise of his rights pursuant to paragraph 10.2. In exercising his rights under paragraph 10.2 to require the Franchisee to submit a report the Secretary of State shall have due regard to any such comments made by the Franchisee.
- 10.4 Following the submission of any report required pursuant to paragraph 10.2 the Franchisee shall:
- (a) promptly respond to the Secretary of State’s reasonable queries in relation to such report (including the provision of such assistance as the Secretary of State may reasonably require in connection with the verification of any information contained in such report); and
  - (b) upon reasonable notice, attend any such meeting as the Secretary of State may reasonably require for the purposes of discussing the contents of any such report.
- 11. Hope Valley Additional Services**
- 11.1 The Franchisee shall, at the request of the Secretary of State, consult with passengers, user groups, Network Rail, train operators licensed under Act and who operate along the Hope Valley route between Manchester and Sheffield (“**Hope Valley Route**”) and other relevant Stakeholders on the options for the provision of additional railway passenger services along the Hope Valley Route. At the direction of the Secretary of State the Franchisee shall undertake the consultation required by this paragraph 11.1 in conjunction with the TransPennine Express Franchisee.
- 11.2 Following the consultation required pursuant to paragraph 11.1 and, within such timescales as the Secretary of State may require, the Franchisee shall prepare and submit such reports as the Secretary of State may request (provided that the Secretary of State shall only be entitled to request no more than two such reports during the Franchise Period) which set out as a minimum, the following:

- (a) its proposals for the provision of additional railway passenger services along the Hope Valley Route ("**Hope Valley Additional Services**");
- (b) the class and type of rolling stock that they propose to deploy in the provision of the Hope Valley Additional Services;
- (c) the Franchisee's reasons for opting to provide the Hope Valley Additional Services in the manner envisaged in the report and setting out how this reasoning is supported by the findings of the consultation undertaken pursuant to paragraph 11.1; and
- (d) the impact on Franchise Payments (if any) if the Secretary of State (at his sole discretion) elects to vary the Train Service Requirement to require the provision of the Hope Valley Additional Services thereby triggering a Change pursuant to paragraph (e) of the definition of Change.

11.3 Following the submission of any report required pursuant to paragraph 11.2 the Franchisee shall:

- (a) promptly respond to the Secretary of State's reasonable queries in relation to such report (including the provision of such assistance as the Secretary of State may reasonably require in connection with the verification of any information contained in such report); and
- (b) upon reasonable notice, attend any such meeting as the Secretary of State may reasonably require for the purposes of discussing the contents of any such report.

## 12. **Journey Time Improvements**

12.1 For the purposes of producing the report required pursuant to paragraph 12.3, the Franchisee shall undertake a feasibility study for the purposes of identifying options (the "**JTI Options**") for delivering journey time improvements on Routes where such journey time improvements can be delivered including by:

- (a) implementing changes to the existing infrastructure;
- (b) improving rolling stock capability or reliability including through the modification of rolling stock or employing efficient maintenance arrangements; and/or
- (c) implementing changes in service patterns.

12.2 The Franchisee shall, as part of the feasibility study required pursuant to paragraph 12.1 and as a minimum:

- (a) consult with passengers, other train operators licensed under the Act who operate along the affected Routes, relevant user groups and other relevant Stakeholders. At the direction of the Secretary of State the Franchisee shall undertake the consultation required by this paragraph 10.2(a) in conjunction with the TransPennine Express Franchisee;
- (b) work with Network Rail with a view to considering the feasibility of implementing any of the JTI Options where Network Rail input is required or where implementation of such JTI Option will require changes to the infrastructure or the Timetable. The Franchisee shall

robustly challenge Network Rail to identify efficient and cost-effective ways by which such JTI Options could be implemented and provide evidence that it has complied with this requirement in the report to be submitted to the Secretary of State pursuant to paragraph 12.3;

- (c) prepare an initial assessment of the likely costs and benefits of implementing the JTI Options; and
  - (d) engage with third party funders (including Local Authorities and local development agencies) to identify opportunities to secure grant funding for the purposes of implementing some or all of the JTI Options.
- 12.3 Within 18 months of the Start Date, the Franchisee shall submit to the Secretary of State a report which sets out the outcomes of the feasibility study undertaken pursuant to paragraph 12.1, such report to include information relating to the matters set out in paragraphs 12.2(a) to 12.(2)(d).
- 12.4 Following the submission of the report required pursuant to paragraph 12.3 the Franchisee shall:
- (a) promptly respond to the Secretary of State's reasonable queries in relation to such report (including the provision of such assistance as the Secretary of State may reasonably require in connection with the verification of any information contained in such report); and
  - (b) upon reasonable notice, attend any such meeting as the Secretary of State may reasonably require for the purposes of discussing the contents of such report.
- 12.5 The Franchisee shall, at the request of the Secretary of State, co-operate with Network Rail and other relevant Stakeholders to undertake further development and, if appropriate, implementation of any or all of the JTI Options. The Secretary of State and the Franchisee acknowledge and agree that if any or all of the JTI Options are to be implemented this will be by way of amendment to the Train Service Requirement or by the Secretary of State proposing a Variation pursuant to paragraph 1.1(a) of Schedule 9.5 (Variations to the Franchise Agreement and Incentivising Beneficial Changes).

### 13. **Boxing Day Services/New Year's Day Services**

13.1 Within 12 months of the Start Date the Franchisee shall:

- (a) consult with passengers, user groups, Network Rail, other train operators licensed under the Act and who operate along the affected Routes and other relevant Stakeholders on the potential demand for passenger services on:
  - (i) 26 December in each Franchisee Year ("**Boxing Day Services**"); and
  - (ii) 1 January in each Franchisee Year on those Routes where Passenger Services were not operated on 1 January by the Train Operator under the Previous Franchise Agreement such Passenger Services being those labelled A1 to A9 (inclusive) in the Train Service Requirement in agreed terms marked "TSR1" ("**New Year's Day Services**");



- (b) prepare and submit a report to the Secretary of State which sets out its proposals for operating Boxing Day Services and New Year's Day Services. Such report shall include:
  - (i) the Franchisee's view on whether or not the operation of the Boxing Day Services and New Year's Day Services will be commercially viable; and
  - (ii) the impact on Franchise Payments (if any) if the Secretary of State (at his sole discretion) elects to vary the Train Service Requirement to require the provision of the Boxing Day Services and New Year's Day Services thereby triggering a Change pursuant to paragraph (e) of the definition of Change.

13.2 At the direction of the Secretary of State the Franchisee shall undertake the consultation required by paragraph 13.1(a) in conjunction with the TransPennine Express Franchisee.

13.3 Following the submission of the report required pursuant to paragraph 13.1 the Franchisee shall:

- (a) promptly respond to the Secretary of State's reasonable queries in relation to such report (including the provision of such assistance as the Secretary of State may reasonably require in connection with the verification of any information contained in such report); and
- (b) upon reasonable notice, attend any such meeting as the Secretary of State may reasonably require for the purposes of discussing the contents of such report.

#### 14. **The Depots, Stabling and Ancillary Works Fund**

14.1 In this paragraph 14.1:

**"DSAW Criteria"** means the criteria established by Network Rail governing the eligibility of projects to receive funding from the DSAW Fund;

**"DSAW Fund"** means the Depots, Stabling and Ancillary Works Fund managed as at the date of this Agreement by Network Rail, or such other person fund or organisation as the Secretary of State may notify to the Franchisee for this purpose from time to time;

**"DSAW Project"** means [any and each of] the following:

- (a) [ ]<sup>60</sup>

**"DSAW Saving"** means any net saving made by the Franchisee in respect of the expected capital cost to it of a DSAW Project, however arising, including any such saving arising because the actual capital cost to the Franchisee in respect of any DSAW Project is less than:

- (a) the funding received by the Franchisee in respect of that DSAW Project from the DSAW Fund or otherwise (including any Expected Funding

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<sup>60</sup> Bidders to Populate: Bidder to indicate, by cross reference to the relevant section of its bid, which Projects it has assumed will be funded by DSAW funding and the Department will use this information to populate this section.

Shortfall payment(s) made or procured by the Secretary of State), and the Franchisee is (but for this paragraph 14) entitled to retain that saving; and/or

- (b) the anticipated capital cost to the Franchisee of that DSAW Project provided for in the Record of Assumptions,

and where there is more than one DSAW Project, the DSAW Saving shall be calculated in aggregate across all DSAW Projects;

“**Expected Funding**” means for each DSAW Project, the level of funding referred to below:<sup>61</sup>

DSAW Project	Amount of Expected Funding

“**Expected Funding Shortfall**” means the amount by which the actual funding made available from the DSAW Fund in relation to a DSAW Project is less than the Expected Funding.

14.2 The Franchisee has assumed in its Record of Assumptions that each DSAW Project will receive the Expected Funding from the DSAW Fund.

14.3 If :-

- (a) the Franchisee has taken all steps and provided all information reasonably required by the Secretary of State or Network Rail in connection with securing the Expected Funding in respect of a DSAW Project, including by meeting all of the DSAW Criteria; and
- (b) despite compliance by the Franchisee with its obligations under paragraph 14.3(a), the DSAW Project does not receive the amount of Expected Funding, such that there is an Expected Funding Shortfall,

then paragraph 14.4 applies.

14.4 Where this paragraph 14.4 applies, the Secretary of State shall be responsible for providing or procuring the provision of an amount equivalent to the Expected Funding Shortfall, subject to the following and to paragraph 14.5:

- (a) if a DSAW Project is to be delivered by Network Rail, the Secretary of State may satisfy his obligations by providing the Expected Funding Shortfall directly to Network Rail; and
- (b) if the Franchisee rather than Network Rail is to be responsible for the delivery of a DSAW Project, then the Secretary of State will pay the Expected Funding Shortfall to the Franchisee provided that:

<sup>61</sup> Bidders to Populate: Bidders to indicate, by cross reference to the relevant section of its bid and Record of Assumptions, the amount of funding which will be required and it has assumed will be available, for DSAW Fund projects (not to exceed £25m in aggregate).

- (i) the Franchisee shall provide to the Secretary of State such information as he shall require in connection with the DSAW Project including project plans and cost information, demonstrating the total costs of the DSAW Project, the Expected Funding Shortfall, the cash flow requirements for the DSAW Project and when the Expected Funding Shortfall is expected to be required to be paid;
- (ii) the Secretary of State shall not be required to make any payment before:
  - (A) he has received evidence to his reasonable satisfaction that the costs of the DSAW Project which the Expected Funding Shortfall is required to cover have been necessarily and reasonably incurred; or
  - (B) the date on which the Expected Funding (or relevant part of it, as applicable) was assumed to be received by the Franchisee in the Record of Assumptions; and
- (iii) any payments to the Franchisee in respect of the Expected Funding Shortfall shall be paid by way of adjustment to Franchise Payments on the next reasonably practicable Payment Date following the date described in paragraph 14.4(a)(ii).

14.5 It is agreed that it is not the intention of the parties that the Franchisee shall make any gain as a consequence of the Secretary of State providing or procuring the provision of any Expected Funding Shortfall(s) and accordingly:

- (a) the Secretary of State's liability to provide or procure the provision of any Expected Funding Shortfall shall be reduced by the amount of any DSAW Saving;
- (b) the Franchisee shall notify the Secretary of State as soon as reasonably practicable upon becoming aware that a DSAW Saving may arise. Such notification shall identify the circumstances in which the DSAW Saving may arise and provide all necessary supporting information to quantify the potential DSAW Saving, together with all further information which the Secretary of State may request from time to time to enable the Secretary of State to ascertain whether any DSAW Saving has arisen or is likely to arise;
- (c) in any event as soon as reasonably practicable following the completion of the last in time to finish DSAW Project, the Franchisee shall provide to the Secretary of State a report identifying all capital costs and funding received by the Franchisee in connection with the DSAW Project[s] and any DSAW Saving which has arisen;
- (d) if it is agreed or the Secretary of State reasonably determines that a DSAW Saving has arisen then:
  - (i) there shall be an adjustment to the Franchise Payment due in relation to the Reporting Period after that in which relevant agreement was reached or the Secretary of State made his determination; or

- (ii) where agreement or determination occurs after the end of the Franchise Period, there shall be a direct payment from the Franchisee to the Secretary of State.
  - (e) The adjustment or payment in paragraph 14.5(d) shall be of an amount equal to whichever is the lower of:-
    - (i) the amount of the DSAW Saving; and
    - (ii) the aggregate amounts paid or procured by the Secretary of State in respect of Expected Funding Shortfall(s).
- 14.6 It is acknowledged that the Expected Funding (and any Expected Funding Shortfall amount provided or procured by the Secretary of State):
- (a) is to support only the capital cost of the relevant DSAW Project; and
  - (b) does not include any operational costs associated with the DSAW Project (including any charges payable to Network Rail for the use or maintenance of any asset created or enhanced by the DSAW Project) and any such operational costs are the responsibility of the Franchisee.

**15. Co-operation with third party promoted franchise schemes**

- 15.1 The Franchisee shall fully and effectively co-operate with the Welsh Ministers and Network Rail (and such other third parties as the Secretary of State may reasonably direct) and act reasonably and in good faith in its engagement with them in relation to any proposal which may be promoted by (or on behalf of) the Welsh Ministers during the Franchise Term for the provision by the Franchisee of additional, varied and/or extended Passenger Services to and from such destinations in North Wales as the Welsh Ministers may reasonably specify for the purposes of providing Connections with the North West of England and new Connections to Yorkshire. The obligation to co-operate pursuant to this paragraph 15.1 shall include the Franchisee carrying out in a timely manner all the activities and actions reasonably required to be carried out or taken by a Train Operator which will be the principal operator of passenger services over a new or extended railway route.
- 15.2 Except to the extent that any of the following third party promoted franchise schemes are completed and in operation prior to the Start Date, the Franchisee shall fully and effectively co-operate with relevant Local Authorities and/or other interested bodies (each being a "**Sponsor**") and with Network Rail and act reasonably and in good faith in its engagement with each of them in relation to each such third party promoted franchise schemes:
- (a) **Branch line re-openings**
    - (i) **Newcastle to Ashington**

re-opening of the currently freight only route between Newcastle upon Tyne and Ashington for use by passenger services. The target completion date is 2019 and the Sponsor is Northumberland County Council;
  - (b) **Development of new stations**
    - (i) **Apperley Bridge**

creation of a new station at Apperley Bridge. The target completion date is August 2015 and the Sponsor is the West Yorkshire Combined Authority;

(ii) **Ilkeston**

creation of a new station at Ilkeston. The target completion date is December 2015 and the Sponsor is Nottingham County Council;

(iii) **Kirkstall Forge**

creation of a new station at Kirkstall Forge. The target completion date is October 2015 and the Sponsor is the West Yorkshire Combined Authority;

(iv) **Low Moor**

creation of a new station at Low Moor. The target completion date is April 2016 and the Sponsor is the West Yorkshire Combined Authority;

(v) **Warrington West**

creation of a new station at Warrington West. The target completion date is March 2017 and the Sponsor is Warrington Borough Council.

15.3 The obligation to co-operate pursuant to this paragraph 15 shall include the Franchisee carrying out in a timely manner all the activities and actions reasonably required to be carried out or taken by a Train Operator which is the principal operator of passenger services over a new or re-opened railway route (including, providing advice to the applicable Sponsor in relation to station location and design, timetabling, staffing, marketing and rolling stock issues (as applicable)).

15.4 In respect of the third party promoted franchise scheme referred to in paragraph 15.2(a)(i) (the "**Newcastle to Ashington Scheme**") the Franchisee shall, in addition to its other obligations under this paragraph 15:

(a) from the Start Date until the completion of the Newcastle to Ashington Scheme and through its participation in railway industry processes as the principal operator of the passenger services over the railway route relating to the Newcastle to Ashington Scheme, identify proposed changes to railway infrastructure or railway passenger services or other matters which might impede the completion of the Newcastle to Ashington Scheme. The Franchisee shall, as soon as reasonably practicable after it identifies any such matters, bring such matters to the attention of the relevant Sponsor and the Secretary of State and the Franchisee shall take such reasonable steps as it may have available to it (including the exercise any rights that it may have whether under the Track Access Agreement (including the Network Code) or otherwise) to challenge such matters;

(b) at the reasonable request of the relevant Sponsor, act as the relevant Sponsor's delivery partner by, inter alia:

- (i) co-ordinating the responses from the affected train operators and other relevant industry parties to the relevant Sponsor's requirements in respect of the Newcastle to Ashington Scheme;
  - (ii) engaging effectively and constructively with Network Rail, rolling stock providers and other relevant third parties to produce an effective and timely proposal for the introduction of passenger services on the route once the Newcastle to Ashington Scheme is completed; and
  - (iii) providing prompt and skilled advice on matters relevant to the implementation of the Newcastle to Ashington Scheme including track layout and characteristics, station location and design, type and characteristics of rolling stock that can be deployed, timetables, access rights, staffing and marketing; and
- (c) at the request of the relevant Sponsor, negotiate in good faith with a view to reaching agreement with the relevant Sponsor in relation to the terms (including the price) for the introduction and operation of passenger services along the route once the Newcastle to Ashington Scheme is completed. Upon reaching such agreement:
- (i) act in accordance with the terms of such agreement to introduce and operate the relevant passenger services and promote its use; and
  - (ii) on commencement of operation of such passenger services maintain records of usage and financial performance of such passenger services. The Franchisee shall co-operate with any reasonable request by the relevant Sponsor and/or the Secretary of State to undertake a review of the operational and financial performance of the passenger service (including its value for money).
- 15.5 Where instructed to do so by the Secretary of State the Franchisee shall fully and effectively co-operate with the Secretary of State, Network Rail and any relevant Local Authority in relation to any scheme to reopen or divert any rail route.
- 15.6 The Franchisee shall fully and effectively co-operate with any Local Authority that seeks to promote a scheme for the provision of additional or varied Passenger Services including by attending meetings and contributing to feasibility schemes and project plans and liaising with relevant industry participants including Network Rail.
- 15.7 The Franchisee shall all times during the Franchise Term fully and effectively co-operate with the Secretary of State, Network Rail, any Local Authority or any relevant third party in the development of plans and proposals to enhance existing stations and open new stations. The obligation to co-operate pursuant to this paragraph 15.7 shall include the Franchisee carrying out in a timely manner all the activities and actions reasonably required to be carried out or taken by a Train Operator who is or would be the facility owner at a station including attending meetings with the Secretary of State, Network Rail, a Local Authority or a relevant third party (as the case may be), review and comment on the implementation timetables and programmes for the development of a new station and use reasonable endeavours to achieve any necessary amendments to any Station

Lease or enter into new station leases as may be required for the purposes of the development and implementation of any such new station.

16. **NEE Business Unit**

16.1 Within 3 months of the Start Date, the Franchisee shall create (and maintain throughout the Franchise Term) a dedicated management business unit within the Franchisee's organisation in relation to the Passenger Services operated in the North East of England (the "**NEE Business Unit**"). The primary purposes of the NEE Business Unit shall include:

- (a) the provision of a local focus for customer information and branding and marketing issues; and
- (b) in conjunction with the North East Authorities, the development of, and subject to agreement on funding, the delivery of improvements to, the Passenger Services operated in the North East of England.

For the purposes of this paragraph 16, "**North East Authorities**" shall mean North East Combined Authority, Darlington Borough Council, Stockton Borough Council, Middlesbrough Council, Redcar and Cleveland Borough Council, Hartlepool Borough Council and Cumbria and North Yorkshire County Council, but only to the extent that the relevant Passenger Services extend to each such Local Authority's geographical area of responsibility.

17. **Branding**

17.1 The Franchisee shall ensure that:

- (a) except as otherwise agreed by the Secretary of State, any trading name that it adopts, from the Start Date and throughout the Franchise Term, for the purposes of the operation of the Franchise Services includes the name "North" or "Northern"; and
- (b) subject to the Franchisee obtaining a licence or consent from the relevant third party in respect of any such brand names which are Marks (which such licence or consent the Franchisee shall use all reasonable endeavours to obtain), it continues to co-brand each Station listed in the document in the agreed terms marked "**CBS**" in the same manner as applied immediately prior to the Start Date and as specified in relation to such Station in the agreed terms document "**CBS**".

18. **DCO Operations**

18.1 By 1 January 2020 and for the duration of the Franchise Term, the Franchisee shall ensure that at least 50% of the aggregate Train Mileage of Passenger Services provided in each Reporting Period is operated as Driver Controlled Operation.

18.2 Where in accordance with paragraph 18.1, a Passenger Service is operated as Driver Controlled Operation the Franchisee shall, in preparing the train crew diagram relating to such Passenger Service plan for an additional Franchise Employee (that is, in addition to the driver) to be present on such Passenger Service for the purposes of customer service and/or revenue control, except where:

- (a) **[Bidder to populate – Bidder to amend to specify routes/times of day where DCO would not be operated as required by section [ ] of the ITT and specified in its bid]**

The Franchisee shall use all reasonable endeavours to operate such Passenger Service in accordance with the train crew diagram.

19. **Remapping of certain Passenger Services**

19.1 It is acknowledged that:

- (a) the Train Service Requirement applicable from the Start Date specifies that the Franchisee shall from the Start Date take responsibility for:

- (i) the operation of the passenger services between:
- (A) Blackpool North and Manchester Airport;
  - (B) Barrow-in-Furness and Manchester Airport; and
  - (C) Windermere and Oxenholme and Windermere and Manchester Airport,

which in each case, immediately prior to the Start Date, were operated as part of the TransPennine Express Franchise. The transfer of responsibility for the operation of the above mentioned passenger services to be known as the "**Proposed Start Date Franchise Remapping**"; and

- (b) the Franchisee is required pursuant to paragraph 19.4 to become the facility Owner at the following Stations:

- (i) Arnside;
- (ii) Barrow-in-Furness;
- (iii) Birchwood;
- (iv) Burnside;
- (v) Carnforth;
- (vi) Kendal;
- (vii) Grange-over-Sands;
- (viii) Staveley;
- (ix) Ulverston;
- (x) Warrington Central; and
- (xi) Windermere,

each of the above stations to be known as the "**Start Date Transferring Stations**".



- 19.2 It is further acknowledged that the Train Service Requirement applicable from the date that the Train Service Requirement in agreed terms "**TSR1**" is replaced by the Train Service Requirement in agreed terms "**TSR2**" (as such date is specified in paragraph 1.2 of Schedule 1.1 (Service Development)):
- (a) specifies certain changes in the pattern of the Passenger Services operated between Liverpool and Manchester with the effect that from the date upon which the Train Service Requirement in the agreed terms "TSR 2" comes into effect (the "**CS5 Remapping Date**") the TransPennine Express Franchisee will cease to have responsibility for the provision of the passenger services operated between Liverpool Lime Street and Manchester via Warrington Central (the "**Warrington Central Route**") and the TransPennine Express Franchisee will be required to increase the frequency of the passenger services operated between Liverpool and Manchester via Newton-le-Willows (the "**Newton-le-Willows Route**"). From the CS5 Remapping Date the Franchisee will increase the frequency of the Passenger Services operated on the Warrington Central Route and decrease the frequency of the Passenger Services operated on the Newton-le-Willows Route; and
  - (b) specifies that the Franchisee shall cease to be responsible for the provision of the Passenger Services between Barton-on-Humber and Cleethorpes from the date of commencement of the EMT Franchise (such date currently anticipated to be 15 October 2017) (the "**Barton-on-Humber Transfer Date**").
- 19.3 Accordingly, the Franchisee agrees that the financial consequences of the Proposed Start Date Remapping and the further remapping of the Passenger Services as contemplated in paragraph 19.2 have been accounted for in the Financial Model and the Record of Assumptions applicable as at the date of the Franchise Agreement and, except as specified in paragraph 1.2 of Schedule 1.1 (Service Development) and Schedule 9.3 (Secretary of State Risk Assumptions), the Proposed Start Date Remapping (which for these purposes shall include the Franchisee becoming the Facility Owner at each of the Start Date Transferring Stations) and the further remapping of the Passenger Services as contemplated in paragraphs 19.2 shall not trigger a Change for the purposes of the Franchise Agreement.
- 19.4 The Franchisee shall on or before the Start Date:
- (a) become the Facility Owner at each of the Start Date Transferring Stations;
  - (b) undertake the process under the Ticketing and Settlement Agreement for changing the identity of the Lead Operator in relation to the Compulsory Inter-available Flows comprised in the Proposed Start Date Franchise Remapping described in paragraph 19.2(a)(i) such that the Franchisee becomes the Lead Operator in respect of such flows from the Start Date; and
  - (c) complete all necessary arrangements to give effect to the Proposed Start Date Franchise Remapping including by entering into the business transfer agreement in the agreed terms marked "**RBTA**".

#### 19.5 **Train Crew Trading**

The Franchisee shall on or before the Start Date enter into an agreement with the TransPennine Express Franchisee for the provision of train crew in the same form as the agreement in the agreed terms marked "TCTSA" (the "**Train Crew Trading Services Agreement**"). Unless otherwise agreed by the Secretary of State the Train Crew Services Trading Agreement shall remain in force until at least the Subsidiary Change Date (as such term is defined in the Network Code) occurring on or about May 2017.

#### 19.6 Rolling Stock Trading Arrangements

- (a) The Franchisee shall, if directed to do so by the Secretary of State, negotiate and enter into a framework agreement ("**TPE/Northern Sub Lease Agreement**") with the TransPennine Express Franchisee for the subleasing by the Franchisee of <sup>62</sup>[insert number of units] car class <sup>63</sup>[insert class of rolling stock] units. The Franchisee shall co-operate in good faith with the TransPennine Express Franchisee to agree the terms of the TPE/Northern Sub Lease Agreement such that the TPE/Northern Sub Lease Agreement is executed and comes into effect by no later than the Start Date.
- (b) The TPE/Northern Sub Lease Agreement shall be on terms to be agreed by the Franchisee and the TransPennine Express Franchisee but must reflect the following principles:
- (i) the scheduled expiry date shall be no earlier than the Passenger Change Date occurring on or about December 2016;
  - (ii) the rent payable by the Franchisee to the TransPennine Express Franchisee for the sub leasing of the relevant units under the TPE/Northern Sub Lease Agreement shall be equal to the rent payable (per unit) by the TransPennine Express Franchisee under the Rolling Stock Lease for the <sup>64</sup>[insert class of rolling stock];
  - (iii) each party shall bear its own costs and expenses incurred in connection with or arising out of the negotiation, preparation and execution of the TPE/Northern Sub Lease Agreement (including any costs relating to the negotiation, preparation and execution of any of the amendments required to be made to the Rolling Stock Lease in relation to the <sup>65</sup>[insert class of rolling stock] as a consequence of the entry into the TPE/Northern Sub Lease Agreement); and
  - (iv) <sup>66</sup>[insert other assumptions].
- (c) The Franchisee shall obtain the approval of the Secretary of State prior to entering into the TPE/Northern Sub Lease Agreement. If the Secretary of State does not approve the terms of TPE/Northern Sub Lease

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<sup>62</sup> DfT to provide

<sup>63</sup> DfT to provide

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<sup>65</sup> DfT to provide

<sup>66</sup> DfT to provide

Agreement as agreed by the Franchisee and the TransPennine Express Franchisee or the Secretary of State reasonably considers that the Franchisee and the TransPennine Express Franchisee are not likely to agree and enter into the TPE/Northern Sub Lease Agreement by the Start Date, the Secretary of State may require the Franchisee to enter into the TPE/Northern Sub Lease Agreement on such terms as he may require.

- (d) From the date upon which the TPE/Northern Sub Lease Agreement comes into full force and effect the Franchisee shall, at the request of the Secretary of State, enter into a replacement TPE/Northern Sub Lease Agreement on materially the same commercial terms with, as the case may be, a successor operator who becomes the franchisee of all or part of the services provided by the TransPennine Express Franchisee except to the extent that the Secretary of State otherwise directs.

### **Barton-on-Humber Transfer**

19.7 The Franchisee shall, from the Barton-on-Humber Transfer Date and at the request of the Secretary of State:

- (a) assign, novate or surrender its rights under the Station Leases applicable in respect of the following Stations. The terms of any such assignment, novation or surrender shall be as set out in paragraph 3.2 of Schedule 2.2 (Security of Access Agreements, Rolling Stock Leases, Station and Depot Leases). For the avoidance of doubt, any request by the Secretary of State as contemplated in this paragraph 19.2(b) shall not amount to a Change:

- (i) Barrow Haven;
- (ii) Barton-on-Humber;
- (iii) Goxhill;
- (iv) Great Coates;
- (v) Grimsby Docks;
- (vi) Harbrough;
- (vii) Healing;
- (viii) New Clee;
- (ix) New Holland;
- (x) Stallingborough;
- (xi) Thornton Abbey; and
- (xii) Ulceby; and

- (b) from the date of any such assignment, novation or surrender of rights, the aforementioned stations shall cease to be Stations for the purposes of the Franchise Agreement. The Franchisee shall not object to any application made by the EMT Franchisee under the Ticketing and

Settlement Agreement to become the Lead Operator in respect of the Compulsory Inter-available Flows comprised in the Proposed Franchise Remapping described in paragraph 19.1(a)(iii).

19.8 The provisions of paragraphs 2.1, 2.2 and 2.3 of Schedule 15.1 (Reletting Provisions) shall apply, *mutatis mutandis*, to the proposed remapping of the passenger services contemplated under paragraph 19.2(b) and the transfer of the Stations as required under paragraph 19.7 as if the proposed remapping and transfer were a reletting of the Franchise Agreement.

19.9 The Franchisee shall co-operate and engage constructively with the Secretary of State and the EMT Franchisee in relation to the proposed remapping of the passenger services contemplated under paragraph 19.2(b) and the transfer of the Stations as required under paragraph 19.7.

## 20. **Infrastructure Projects**

20.1 The Franchisee shall from the Start Date until completion of each Infrastructure Project engage constructively with all relevant parties responsible for the delivery of such Infrastructure Project with the intention of assisting its timely, efficient and effective completion.

20.2 To the extent that any Infrastructure Project leads to the Franchisee having rights under railway industry procedures (including Network Change and Station Change) the Franchisee shall not act in a way designed to directly or indirectly prevent, prejudice or frustrate the delivery of such Infrastructure Project and the Franchisee shall not unreasonably raise any objection under any railway industry procedure (including Network Change or Station Change) and any reasonable objections shall be raised by the Franchisee in accordance with the relevant railway industry procedures. It is acknowledged that the Franchisee may make reasonable objections with a view to mitigating the impact of the Infrastructure Projects and their implementation on passengers and the Franchise Services, while recognising the need for the Infrastructure Projects to be able to be undertaken in a reasonable manner.

20.3 The Franchisee shall throughout the Franchise Term allocate such appropriate Franchise Employees and other relevant resource as is reasonably required for the purposes of complying with its obligations in relation to all of the Infrastructure Projects pursuant to both this Franchise Agreement and the Access Agreements to which it is a party.

20.4 The Franchisee shall provide within 17 days of the end of each Reporting Period a detailed report complying with the reasonable requirements of the Secretary of State describing progress in relation to matters relating to each Infrastructure Project and identifying and quantifying so far as the Franchisee is reasonably able the emerging risk position in relation to each such Infrastructure Project as it affects passengers and the Franchise Services. The Franchisee shall provide such additional information as the Secretary of State shall reasonably request and if requested by the Secretary of State it shall develop such alternative and contingency plans as the Secretary of State may reasonably require for the purpose of mitigating relevant risk and ensuring that the adverse impacts on passengers and the Franchise Services of any relevant risk arising is mitigated to the greatest extent reasonable practicable.

20.5 For the purposes of this paragraph 20:

**"Infrastructure Project"** means any of the infrastructure projects described or referred to in the document in agreed terms marked **"IAD"**.

**21. HS2 Project**

21.1 The Franchisee shall from the Start Date until the completion of the HS2 Project fully and effectively co-operate and engage constructively with all relevant parties responsible for the delivery of the HS2 Project with the intention of assisting in the timely, efficient and cost effective implementation and delivery of the HS2 Project in a manner which provides the best overall solution for the network. To the extent that the HS2 Project leads to the Franchisee having rights under railway industry procedures including Network Change or Station Change the Franchisee shall not act in a way designed to directly or indirectly prevent, prejudice or frustrate the delivery of the HS2 Project and the Franchisee shall not unreasonably raise any objection under any railway industry procedure including Network Change or Station Change. It is acknowledged that the Franchisee may make reasonable objections with a view to mitigating the impact of the HS2 Project and their implementation on passengers and the Franchise Services, while recognising the need for the HS2 Project to be able to be undertaken in a reasonable manner.

21.2 The Franchisee shall provide such information in respect of the HS2 Project as the Secretary of State may reasonably request from time to time.

**22. The North Trans Pennine Upgrade Variation**

22.1 The Franchisee and the Secretary of State acknowledge that the timing of the North Trans Pennine Upgrade is uncertain but that it might be completed during the Franchise Term and, if it is completed, it is likely that the Secretary of State will wish to vary the Franchise Services to ensure that the North Trans Pennine Upgrade Infrastructure Outputs are appropriately utilised.

22.2 The Franchisee shall from the Start Date until the completion of the North Trans Pennine Upgrade engage constructively with Network Rail and all other relevant parties responsible for the delivery of it with the intention of assisting its timely, efficient and cost effective completion.

22.3 The Franchisee acknowledges the role of the TransPennine Express Franchisee as the delivery partner to the Secretary of State in relation to the planning of the North Trans Pennine Upgrade and accordingly it shall use all reasonable endeavours to co-operate with the TransPennine Express Franchisee to facilitate its role of leading and co-ordinating train operator input into the planning and delivery process for the North Trans Pennine Upgrade with the intention that the North Trans Pennine Upgrade is to the greatest extent reasonably practicable:

(a) designed in a way that optimises the ability of train operators to utilise the outputs of the North Trans Pennine Upgrade; and

(b) delivered in a cost efficient and effective manner balancing the needs to avoid undue disruption to passenger services and facilitate appropriate possessions.

22.4 To the extent that the North Trans Pennine Upgrade leads to the Franchisee having rights under railway industry procedures (including Network Change and Station Change) the Franchisee shall not act in a way designed to directly or indirectly prevent, prejudice or frustrate the delivery of such North Trans Pennine Upgrade and the Franchisee shall not unreasonably raise any objection under any railway industry procedure (including Network Change or Station Change) and any

reasonable objections shall be raised by the Franchisee in accordance with the relevant railway industry procedures.

- 22.5 The Franchisee shall fully and effectively co-operate with the Secretary of State and Network Rail in the development and amendment of the specification of the North Trans Pennine Upgrade in accordance with the reasonable requirements of the Secretary of State. The Franchisee may be required to provide its opinion, as a skilled and experienced train operator, on the operational and commercial impacts of the proposed specification and any amendment to it and the benefits and disbenefits of different options to achieve the output specification required by the Secretary of State. The Franchisee may be required to comment on rolling stock implications of options under consideration.
- 22.6 The Secretary of State may at any time issue a Request for a North Trans Pennine Upgrade Franchise Services Proposal. The matters to be addressed in the North Trans Pennine Upgrade Franchise Services Proposal shall be those specified by the Secretary of State and may include:
- (a) the implications of proposed changes to the TSR;
  - (b) the acquisition of electrically powered rolling stock and related depot facilities and stabling solutions and their specification;
  - (c) proposals for a cascade of diesel rolling stock expected to be displaced by new electric rolling stock;
  - (d) the implications for Franchisee Employees including in relation to training and recruitment;
  - (e) support of integration of new electrically powered rolling stock and new infrastructure and the management of delivery and commissioning of new rolling stock and depot and stabling facilities;
  - (f) potential staged changes to the specification of the Passenger Services in consequence of any staged completion of the North Trans Pennine Upgrade Infrastructure Outputs; and
  - (g) the impacts of consequent alterations to costs and revenues and the likely scope and outcome of a Qualifying Change involving where required one or more indicative Run of the Financial Model.

The Franchisee shall submit the North Trans Pennine Upgrade Franchise Services Proposal on or before such date as the Secretary of State shall reasonably specify.

- 22.7 The Franchisee shall provide such further or additional information as the Secretary of State may reasonably require for the purposes of considering and developing the North Trans Pennine Upgrade Franchise Services Proposal and shall meet with the Secretary of State for discussion purposes as he shall reasonably require.
- 22.8 The Secretary of State and the Franchisee shall use reasonable endeavours to agree a Variation to the Franchise Agreement pursuant to paragraph 1 of the Schedule 9.5 (Variations to the Franchise Agreement and Incentivising Beneficial Changes) to implement the changes to the Franchise Service reasonably required to implement . In the event that they disagree on any matter (including the nature and terms of any Rolling Stock Related Contract or Key Contract required to be entered into by the Franchisee to enable it to comply with its obligations under

this Agreement after any Variation is implemented) the Secretary of State shall reasonably determine the matter. Following any required reasonable determination by the Secretary of State variations to this Agreement shall be made, at the option of the Secretary of State, by the service of a notice pursuant to paragraph 1.1(a) of Schedule 9.5 (Variations to the Franchise Agreement and Incentivising Beneficial Changes) or through the entering into of a deed of amendment to this Agreement pursuant to paragraph 1.1 (c) of Schedule 9.5 (Variations to the Franchise Agreement and Incentivising Beneficial Changes). In accordance with the provisions of paragraph 1 of Schedule 9.5 (Variations to the Franchise Agreement and Incentivising Beneficial Changes) such a variation shall be a Change. If the Secretary of State has given the Franchisee at least six months notice of the date from which he expects the North Trans Pennine Upgrade to be completed and such date is in or after December 2020 no such Change shall take into account any additional charges payable to the lessor of rolling stock vehicles within the Train Fleet in consequence of the right to terminate such lease early being exercised by the Franchisee.

## **SCHEDULE 7**

### **Performance Benchmarks**

**Schedule 7.1: Performance Benchmarks**

**Appendix 1: Cancellations Benchmark Table**

**Appendix 2: TOC Minute Delay Benchmark Table**

**Appendix 3: Short Formation Benchmark Table**

**Schedule 7.2: National Rail Passenger Surveys and Customer and Communities Improvement Fund**

**Appendix 1: NRPS Benchmark Table**

**Schedule 7.3: Northern Franchise Service Quality Regime**

**Appendix 1: Service Quality Areas, SQS Benchmarks/Service Quality Indicators/Weightings**

**Appendix 2: Service Quality Schedules**



## **SCHEDULE 7.1**

### **Performance Benchmarks**

#### **1. Benchmarks and Annual Benchmarks**

##### **Location and amendment of Benchmarks and Annual Benchmarks**

- 1.1 The Cancellations Benchmarks are set out in the table in Part 1 (Cancellations Benchmark Table) of Appendix 1 (Cancellations Benchmarks and Annual Cancellations Benchmarks) to this Schedule 7.1.
- 1.2 The Annual Cancellations Benchmarks are set out in the table in Part 2 (Annual Cancellations Benchmark Table) of Appendix 1 (Cancellations Benchmarks and Annual Cancellations Benchmarks) to this Schedule 7.1.
- 1.3 The TOC Minute Delay Benchmarks are set out in the table in Part 1 (TOC Minute Delay Benchmark Table) of Appendix 2 (TOC Minute Delay Benchmarks and Annual TOC Minute Delay Benchmarks) to this Schedule 7.1.
- 1.4 The Annual TOC Minute Delay Benchmarks are set out in the table in Part 2 (Annual TOC Minute Delay Benchmark Table) of Appendix 2 (TOC Minute Delay Benchmarks and Annual TOC Minute Delay Benchmarks) to this Schedule 7.1.
- 1.5 The Short Formation Benchmarks are set out in the table in Part 1 (Short Formation Table) of Appendix 3 (Short Formation Benchmark and Annual Short Formation Benchmark Table) to this Schedule 7.1.
- 1.6 The Annual Short Formation Benchmarks are set out in the table in Part 2 (Annual Short Formation Benchmark Table) of Appendix 3 (Short Formation Benchmark and Annual Short Formation Benchmark Table) to this Schedule 7.1.
- 1.7 The Secretary of State may at any time after a Charging Review vary, on giving not less than 3 months' notice in writing, any of the Benchmarks and/or the Annual Benchmarks to reflect the Secretary of State's reasonable view of the performance trajectory set as part of such Charging Review. Where the Secretary of State exercises his right pursuant to this paragraph 1.7, the relevant Benchmark Tables and/or Annual Benchmark Tables shall be deemed to have been amended accordingly. The exercise by the Secretary of State of his rights pursuant to this paragraph 1.7 shall be a Change as specified in paragraph (m) of the definition of Change.

#### **2. Information Provisions**

##### **Cancellations Benchmarks and Annual Cancellations Benchmarks**

- 2.1 At the end of each Reporting Period, the Franchisee shall, in accordance with the relevant requirements of Appendix 3 (Operational Information) to Schedule 13 (Information and Industry Initiatives), report to the Secretary of State:
  - (a) the total number of Cancellations and Partial Cancellations in that Reporting Period;
  - (b) the total number of Disputed Cancellations and Disputed Partial Cancellations in that Reporting Period;

- (c) the total number of Network Rail Cancellations and Network Rail Partial Cancellations in that Reporting Period;
- (d) the total number of Disputed Cancellations and Disputed Partial Cancellations from the 12 preceding Reporting Periods for which the attribution remains in dispute; and
- (e) the total number of Disputed Cancellations and Disputed Partial Cancellations for which the disputed attribution has been resolved since the Franchisee's last report pursuant to this paragraph 2.1 (including whether each relevant Disputed Cancellation and/or Disputed Partial Cancellation was attributed to Network Rail or to the Franchisee).

## 2.2 Reporting Period Cancellations Calculations

### Cancellation Calculations during the No Breach Reporting Periods

- 2.2A For each of the first five Reporting Periods falling within the first Franchisee Year (the "**No Breach Reporting Periods**"), the Secretary of State shall perform the following calculation for the purposes of determining the value of A for each such Reporting Period:

where A is ascertained as follows:

$$\frac{B}{C} \times 100$$

Where:

- B is the total number of Cancellations or Partial Cancellations of Passenger Services scheduled to be operated in the Enforcement Plan of the Day for that No Breach Reporting Period, on the basis that:

- (a) a Cancellation shall count as 1;
- (b) a Partial Cancellation shall count as 0.5;
- (c) any Cancellations or Partial Cancellations during that Reporting Period which were caused by:
  - (i) the Franchisee's implementation of a Service Recovery Plan during that Reporting Period; or
  - (ii) the occurrence or continuing effect of a Force Majeure Event, shall, if the Franchisee has complied with paragraph 4.4 of this Schedule 7.1, be disregarded in determining such total number of Cancellations and Partial Cancellations; and

- C is the total number of Passenger Services scheduled to be operated in the Enforcement Plan of the Day for that No Breach Reporting Period, disregarding, if the Franchisee has complied with paragraph 4.4 of this Schedule 7.1, any Cancellations or Partial Cancellations during that Reporting Period which were caused by:

- (a) the Franchisee's implementation of a Service Recovery Plan during that No Breach Reporting Period; or

- (b) the occurrence or continuing effect of a Force Majeure Event.

### **Cancellation Calculations during the Breach Reporting Periods**

- 2.2B For each Breach Reporting Period the Secretary of State shall calculate the Franchisee's performance against the Cancellations Benchmark in accordance with the following formula:

$$\frac{A + D}{n}$$

Where:

- A is ascertained as follows:

$$\frac{B}{C} \times 100$$

Where:

- B is the total number of Cancellations or Partial Cancellations of Passenger Services scheduled to be operated in the Enforcement Plan of the Day for that Breach Reporting Period, on the basis that:

- (a) a Cancellation shall count as 1;
- (b) a Partial Cancellation shall count as 0.5;
- (c) any Cancellations or Partial Cancellations during that Reporting Period which were caused by:
  - (i) the Franchisee's implementation of a Service Recovery Plan during that Reporting Period; or
  - (ii) the occurrence or continuing effect of a Force Majeure Event, shall, if the Franchisee has complied with paragraph 4.4 of this Schedule 7.1, be disregarded in determining such total number of Cancellations and Partial Cancellations; and

- C is the total number of Passenger Services scheduled to be operated in the Enforcement Plan of the Day for that Breach Reporting Period, disregarding, if the Franchisee has complied with paragraph 4.4 of this Schedule 7.1, any Cancellations or Partial Cancellations during that Reporting Period which were caused by:

- (a) the Franchisee's implementation of a Service Recovery Plan during that Breach Reporting Period; or
- (b) the occurrence or continuing effect of a Force Majeure Event.

- D is the sum of the values of A in each of the Reporting Periods in the first Franchisee Year immediately preceding that Breach Reporting Period; and

- n is the number of Reporting Periods that have elapsed since the Start Date.

## Cancellation Calculations during the Subsequent Reporting Periods

- 2.2C For each Reporting Period (other than the No Breach Reporting Periods and the Breach Reporting Periods for which the provisions of paragraphs 2.2A and 2.2B shall apply respectively), the Secretary of State shall calculate a moving annual average of the Franchisee's performance against the Cancellations Benchmark in accordance with the following formula:

$$\frac{A + D}{13}$$

where:

A is ascertained as follows:

$$\frac{B}{C} \times 100$$

where:

B is the total number of Cancellations or Partial Cancellations of Passenger Services scheduled to be operated in the Enforcement Plan of the Day for that Reporting Period, on the basis that:

- (a) each Cancellation shall count as 1;
- (b) each Partial Cancellation shall count as 0.5; and
- (c) any Cancellations or Partial Cancellations during that Reporting Period which were caused by:
  - (i) the Franchisee's implementation of a Service Recovery Plan during that Reporting Period; or
  - (ii) the occurrence or continuing effect of a Force Majeure Event, shall, if the Franchisee has complied with paragraph 4.4 of this Schedule 7.1, be disregarded in determining such total number of Cancellations and Partial Cancellations;

C is the total number of Passenger Services scheduled to be operated in the Enforcement Plan of the Day for that Reporting Period, disregarding, if the Franchisee has complied with paragraph 4.4 of this Schedule 7.1, any Cancellations or Partial Cancellations during that Reporting Period which were caused by:

- (a) the Franchisee's implementation of a Service Recovery Plan during that Reporting Period; or
- (b) the occurrence or continuing effect of a Force Majeure Event; and

D is the sum of the values of A in each of the 12 preceding Reporting Periods (which for the avoidance of doubt and in respect of the 13<sup>th</sup> Reporting Period in the first Franchisee Year, shall be the sum of the values of A for the 12 preceding Reporting Periods in that first Franchisee Year)).

### Annual Performance Cancellations Calculations

- 2.3 At the end of each Franchisee Year the Secretary of State shall calculate a moving annual average of the Franchisee's performance against the Annual Cancellations Benchmark in accordance with the following formula:

$$\text{ACTUAL}_c = \frac{\sum A}{B}$$

where:

$\text{ACTUAL}_c$  is the moving annual average of the Franchisee's performance against the Annual Cancellations Benchmark for that Franchisee Year;

$\sum A$  is the sum of the values of A as determined in accordance with paragraph 2.2 for each Reporting Period in that Franchisee Year; and

B is in respect of a Franchisee Year consisting of 13 Reporting Periods, 13 and in respect of a Franchisee Year consisting of less than 13 Reporting Periods, the number of Reporting Periods in such Franchisee Year.

### Allocation of Disputed Cancellations/Disputed Partial Cancellations

- 2.4 Where there are any Disputed Cancellations and/or Disputed Partial Cancellations at the end of a Reporting Period and/or a Franchisee Year (as applicable) the Secretary of State shall, for the purpose of performing the calculations referred to in paragraphs 2.2 and/or 2.3 allocate any Disputed Cancellations and/or Disputed Partial Cancellations between the Franchisee and Network Rail in the proportions of:

A to B

where:

A is:

- (i) for the purposes of the calculations specified in paragraph 2.2A, the total number of undisputed Cancellations and/or Partial Cancellations (that is, which are not Disputed Cancellations or Disputed Partial Cancellations) in respect of a No Breach Reporting Period including any Disputed Cancellations or Disputed Partial Cancellations which were resolved or determined (and attributed to the Franchisee) during such No Breach Reporting Period;
- (ii) for the purposes of the calculations specified in paragraph 2.2B, the total number of undisputed Cancellations and/or Partial Cancellations (that is, which are not Disputed Cancellations or Disputed Partial Cancellations) for the

Reporting Periods preceding that Breach Reporting Period including any Disputed Cancellations or Disputed Partial Cancellations which were resolved or determined (and attributed to the Franchisee) during such Breach Reporting Period; and

- (iii) for the purposes of the calculations specified in paragraphs 2.2C and 2.3, the total number of undisputed Cancellations and/or Partial Cancellations (that is, which are not Disputed Cancellations or Disputed Partial Cancellation) from the 12 preceding Reporting Periods including any Disputed Cancellations or Disputed Partial Cancellations which were resolved or determined (and attributed to the Franchisee) during such 12 preceding Reporting Periods; and

B is:

- (i) for the purposes of the calculations specified in paragraph 2.2A, the total number of undisputed Network Rail Cancellations and/or Network Rail Partial Cancellations (that is, which are not Disputed Cancellations or Disputed Partial Cancellations) in respect of a No Breach Reporting Period including any Disputed Cancellations or Disputed Partial Cancellations which were resolved or determined (and attributed to Network Rail) during such No Breach Reporting Period;

- (ii) for the purposes of paragraph 2.2B, the total number of undisputed Network Rail Cancellations and/or Network Rail Partial Cancellations (that is, which are not Disputed Cancellations or Disputed Partial Cancellations) for the Reporting Periods preceding that Breach Reporting Period including any Disputed Cancellations or Disputed Partial Cancellations which were resolved or determined (and attributed to Network Rail) during such Breach Reporting Period; and

- (iii) for the purposes of paragraph 2.2C and 2.3, the total number of undisputed Network Rail Cancellations and/or Network Rail Partial Cancellations (that is, which are not Disputed Cancellations or Disputed Partial Cancellations) from the 12 preceding Reporting Periods including any Disputed Cancellations or Disputed Partial Cancellations which were resolved or determined (and attributed to Network Rail) during such 12 preceding Reporting Periods.

### **TOC Minute Delay Benchmarks and Annual TOC Minute Delay Benchmarks**

2.5 At the end of each Reporting Period the Franchisee shall, in accordance with the relevant requirements of Appendix 3 (Operational Information) to Schedule 13 (Information and Industry Initiatives), report to the Secretary of State:

- (a) the total number of Minutes Delay:

- (i) in that Reporting Period attributable to the Franchisee;
- (ii) in that Reporting Period for which the attribution is in dispute between Network Rail and the Franchisee;
- (iii) from the 12 preceding Reporting Periods for which the attribution remains in dispute; and
- (iv) from the 12 preceding Reporting Periods for which disputed attributions have been resolved or determined since the Franchisee's last report pursuant to this paragraph 2.5, and the number of such Minutes Delay attributed to each of the Franchisee and Network Rail as a result of such resolution or determination; and

(b) the aggregate Train Mileage operated in that Reporting Period.

**2.6 Reporting Periods TOC Minute Delay Calculations**

**TOC Minute Delay Calculations during the No Breach Reporting Periods**

2.6A For each of the No Breach Reporting Periods, the Secretary of State shall perform the following calculation for the purposes of determining the Franchisee's performance against the TOC Minute Delay Benchmark for each such Reporting Period:

$$\frac{A}{D}$$

where:

A is the sum of the number of Minutes Delay that are attributable to the Franchisee in such No Breach Reporting Period; and

D is ascertained as follows:

$$\frac{B}{1000}$$

where:

B is the sum of the actual Train Mileage operated by the Franchisee in that No Breach Reporting Period.

**TOC Minute Delay Calculations during the Breach Reporting Periods**

2.6B For each Breach Reporting Period the Secretary of State shall calculate the Franchisee's performance against the TOC Minute Delay Benchmark in accordance with the following formula:

$$\frac{A}{D}$$

where:

- A is the sum of the number of Minutes Delay that are attributable to the Franchisee:
  - (a) in such Breach Reporting Period; and
  - (b) in each of the Reporting Periods in the first Franchisee Year immediately preceding that Breach Reporting Period; and
- D is ascertained as follows:

$$\frac{B}{1000}$$

where:

- B is the sum of the actual Train Mileage operated by the Franchisee:
  - (a) in such Breach Reporting Period; and
  - (b) in each of the Reporting Periods in the first Franchisee Year immediately preceding that Breach Reporting Period.

#### **TOC Minute Delay Calculations during the Subsequent Reporting Periods**

2.6C For each Reporting Period (other than the No Breach Reporting Periods and the Breach Reporting Periods for which the provisions of paragraphs 2.6A and 2.6B shall apply respectively), the Secretary of State shall calculate a moving annual average of the Franchisee's performance against the TOC Minute Delay Benchmark in accordance with the following formula:

$$\frac{A}{D}$$

where:

where:

- A is the sum of the number of Minutes Delay that are attributable to the Franchisee:
  - (a) in such Reporting Period; and
  - (b) in each of the 12 preceding Reporting Periods (which for the avoidance of doubt and in respect of the 13th Reporting Period in the first Franchisee Year, shall be the sum of the values of A for the 12 preceding Reporting Periods in that first Franchisee Year; and
- D is ascertained as follows:



$$\frac{B}{1000}$$

where:

B is the sum of the actual Train Mileage operated by the Franchisee:

- (a) in such Reporting Period; and
- (b) in each of the 12 preceding Reporting Periods (which for the avoidance of doubt and in respect of the 13th Reporting Period in the first Franchisee Year, shall be the sum of the values of D for the 12 preceding Reporting Periods in that first Franchisee Year).

### Annual Performance TOC Minute Delay Calculations

2.7 At the end of each Franchisee Year the Secretary of State shall calculate a moving annual average of the Franchisee's performance against the Annual TOC Minute Delay Benchmark in accordance with the following formula:

$$\text{ACTUAL}_{\text{MD}} = \frac{AA}{AD}$$

where:

ACTUAL<sub>MD</sub> is the Franchisee's performance against the Annual TOC Minute Delay Benchmark for that Franchisee Year;

AA is the sum of the number of Minutes Delay that are attributable to the Franchisee in each Reporting Period in that Franchisee Year; and

AD is ascertained as follows:

$$\frac{AB}{1000}$$

where:

AB is the sum of the actual Train Mileage operated by the Franchisee in each Reporting Period in that Franchisee Year.

2.8 In performing the calculation pursuant to paragraph 2.6 and/or 2.7, the Secretary of State shall disregard any Minutes Delay that are caused by the occurrence or continuing effect of a Force Majeure Event.

### Allocation of Disputed Minutes Delay

2.9 Where the attribution of any Minutes Delay is in dispute between Network Rail and the Franchisee at the end of a Reporting Period and/or a Franchisee Year (as applicable) the Secretary of State shall, for the purpose of performing the

calculation referred to in paragraph 2.6 and/or 2.7, allocate any disputed Minutes Delay between the Franchisee and Network Rail in the proportions of:

A to B

where:

A is:

- (i) for the purposes of the calculations specified in paragraph 2.6A, the total number of undisputed Minutes Delay in respect of a No Breach Reporting Period that are attributable to the Franchisee including any disputed attributions which were resolved or determined (and attributed to the Franchisee) during such No Breach Reporting Period;
- (ii) for the purposes of the calculations specified in paragraph 2.6B, the total number of undisputed Minutes Delay for the Reporting Periods preceding that Breach Reporting Period that are attributable to the Franchisee including any disputed attributions which were resolved or determined (and attributed to the Franchisee) during such Breach Reporting Period; and
- (iii) for the purposes of the calculations specified in paragraphs 2.6C and 2.7, the total number of undisputed Minutes Delay, in each case, from the 12 preceding Reporting Periods that are attributable to the Franchisee including any disputed attributions which were resolved or determined (and attributed to the Franchisee) during such 12 preceding Reporting Periods; and

B is:

- (i) for the purposes of the calculations specified in paragraph 2.6A, the total number of undisputed Minutes Delay in respect of a No Breach Reporting Period that are attributable to Network Rail including any disputed attributions which were resolved or determined (and attributed to Network Rail) during such No Breach Reporting Period;
- (ii) for the purposes of paragraph 2.6B, the total number of undisputed Minutes Delay for the Reporting Periods preceding that Breach Reporting Period that are attributable to Network Rail including any disputed attributions which were resolved or determined (and attributed to Network Rail) during such Breach Reporting Period; and
- (iii) for the purposes of paragraphs 2.6C and 2.7, the total number of undisputed Minutes Delay from the 12 preceding Reporting Periods that are attributable to Network Rail including any disputed attributions which were resolved or determined (and attributed to Network Rail) during such 12 preceding Reporting Periods.

2.10 The Franchisee agrees with the Secretary of State to comply with the requirements of the Track Access Agreement in respect of Minutes Delay attribution.

## Short Formation Benchmarks and Annual Short Formation Benchmark

2.11 At the end of each Reporting Period, the Franchisee shall, in accordance with the relevant requirements of Appendix 3 (Operational Information) to Schedule 13 (Information and Industry Initiatives), report to the Secretary of State the total number of Short Formation Peak Passenger Services in that Reporting Period operated with less Passenger Carrying Capacity than that specified for each such Short Formation Peak Passenger Service in the Train Plan.

### 2.12 Reporting Periods Short Formation Calculations

#### Short Formation Calculations during the No Breach Reporting Periods

2.12A For each of the No Breach Reporting Periods, the Secretary of State shall perform the following calculation for the purposes of determining the values of A for each such Reporting Period:

where A is ascertained as follows:

$$\frac{B}{C} \times 100$$

where:

B is the total number of Short Formation Peak Passenger Services in that No Breach Reporting Period operated with less Passenger Carrying Capacity than that specified for each such Short Formation Peak Passenger Service in the Train Plan disregarding, if the Franchisee has complied with paragraph 4.4 of this Schedule 7.1, any such Short Formation Peak Passenger Services which were operated in that way as a result of:

- (a) the Franchisee's implementation of a Service Recovery Plan during that Reporting Period; or
- (b) the occurrence or continuing effect of a Force Majeure Event; and

C is the total number of Short Formation Peak Passenger Services scheduled to be operated in that No Breach Reporting Period disregarding, if the Franchisee has complied with paragraph 4.4 of this Schedule 7.1, any such Short Formation Peak Passenger Service operated with less Passenger Carrying Capacity than that specified for each such Short Formation Peak Passenger Service in the Train Plan as a result of:

- (a) the Franchisee's implementation of a Service Recovery Plan during that Reporting Period; or
- (b) the occurrence or continuing effect of a Force Majeure Event.

#### Short Formation Calculations during the Breach Reporting Periods

2.12B For each Breach Reporting Period the Secretary of State shall calculate the Franchisee's performance against the Short Formation Benchmark in accordance with the following formula:

$$\frac{A + D}{n}$$

where:

A is ascertained as follows:

$$\frac{B}{C} \times 100$$

where:

B is the total number of Short Formation Peak Passenger Services in that Breach Reporting Period operated with less Passenger Carrying Capacity than that specified for each such Short Formation Peak Passenger Service in the Train Plan, disregarding, if the Franchisee has complied with paragraph 4.4, any such Short Formation Peak Passenger Services which were operated in that way as a result of:

- (a) the Franchisee's implementation of a Service Recovery Plan during that Breach Reporting Period; or
- (b) the occurrence or continuing effect of a Force Majeure Event;

C is the total number of Short Formation Peak Passenger Services scheduled to be operated in that Breach Reporting Period, disregarding, if the Franchisee has complied with paragraph 4.4 of this Schedule 7.1, any Short Formation Peak Passenger Service operated with less Passenger Carrying Capacity than that specified for each such Short Formation Peak Passenger Service in the Train Plan as a result of:

- (a) the Franchisee's implementation of a Service Recovery Plan during that Breach Reporting Period; or
- (b) the occurrence or continuing effect of a Force Majeure Event;

D is the sum of the values of A in each of the Reporting Periods in the first Franchisee Year immediately preceding that Breach Reporting Period; and

n is the number of Reporting Periods that have elapsed since the Start Date.

#### **Short Formation Calculations during the Subsequent Reporting Periods**

2.12C For each Reporting Period (other than the No Breach Reporting Periods and the Breach Reporting Periods for which the provisions of paragraphs 2.12A and 2.12B

shall apply respectively), the Secretary of State shall calculate a moving annual average of the Franchisee's performance against the Short Formation Benchmark in accordance with the following formula:

$$\frac{A + D}{13}$$

where:

A is ascertained as follows:

$$\frac{B}{C} \times 100$$

where

B is the total number of Short Formation Peak Passenger Services in that Reporting Period operated with less Passenger Carrying Capacity than that specified for each such Short Formation Peak Passenger Service in the Train Plan, disregarding, if the Franchisee has complied with paragraph 4.4 of this Schedule 7.1, any such Short Formation Peak Passenger Services which were operated in that way as a result of:

- (a) the Franchisee's implementation of a Service Recovery Plan during that Reporting Period; or
- (b) the occurrence or continuing effect of a Force Majeure Event;

C is the total number of Short Formation Peak Passenger Services scheduled to be operated in that Reporting Period, disregarding, if the Franchisee has complied with paragraph 4.4 of this Schedule 7.1, any Passenger Services operated with less Passenger Carrying Capacity than that specified for each such Short Formation Peak Passenger Service in the Train Plan as a result of:

- (a) the Franchisee's implementation of a Service Recovery Plan during that Reporting Period; or
- (b) the occurrence or continuing effect of a Force Majeure Event; and

D is the sum of the values of A in each of the 12 preceding Reporting Periods (which for the avoidance of doubt and in respect of the 13<sup>th</sup> Reporting Period in the first Franchisee Year, shall be the sum of the values of A for the 12 preceding Reporting Periods in that first Franchisee Year).

### **Annual Short Formation Performance Calculations**

2.13 At the end of each Franchisee Year the Secretary of State shall calculate a moving annual average of the Franchisee's performance against the Annual Short Formation Benchmark in accordance with the following formula:

$$\text{ACTUAL}_{\text{SF}} = \frac{\sum A}{B}$$

where:

$\text{ACTUAL}_{\text{SF}}$  is the moving annual average of the Franchisee's performance against the Annual Short Formation Benchmark for that Franchisee Year;

$\sum A$  is the sum of the values of A as determined in accordance with paragraph 2.12 for that Franchisee Year; and

B is in respect of a Franchisee Year consisting of 13 Reporting Periods, 13 and in respect of a Franchisee Year consisting of fewer than 13 Reporting Periods, the number of Reporting Periods in such Franchisee Year.

- 2.14 For the purposes of the calculations to be undertaken by the Secretary of State pursuant to paragraphs 2.12 and 2.13 any Passenger Service that is the subject of a Cancellation or a Partial Cancellation shall be disregarded.

### Calculations

- 2.15 The Secretary of State shall perform the calculations referred to in paragraphs 2.2, 2.3, 2.6, 2.7, 2.12, 2.13 and 3 rounded to two decimal places, with the midpoint (that is, 11.115) rounded upwards (that is, 11.12).

### Notice of Performance Results

- 2.16 As soon as reasonably practicable after the end of each Reporting Period and each Franchisee Year, the Secretary of State shall notify the Franchisee of the results of the calculations performed pursuant to this paragraph 2.

### Meaning of Train Plan

- 2.17 For the purposes of this Schedule 7.1, Train Plan shall, unless otherwise stated, mean the then current Train Plan and which includes any amendments thereto pursuant to paragraph 3 of Schedule 1.2 (Operating Obligations) where:
- (a) such amendments are required as a consequence of Network Rail exercising its rights pursuant to the Track Access Agreement; and
  - (b) the Franchisee has complied with the provisions of such paragraph in respect thereof.

### 3. Performance Sum Payments

- 3.1 At the end of each Franchisee Year the Secretary of State shall, in accordance with this paragraph 3, calculate:
- (a) the Cancellations Performance Sum and the TOC Minute Delay Performance Sum payable by the Secretary of State to the Franchisee or required to be incurred by the Franchisee (as the case may be); and
  - (b) the Short Formation Performance Sum required to be incurred by the Franchisee.

### 3.2 Cancellations Performance Sum

Where for any Franchisee Year, the Franchisee's performance in relation to the Annual Cancellations Benchmark as calculated pursuant to paragraph 2.3 (that is, the value of ACTUAL<sub>C</sub>) is:

- (a) less than (that is, better than) the Annual Target Performance Level for that Annual Cancellations Benchmark and is less than (that is, better than) or equal to the Annual Cap Performance Level for such Annual Cancellations Benchmark, in each case for that Franchisee Year, then the Cancellations Performance Sum in respect of that Franchisee Year shall subject to paragraph 3.6 be payable by the Secretary of State to the Franchisee and shall be an amount calculated as follows:

$$(\text{TARGET}_C - \text{CAP}_C) \times \text{PBP}_C$$

where:

TARGET<sub>C</sub> is the Annual Target Performance Level relating to that Annual Cancellations Benchmark for that Franchisee Year;

CAP<sub>C</sub> is the Annual Cap Performance Level relating to that Annual Cancellations Benchmark for that Franchisee Year;

PBP<sub>C</sub> is, in respect of any Franchisee Year, an amount calculated as follows:

$$\text{PBP}_C \times \text{RPI}$$

where:

PBP<sub>C</sub> is where the Actual CaSL Performance Level is:

- (i) less than (that is better than) or equal to the Annual CaSL Target Performance Level for that Franchisee Year, the amount equal to the amount specified in row 3 in the column headed "With Multiplier" of the table in Part 3 (Annual Cancellations Payment Table) of Appendix 1 (Cancellations Benchmarks and Annual Cancellations Benchmarks) to this Schedule 7.1; and
- (ii) more than (that is worse than) the Annual CaSL Target Performance Level for that Franchisee Year, the amount specified in row 3 in the column headed "Without Multiplier" of the table in Part 3 (Annual Cancellation Payment Table) of Appendix 1 (Cancellations Benchmarks and Annual Cancellations Benchmarks) to this Schedule 7.1; and

RPI is the quotient of the Retail Prices Index for the January which immediately precedes the commencement of the relevant Franchisee Year divided by the Retail Prices Index for January 2015;

- (b) less than (that is, better than) or equal to the Annual Target Performance Level for that Annual Cancellations Benchmark but more than (that is, worse than) the Annual Cap Performance Level for that Annual Cancellations Benchmark, in each case for that Franchisee Year, then the Cancellations Performance Sum in respect of that Franchisee Year shall subject to paragraph 3.6 be payable by the Secretary of State to the Franchisee and shall be an amount calculated as follows:

$$(TARGET_c - ACTUAL_c) \times PBP_c$$

where:

TARGET<sub>c</sub> has the meaning given to it in paragraph 3.2(a);

ACTUAL<sub>c</sub> has the meaning given to it in paragraph 2.3; and

PBP<sub>c</sub> has the meaning given to it in paragraph 3.2(a);

- (c) more than (that is, worse than) the Annual Target Performance Level for that Annual Cancellations Benchmark but less than (that is, better than) the Annual Floor Performance Level for that Annual Cancellations Benchmark, in each case for that Franchisee Year, then the Cancellations Performance Sum in respect of that Franchisee Year shall be required to be incurred by the Franchisee in accordance with paragraph 3.7 and shall subject to paragraph 3.6 be an amount calculated as follows:

$$(ACTUAL_c - TARGET_c) \times PPP_c$$

where:

ACTUAL<sub>c</sub> has the meaning given to it in paragraph 2.3;

TARGET<sub>c</sub> has the meaning given to it in paragraph 3.2(a);

PPP<sub>c</sub> is, in respect of any Franchisee Year, an amount calculated as follows:

$$PPP_c \times RPI$$

where

PPP<sub>c</sub> where the Actual CaSL Performance Level is:

- (i) more than (that is worse than) the Annual CaSL Target Performance Level for that Franchisee Year, the amount equal to the amount specified in row 4 in the column headed "With Multiplier" of the table in Part 3 (Annual Cancellations Payment Table) of Appendix 1 (Cancellation Benchmarks and Annual Cancellations Benchmarks) to this Schedule 7.1; or

- (ii) less than (that is better than) or equal to the Annual CaSL Target Performance Level for that Franchisee Year, the amount equal to the amount specified in row 4 in the column headed "Without Multiplier" of the table in Part 3 (Annual Cancellations Payment Table) of Appendix 1 (Cancellation Benchmarks and Annual Cancellations Benchmarks) to this Schedule 7.1;

RPI has the meaning given to it in paragraph 3.2(a); and

- (d) more than (that is, worse than) or equal to the Annual Floor Performance Level for that Annual Cancellations Benchmark for that Franchisee Year then the Cancellations Performance Sum in respect of that Franchisee Year shall be required to be incurred by the Franchisee in accordance



with paragraph 3.7 and shall subject to paragraph 3.6 be an amount calculated as follows:

$$(FLOOR_C - TARGET_C) \times PPP_C$$

where:

FLOOR<sub>C</sub> is the Annual Floor Performance Level relating to that Annual Cancellations Benchmark for that Franchisee Year;

TARGET<sub>C</sub> has the meaning given to it in paragraph 3.2(a); and

PPP<sub>C</sub> has the meaning given to it in paragraph 3.2(c).

### 3.3 TOC Minute Delay Performance Sum

Where for any Franchisee Year, the Franchisee's performance in relation to the Annual TOC Minute Delay Benchmark as calculated pursuant to paragraph 2.7 (that is, the value of ACTUAL<sub>MD</sub>) is:

- (a) less than (that is, better than) the Annual Target Performance Level for that Annual TOC Minute Delay Benchmark and is less than (that is, better than) or equal to the Annual Cap Performance Level for such Annual TOC Minute Delay Benchmark, in each case for that Franchisee Year, then the TOC Minute Delay Performance Sum in respect of that Franchisee Year shall be payable by the Secretary of State to the Franchisee and shall subject to paragraph 3.6 be an amount calculated as follows:

$$(TARGET_{MD} - CAP_{MD}) \times PBP_{MD}$$

where:

TARGET<sub>MD</sub> is the Annual Target Performance Level relating to that Annual TOC Minute Delay Benchmark for that Franchisee Year;

CAP<sub>MD</sub> is the Annual Cap Performance Level relating to that Annual TOC Minute Delay Benchmark for that Franchisee Year;

PBP<sub>MD</sub> is, in respect of any Franchisee Year, an amount calculated as follows:

$$PBP_{MD} \times RPI$$

where:

PBP<sub>MD</sub> is, where the Actual PPM Performance Level is;

- (i) more than (that is, better than) or equal to the Annual PPM Target Performance Level for that Franchisee Year, the amount equal to the amount specified in row 3 of the column headed "With Multiplier" of the table in Part 3 (Annual TOC Minute Delay Payment Table) of

Appendix 2 (TOC Minute Delay Benchmarks and Annual TOC Minute Delay Benchmarks) to this Schedule 7.1; and

- (ii) less than (that is worse than) the Annual PPM Target Performance Level for that Franchisee Year, the amount specified in row 3 of the column headed "Without Multiplier" of the table in Part 3 (Annual TOC Minute Delay Payment Table) of Appendix 2 (TOC Minute Delay Benchmarks and Annual TOC Minute Delay Benchmarks) to this Schedule 7.1;

RPI is the quotient of the Retail Prices Index for the January which immediately precedes the commencement of the relevant Franchisee Year divided by the Retail Prices Index for January 2015;

- (b) less than (that is, better than) or equal to the Annual Target Performance Level for that Annual TOC Minute Delay Benchmark but more than (that is, worse than) the Annual Cap Performance Level for that Annual TOC Minute Delay Benchmark, in each case for that Franchisee Year, then the TOC Minute Delay Performance Sum in respect of that Franchisee Year shall be payable by the Secretary of State to the Franchisee and shall subject to paragraph 3.6 be an amount calculated as follows:

$$(TARGET_{MD} - ACTUAL_{MD}) \times PBP_{MD}$$

where:

TARGET<sub>MD</sub> has the meaning given to it in paragraph 3.3(a);

ACTUAL<sub>MD</sub> has the meaning given to it in paragraph 2.7; and

PBP<sub>MD</sub> has the meaning given to it in paragraph 3.3(a);

- (c) more than (that is, worse than) the Annual Target Performance Level for that Annual TOC Minute Delay Benchmark but less than (that is, better than) the Annual Floor Performance Level for that Annual TOC Minute Delay Benchmark, in each case for that Franchisee Year, then the TOC Minute Delay Performance Sum in respect of that Franchisee Year shall be required to be incurred by the Franchisee in accordance with paragraph 3.7 and shall subject to paragraph 3.6 be an amount calculated as follows:

$$(ACTUAL_{MD} - TARGET_{MD}) \times PPP_{MD}$$

where:

ACTUAL<sub>MD</sub> has the meaning given to it in paragraph 2.7;

TARGET<sub>MD</sub> has the meaning given to it in paragraph 3.3(a);

PPP<sub>MD</sub> is, in respect of any Franchisee Year, an amount calculated as follows:

$$\text{PPP}_{\text{MD}} \times \text{RPI}$$

where

PPP<sub>MD</sub> is, where the Actual PPM Performance Level is;

- (i) less than (that is worse than) the Annual PPM Target Performance Level for that Franchisee Year, the amount equal to the amount specified in row 4 of the column headed "With Multiplier" of the table in Part 3 (Annual TOC Minute Delay Payment Table) of Appendix 2 (TOC Minute Delay Benchmarks and Annual TOC Minute Delay Benchmarks) to this Schedule 7.1; and
- (ii) more than (that is better than) or equal to the Annual PPM Target Performance Level for that Franchisee Year, the amount equal to the amount specified in row 4 of the column headed "Without Multiplier" of the table in Part 3 (Annual TOC Minute Delay Payment Table) of Appendix 2 (TOC Minute Delay Benchmarks and Annual TOC Minute Delay Benchmarks) to this Schedule 7.1;

RPI has the meaning given to it in paragraph 3.3(a); and

- (d) more than (that is, worse than) or equal to the Annual Floor Performance Level for that Annual TOC Minute Delay Benchmark for that Franchisee Year then the TOC Minute Delay Performance Sum in respect of that Franchisee Year shall be required to be incurred by the Franchisee in accordance with paragraph 3.7 and shall subject to paragraph 3.6 be an amount calculated as follows:

$$(\text{FLOOR}_{\text{MD}} - \text{TARGET}_{\text{MD}}) \times \text{PPP}_{\text{MD}}$$

where:

FLOOR<sub>MD</sub> is the Annual Floor Performance Level relating to that Annual TOC Minute Delay Benchmark for that Franchisee Year;

TARGET<sub>MD</sub> has the meaning given to it in paragraph 3.3(a); and

PPP<sub>MD</sub> has the meaning given to it in paragraph 3.3(c).

### 3.4 Short Formations Performance Sum

Where for any Franchisee Year, the Franchisee's performance in relation to the Annual Short Formation Benchmark as calculated pursuant to paragraph 2.13 (that is the value of ACTUAL<sub>SF</sub>) is:

- (a) more than (that is worse than) or equal to the Annual Target Performance Level for that Annual Short Formation Benchmark but less than (that is better than) or equal to the Annual Intermediate Performance Level for that Annual Short Formation Benchmark, in each case for that Franchisee Year, then the Short Formation Performance Sum in respect of that Franchisee Year shall be required to be incurred by the Franchisee in accordance with paragraph 3.7 and shall subject to paragraph 3.6 be an amount calculated as follows:

$$((\text{ACTUAL}_{\text{SF}} - \text{TARGET}_{\text{SF}}) \times \text{IPLR}_{\text{SF}})$$

where:

ACTUAL<sub>SF</sub> has the meaning given to it in paragraph 2.13

TARGET<sub>SF</sub> is the Annual Target Performance Level relating to the Annual Short Formation Benchmark for that Franchisee Year; and

IPLR<sub>SF</sub> is, in respect of any Franchisee Year, an amount calculated as follows:

$$\text{IPR}_{\text{SF}} \times \text{RPI}$$

where:

IPR<sub>SF</sub> is the amount specified in the first row of the table in Part 3 (Annual Short Formations Payment Table) of Appendix 3 (Short Formations Benchmark and Annual Short Formation Benchmark Table) to this Schedule 7.1;

RPI is the quotient of the Retail Prices Index for the January which immediately precedes the commencement of the relevant Franchisee Year divided by the Retail Prices Index for January 2015;

- (b) more than (that is, worse than) the Annual Intermediate Performance Level for that Annual Short Formation Benchmark but less than (that is, better than) the Annual Floor Performance Level for that Annual Short Formation Benchmark, in each case for that Franchisee Year, then the Short Formation Performance Sum in respect of that Franchisee Year shall be required to be incurred by the Franchisee in accordance with paragraph 3.7 and shall subject to paragraph 3.6 be an amount calculated as follows:

$$((\text{AIL}_{\text{SF}} - \text{TARGET}_{\text{SF}}) \times \text{IPLR}_{\text{SF}}) + ((\text{ACTUAL}_{\text{SF}} - \text{AIL}_{\text{SF}}) \times \text{BPLR}_{\text{SF}})$$

where:

$AIL_{SF}$  is the Annual Intermediate Performance Level relating to the Annual Short Formation Benchmark for that Franchisee Year;

$TARGET_{SF}$  is the Annual Target Performance Level relating to the Annual Short Formation Benchmark for that Franchisee Year; and

$IPLR_{SF}$  has the meaning given to it in paragraph 3.4(a);

$ACTUAL_{SF}$  has the meaning given to it in paragraph 2.13

$BPLR_{SF}$  is, in respect of any Franchisee Year, an amount calculated as follows:

$$BPR_{SF} \times RPI$$

where:

$BPR_{SF}$  is the amount specified in the second row of the table in Part 3 (Annual Short Formations Payment Table) of Appendix 3 (Short Formations Benchmark and Annual Short Formation Benchmark Table) to this Schedule 7.1;

$RPI$  is the quotient of the Retail Prices Index for the January which immediately precedes the commencement of the relevant Franchisee Year divided by the Retail Prices Index for January 2015;

- (c) more than (that is, worse than) or equal to the Annual Floor Performance Level for that Annual Short Formation Benchmark for that Franchisee Year then the Short Formation Performance Sum in respect of that Franchisee Year shall be required to be incurred by the Franchisee in accordance with paragraph 3.7 and shall subject to paragraph 3.6 be an amount calculated as follows:

$$((AIL_{SF} - TARGET_{SF}) \times IPLR_{SF}) + (FLOOR_{SF} - AIL_{SF}) \times BPLR_{SF}$$

where:

$AIL_{SF}$  has the meaning given to it in paragraph 3.4(b);

$TARGET_{SF}$  has the meaning given to it in paragraph 3.4(a);

$IPLR_{SF}$  has the meaning given to it in paragraph 3.4(a);

$FLOOR_{SF}$  is the Annual Floor Performance Level relating to that Annual Short Formation Benchmark for that Franchisee Year; and

$BPLR_{SF}$  has the meaning given to it in paragraph 3.4(b).

- 3.5 For the purpose of the calculations referred to in this paragraph 3, each of the Annual Cap Performance Level, the Annual Target Performance Level and the

Annual Floor Performance Level will be specified as an absolute number not as a percentage (i.e. 1.5% equals 1.5).

3.6 The maximum amount:

- (a) payable by the Secretary of State by way of Cancellations Performance Sum and TOC Minute Delay Performance Sum shall, in respect of any Franchisee Year, be limited to an aggregate amount of:
  - (i) for Cancellations Performance Sum, £[3,111,894]<sup>67</sup> x RPI (where RPI has the meaning given to it in paragraph 3.2(a)); and
  - (ii) for TOC Minute Delay Performance Sum, £[3,116,012]<sup>68</sup> x RPI (where RPI has the meaning given to it in paragraph 3.2(a)); and
- (b) to be incurred as expenditure by the Franchisee by way of Cancellations Performance Sum and TOC Minute Delay Performance Sum, shall, in respect of any Franchisee Year, be limited to an aggregate amount of:
  - (i) for Cancellations Performance Sum, £[3,496,621]<sup>69</sup> x RPI (where RPI has the meaning given to it in paragraph 3.2(a)); and
  - (ii) for TOC Minute Delay Performance Sum, £[3,496,621]<sup>70</sup> x RPI (where RPI has the meaning given to it in paragraph 3.2(a)); and
- (c) to be incurred as expenditure by the Franchisee by way of Short Formation Performance Sum shall, in respect of any Franchisee Year, be limited to £[3,496,621]<sup>71</sup> x RPI (where RPI has the meaning given to it in paragraph 3.2(a)).

The Secretary of State shall be entitled to set off any liability for payment under this Schedule 7.1 against any sum owed to it by the Franchisee under this Schedule 7.1.

3.7 Where following calculation of the Cancellations Performance Sum, the TOC Minute Delay Performance Sum and/or the Short Formation Performance Sum, the Franchisee is required to incur expenditure, the Franchisee shall incur expenditure equal to the amount of the Cancellations Performance Sum, the TOC Minute Delay Performance Sum and/or the Short Formation Performance Sum due from the Franchisee in order to secure:

- (a) where the Franchisee is obliged to incur expenditure equal to the amount of the Cancellations Performance Sum, an improvement in the Franchisee's performance against the Annual Cancellations Benchmark

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<sup>67</sup> DfT to confirm.  
<sup>68</sup> DfT to Confirm  
<sup>69</sup> DfT to confirm.  
<sup>70</sup> DfT to confirm.  
<sup>71</sup> DfT to confirm.

so that such level is equal to or less (that is, better) than the Annual Target Performance Level for the Annual Cancellations Benchmark;

(a) where the Franchisee is obliged to incur expenditure equal to the amount of the TOC Minute Delay Performance Sum, an improvement in the Franchisee's performance against the Annual TOC Minute Delay Benchmark so that such level is equal to or less (that is, better) than the Annual Target Performance Level for the Annual TOC Minute Delay Benchmark; and/or

(b) where the Franchisee is obliged to incur expenditure equal to the amount of the Short Formation Performance Sum, an improvement in the Franchisee's performance against the Annual Short Formation Benchmark so that such level is equal to the Annual Target Performance Level for the Annual Short Formation Benchmark,

or, in each case, as the Secretary of State may otherwise direct (the "**Required Performance Improvement**").

3.8 Without limiting paragraph 3.7, on each occasion that the Franchisee becomes obliged to incur expenditure equal to the amount of the Cancellations Performance Sum, the TOC Minute Delay Performance Sum and/or the Short Formation Performance Sum to secure a Required Performance Improvement, the Franchisee shall produce an action plan which is consistent with its obligations under paragraph 3.7 and in compliance with the following provisions:

(a) the Franchisee shall (1) produce, (2) obtain the Secretary of State's approval of, and (3) commence the implementation of the action plan within three months after the notification of the results of calculations in accordance with paragraph 2.16;

(b) the action plan will contain specific tangible action points and indicate in the case of each action point:

(i) how that action will contribute to achieving the Required Performance Improvement;

(ii) where the action is to be implemented;

(iii) when the action is to be commenced and by when it is to be implemented provided always that where any action is expressed to be ongoing the plan shall include specific review dates; and

(iv) how performance of the action is to be measured; and

(c) the action plan will identify the amount of the Cancellations Performance Sum, the TOC Minute Delay Performance Sum and/or the Short Formation Performance Sum associated with each action.

3.9 The Franchisee shall, except to the extent otherwise agreed by the Secretary of State in advance, implement each action plan referred to in paragraph 3.8 in accordance with its terms.

3.10 It is acknowledged by the Franchisee that the approval or lack of approval by the Secretary of State of each action plan as contemplated in paragraph 3.8(a) shall

not relieve the Franchisee of its obligations under this Schedule 7.1 or any other provisions of the Franchise Agreement.

3.11 Each Cancellations Performance Sum and TOC Minute Delay Performance Sum calculated pursuant to paragraphs 3.2 and 3.3 (respectively) in respect of any Franchisee Year payable by the Secretary of State to the Franchisee shall, subject to paragraph 3.12, be paid by way of adjustment to Franchise Payments on the Performance Sum Adjustment Date.

3.12 Upon the termination of this Franchise Agreement:

(a) the Franchisee shall pay to the Secretary of State, by way of adjustment to Franchise Payments, an amount equivalent to the amount of any Cancellations Performance Sum, TOC Minute Delay Performance Sum and/or Short Formation Performance Sum due from the Franchisee and which it has not yet incurred as at the end of the Franchise Period; and

(b) the Secretary of State shall pay to the Franchisee, by way of adjustment to Franchise Payments, an amount equivalent to the amount of any Cancellation Performance Sum and/or TOC Minute Delay Performance Sum payable by the Secretary of State in respect of the final Franchisee Year.

#### 4. **Consequences for Poor Performance**

4.1 The Franchisee shall procure that in each Reporting Period (other than the No Breach Reporting Periods and the Breach Reporting Periods) the moving annual average of:

(a) Cancellations and Partial Cancellations (calculated in accordance with paragraph 2.2) is neither equal to nor worse than the Breach Performance Levels and the Default Performance Levels specified in the cells relating to each such Reporting Period in the Cancellations Benchmark Table;

(b) the Minutes Delay occurring in respect of the Passenger Services which are attributable to the Franchisee (including in accordance with paragraph 2.9) per 1000 Train Miles actually operated (calculated in accordance with paragraph 2.5) is neither equal to nor worse than the Breach Performance Levels and the Default Performance Levels specified in the cells relating to such Reporting Period in the TOC Minute Delay Benchmark Table; and

(c) the Franchisee's performance (calculated in accordance with paragraph 2.12) is neither equal to nor worse than the Breach Performance Levels and the Default Performance Levels specified in the cells relating to such Reporting Period in the Short Formation Benchmark Table.

4.2 Without limiting the provisions of paragraph 4.3 and paragraph 3, if in any Reporting Period (other than a No Breach Reporting Period) the Franchisee's performance as calculated pursuant to paragraphs 2.2B, 2.2C, 2.6B, 2.6C, 2.12B or 2.12C is equal to or worse than:

(a) in respect of any Breach Reporting Period, the Breach Period Performance Level relating to each Benchmark; or



- (b) in respect of any other Reporting Period (other than a No Breach Reporting Period and a Breach Reporting Period), the Breach Performance Level relating to each Benchmark,

then a contravention shall occur and the Secretary of State may serve a Remedial Plan Notice in accordance with the provisions of paragraph 1 of Schedule 10.1 (Remedial Plans and Remedial Agreements). For the purposes of paragraph 1.4(c) of Schedule 10.1 (Remedial Plan and Remedial Agreement) the steps to be proposed by the Franchisee pursuant to that paragraph are those which ensure that the Franchisee's performance against the relevant Benchmark will be equal to or better than the Target Performance Level relating to such Benchmark.

- 4.3 Certain consequences of the Franchisee's performance exceeding (that is, equalling or being worse than) the Breach Performance Levels and Default Performance Levels relating to each Benchmark are set out in Schedule 10 (Remedies, Termination and Expiry).

**Submission of Records Relating to the Implementation of a Service Recovery Plan**

- 4.4 The Franchisee shall, within eight weeks of the end of each Reporting Period for which a Service Recovery Plan has been implemented (or such other period as may be agreed by the Secretary of State), submit to the Secretary of State all the comprehensive records (as more particularly described in the relevant paragraph of the Service Recovery Plan) which relate to the implementation of such Service Recovery Plan during that Reporting Period.

**5. Determination of the Annual Benchmarks for Franchisee Years that are shorter than 13 Reporting Periods**

- 5.1 Where a Franchisee Year is shorter than 13 Reporting Periods the Secretary of State will perform the following calculations for the purposes of determining the Annual Cancellations Benchmark, the Annual TOC Minute Delay Benchmark, the Annual Short Formation Benchmark, the Annual CaSL Target Performance Level and the Annual PPM Target Performance Level relating to that Franchisee Year:

- (a) in respect of the Annual Cancellations Benchmark for that Franchisee Year:

$$\frac{\sum A}{B}$$

where:

A is ascertained as follows:

$$\sum A \text{ is:}$$

- (i) for the Annual Cap Performance Level, the sum of the data relevant for each of the Reporting Periods in that Franchisee Year, such data being the data which was used for the purposes of determining the Annual Cap Performance Level in respect of a full Franchisee Year as more particularly set out in the document in agreed terms marked **ABD**; or

- (ii) for the Annual Target Performance Level, the sum of the data relevant for each of the Reporting Periods in that Franchisee Year, such data being the data which was used for the purposes of determining the Annual Target Performance Level in respect of a full Franchisee Year as more particularly set out in the document in agreed terms marked **ABD**; or
- (iii) for the Annual Floor Performance Level, the sum of the data relevant for each of the Reporting Periods in that Franchisee Year, such data being the data which was used for the purposes of determining the Annual Floor Performance Level in respect of a full Franchisee Year as more particularly set out in the document in agreed terms marked **ABD**; and

B is the number of Reporting Periods in that Franchisee Year; and

- (b) in respect of the Annual TOC Minute Delay Benchmark for that Franchisee Year:

where:

$$\frac{\sum AA}{AB}$$

$\sum AA$  is:

- (i) for the Annual Cap Performance Level, the sum of the Minutes Delay attributable to the Franchisee as comprised in the data relevant for each of the Reporting Periods in that Franchisee Year, such Minutes Delay data being the data which was used for the purposes of determining the Annual Cap Performance Level in respect of a full Franchisee Year as more particularly set out in the document in agreed terms marked **ABD**; or
- (ii) for the Annual Target Performance Level, the sum of the Minutes Delay attributable to the Franchisee as comprised in the data relevant for each of the Reporting Periods in that Franchisee Year, such Minutes Delay data being the data which was used for the purposes of determining the Annual Target Performance Level in respect of a full Franchisee Year as more particularly set out in the document in agreed terms marked **ABD**; or
- (iii) for the Annual Floor Performance Level, the sum of the Minutes Delay attributable to the Franchisee as comprised in the data relevant for each of the Reporting Periods in that Franchisee Year, such Minutes Delay data being the data which was used for the purposes of determining the Annual Floor Performance Level in respect of a full Franchisee Year as more particularly set out in the document in agreed terms marked **ABD**; and

AB is ascertained as follows:

$$\frac{B}{1000}$$

where:

B is:

- (i) for the Annual Cap Performance Level, the sum of the Train Mileage as comprised in the data relevant for each of the Reporting Periods in that Franchisee Year, such Train Mileage data being the data which was used for the purposes of determining the Annual Cap Performance Level in respect of a full Franchisee Year as more particularly set out in the document in agreed terms marked **ABD**; or
  - (ii) for the Annual Target Performance Level, the sum of the Train Mileage as comprised in the data relevant for each of the Reporting Periods in that Franchisee Year, such Train Mileage data being the data which was used for the purposes of determining the Annual Target Performance Level in respect of a full Franchisee Year as more particularly set out in the document in agreed terms marked **ABD**; or
  - (iii) for the Annual Floor Performance Level, the sum of the Train Mileage as comprised in the data relevant for each of the Reporting Periods in that Franchisee Year, such Train Mileage data being the data which was used for the purposes of determining the Annual Floor Performance Level in respect of a full Franchisee Year as more particularly set out in the document in agreed terms marked **ABD**; and
- (c) in respect of the Annual Short Formation Benchmark for that Franchisee Year:

$$\frac{\sum A}{B}$$

where:

$\sum A$  is:

- (i) for the Annual Target Performance Level, the sum of the data relevant for each of the Reporting Periods in that Franchisee Year, such data being the data which was used for the purposes of determining the Annual Target Performance Level in respect of a full Franchisee Year as more particularly set out in the document in agreed terms marked **ABD**; or
- (ii) for the Annual Floor Performance Level, the sum of the data relevant for each of the Reporting Periods in that Franchisee Year, such data being the data which was used

for the purposes of determining the Annual Floor Performance Level in respect of a full Franchisee Year as more particularly set out in the document in agreed terms marked **ABD**; and

B is the number of Reporting Periods in that Franchisee Year; and

- (d) in respect of the Annual CaSL Target Performance Level for that Franchisee Year:

$$\frac{\sum A}{B}$$

where:

$\sum A$  is: the sum of the data relevant for each of the Reporting Periods in that Franchisee Year, such data being the data which was used for the purposes of determining the Annual CaSL Target Performance Level in respect of a full Franchisee Year as more particularly set out in the document in the agreed terms marked **ABD**; and

B is the number of Reporting Periods in that Franchisee Year; and

- (e) in respect of the Annual PPM Target Performance Level for that Franchisee Year:

$$\frac{\sum A}{B}$$

where:

$\sum A$  is: the sum of the data relevant for each of the Reporting Periods in that Franchisee Year, such data being the data which was used for the purposes of determining the Annual PPM Target Performance Level in respect of a full Franchisee Year as more particularly set out in the document in the agreed terms marked **ABD**; and

B is the number of Reporting Periods in that Franchisee Year.

## 6. Network Rail Claim

- 6.1 The Franchisee shall not include in any claim for compensation from Network Rail under Schedule 8 of the Track Access Agreement any amounts to compensate the Franchisee for any loss suffered or costs incurred as a result of the Franchisee:

- (a) not being entitled to receive from the Secretary of State the amounts specified in:
- (i) row 3 or row 4 of the column headed "With Multiplier" of the table in Part 3 (Annual Cancellations Payment Table) of Appendix 1 (Cancellations Benchmark and Annual

Cancellations Benchmark) of Schedule 7.1 (Performance Benchmarks); or

(ii) row 3 or row 4 of the column headed "With Multiplier" of Part 3 (Annual TOC Minute Delay Payment Table) of Appendix 2 (Annual TOC Minute Delay Benchmark Table) of Schedule 7.1 (Performance Benchmarks); and

(b) being required to incur the amounts specified in:

(i) row 3 or row 4 of the column headed "With Multiplier" of the table in Part 3 (Annual Cancellations Benchmark Table) of Appendix 1 (Cancellations Benchmark and Annual Cancellations Benchmark) of Schedule 7.1 (Performance Benchmarks); or

(ii) row 3 or row 4 of the column headed "With Multiplier" of the table in Part 3 (Annual TOC Minute Delay Payment Table) of Appendix 2 (Annual TOC Minute Delay Benchmark Table) of Schedule 7.1 (Performance Benchmarks); and

(c) without prejudice to the Secretary of State's rights under Schedule 10 (Remedies, Termination and Expiry), if the Franchisee receives compensation from Network Rail in respect of the losses and costs referred to in this paragraph 6.1, the Franchisee shall pay such compensation received to the Secretary of State within five Weekdays of receipt.

## APPENDIX 1 TO SCHEDULE 7.1

### Cancellations Benchmarks and Annual Cancellations Benchmarks

#### Part 1 – Cancellations Benchmark Table

Reporting Period/Rail Year		Target Performance Level	Breach Performance Level	Default Performance Level	Breach Period Performance Level
		(% Cancelled)	(% Cancelled)	(% Cancelled)	(% Cancelled)
Year 1 Period 1	17	0.51%	0.75%	0.99%	0.51%
Year 1 Period 2	17	0.51%	0.75%	0.99%	0.51%
Year 1 Period 3	17	0.51%	0.75%	0.99%	0.51%
Year 1 Period 4	17	0.51%	0.75%	0.98%	0.51%
Year 1 Period 5	17	0.51%	0.74%	0.97%	0.51%
Year 1 Period 6	17	0.51%	0.74%	0.96%	0.51%
Year 1 Period 7	17	0.51%	0.73%	0.95%	0.51%
Year 1 Period 8	17	0.51%	0.72%	0.94%	0.51%
Year 1 Period 9	17	0.51%	0.72%	0.93%	0.51%
Year 1 Period 10	17	0.51%	0.71%	0.92%	0.51%
Year 1 Period 11	17	0.51%	0.71%	0.91%	0.51%
Year 1 Period 12	17	0.50%	0.70%	0.90%	0.50%
Year 1 Period 13	17	0.50%	0.70%	0.89%	0.50%
Year 2 Period 1	18	0.50%	0.69%	0.88%	0.50%
Year 2 Period 2	18	0.50%	0.69%	0.87%	0.50%
Year 2 Period 3	18	0.50%	0.68%	0.86%	0.50%
Year 2 Period 4	18	0.50%	0.68%	0.85%	0.50%
Year 2 Period 5	18	0.51%	0.67%	0.84%	0.51%
Year 2 Period 6	18	0.51%	0.67%	0.83%	0.51%
Year 2 Period 7	18	0.51%	0.66%	0.82%	0.51%
Year 2 Period 8	18	0.51%	0.66%	0.81%	0.51%
Year 2 Period 9	18	0.51%	0.65%	0.80%	0.51%
Year 2 Period 10	18	0.51%	0.65%	0.79%	0.51%
Year 2 Period 11	18	0.51%	0.65%	0.79%	0.51%
Year 2 Period 12	18	0.51%	0.65%	0.79%	0.51%
Year 2 Period 13	18	0.51%	0.65%	0.79%	0.51%
Year 3 Period 1	19	0.51%	0.65%	0.79%	0.51%
Year 3 Period 2	19	0.51%	0.65%	0.79%	0.51%
Year 3 Period 3	19	0.51%	0.65%	0.79%	0.51%
Year 3 Period 4	19	0.51%	0.65%	0.79%	0.51%
Year 3 Period 5	19	0.51%	0.65%	0.79%	0.51%
Year 3 Period 6	19	0.51%	0.65%	0.79%	0.51%
Year 3 Period 7	19	0.51%	0.65%	0.80%	0.51%
Year 3 Period 8	19	0.51%	0.66%	0.80%	0.51%

Year 3 Period 9	19	0.52%	0.66%	0.80%	0.52%
Year 3 Period 10	19	0.52%	0.66%	0.80%	0.52%
Year 3 Period 11	19	0.52%	0.66%	0.80%	0.52%
Year 3 Period 12	19	0.52%	0.66%	0.80%	0.52%
Year 3 Period 13	19	0.52%	0.66%	0.80%	0.52%
Year 4 Period 1	20	0.52%	0.66%	0.80%	0.52%
Year 4 Period 2	20	0.52%	0.66%	0.80%	0.52%
Year 4 Period 3	20	0.52%	0.66%	0.80%	0.52%
Year 4 Period 4	20	0.51%	0.66%	0.80%	0.51%
Year 4 Period 5	20	0.51%	0.65%	0.79%	0.51%
Year 4 Period 6	20	0.51%	0.65%	0.79%	0.51%
Year 4 Period 7	20	0.51%	0.65%	0.79%	0.51%
Year 4 Period 8	20	0.51%	0.65%	0.79%	0.51%
Year 4 Period 9	20	0.51%	0.65%	0.79%	0.51%
Year 4 Period 10	20	0.51%	0.65%	0.79%	0.51%
Year 4 Period 11	20	0.51%	0.65%	0.79%	0.51%
Year 4 Period 12	20	0.50%	0.65%	0.79%	0.50%
Year 4 Period 13	20	0.50%	0.64%	0.78%	0.50%
Year 5 Period 1	21	0.50%	0.64%	0.78%	0.50%
Year 5 Period 2	21	0.49%	0.64%	0.78%	0.49%
Year 5 Period 3	21	0.49%	0.63%	0.77%	0.49%
Year 5 Period 4	21	0.49%	0.63%	0.77%	0.49%
Year 5 Period 5	21	0.48%	0.62%	0.76%	0.48%
Year 5 Period 6	21	0.48%	0.62%	0.76%	0.48%
Year 5 Period 7	21	0.47%	0.61%	0.75%	0.47%
Year 5 Period 8	21	0.47%	0.61%	0.75%	0.47%
Year 5 Period 9	21	0.46%	0.60%	0.75%	0.46%
Year 5 Period 10	21	0.46%	0.60%	0.74%	0.46%
Year 5 Period 11	21	0.45%	0.60%	0.74%	0.45%
Year 5 Period 12	21	0.45%	0.59%	0.73%	0.45%
Year 5 Period 13	21	0.45%	0.59%	0.73%	0.45%
Year 6 Period 1	22	0.44%	0.58%	0.73%	0.44%
Year 6 Period 2	22	0.44%	0.58%	0.72%	0.44%
Year 6 Period 3	22	0.44%	0.58%	0.72%	0.44%
Year 6 Period 4	22	0.44%	0.58%	0.72%	0.44%
Year 6 Period 5	22	0.44%	0.58%	0.72%	0.44%
Year 6 Period 6	22	0.43%	0.58%	0.72%	0.43%
Year 6 Period 7	22	0.43%	0.57%	0.71%	0.43%
Year 6 Period 8	22	0.43%	0.57%	0.71%	0.43%
Year 6 Period 9	22	0.43%	0.57%	0.71%	0.43%
Year 6 Period 10	22	0.43%	0.57%	0.71%	0.43%
Year 6 Period 11	22	0.43%	0.57%	0.71%	0.43%
Year 6 Period 12	22	0.42%	0.56%	0.71%	0.42%
Year 6 Period 13	22	0.42%	0.56%	0.70%	0.42%
Year 7 Period 1	23	0.42%	0.56%	0.70%	0.42%

Year 7 Period 2	23	0.42%	0.56%	0.70%	0.42%
Year 7 Period 3	23	0.42%	0.56%	0.70%	0.42%
Year 7 Period 4	23	0.42%	0.56%	0.70%	0.42%
Year 7 Period 5	23	0.42%	0.56%	0.70%	0.42%
Year 7 Period 6	23	0.42%	0.56%	0.70%	0.42%
Year 7 Period 7	23	0.42%	0.56%	0.70%	0.42%
Year 7 Period 8	23	0.42%	0.56%	0.70%	0.42%
Year 7 Period 9	23	0.42%	0.56%	0.70%	0.42%
Year 7 Period 10	23	0.42%	0.56%	0.70%	0.42%
Year 7 Period 11	23	0.42%	0.56%	0.70%	0.42%
Year 7 Period 12	23	0.42%	0.56%	0.70%	0.42%
Year 7 Period 13	23	0.42%	0.56%	0.70%	0.42%
Year 8 Period 1	24	0.42%	0.56%	0.70%	0.42%
Year 8 Period 2	24	0.42%	0.56%	0.70%	0.42%
Year 8 Period 3	24	0.42%	0.56%	0.70%	0.42%
Year 8 Period 4	24	0.42%	0.56%	0.70%	0.42%
Year 8 Period 5	24	0.42%	0.56%	0.70%	0.42%
Year 8 Period 6	24	0.42%	0.56%	0.70%	0.42%
Year 8 Period 7	24	0.42%	0.56%	0.70%	0.42%
Year 8 Period 8	24	0.42%	0.56%	0.70%	0.42%
Year 8 Period 9	24	0.42%	0.56%	0.70%	0.42%
Year 8 Period 10	24	0.42%	0.56%	0.70%	0.42%
Year 8 Period 11	24	0.42%	0.56%	0.70%	0.42%
Year 8 Period 12	24	0.42%	0.56%	0.70%	0.42%
Year 8 Period 13	24	0.42%	0.56%	0.70%	0.42%
Year 9 Period 1	25	0.42%	0.56%	0.70%	0.42%
Year 9 Period 2	25	0.42%	0.56%	0.70%	0.42%
Year 9 Period 3	25	0.42%	0.56%	0.70%	0.42%
Year 9 Period 4	25	0.42%	0.56%	0.70%	0.42%
Year 9 Period 5	25	0.42%	0.56%	0.70%	0.42%
Year 9 Period 6	25	0.42%	0.56%	0.70%	0.42%
Year 9 Period 7	25	0.42%	0.56%	0.70%	0.42%
Year 9 Period 8	25	0.42%	0.56%	0.70%	0.42%
Year 9 Period 9	25	0.42%	0.56%	0.70%	0.42%
Year 9 Period 10	25	0.42%	0.56%	0.70%	0.42%
Year 9 Period 11	25	0.42%	0.56%	0.70%	0.42%
Year 9 Period 12	25	0.42%	0.56%	0.70%	0.42%
Year 9 Period 13	25	0.42%	0.56%	0.70%	0.42%
<b>13 Reporting Periods Extension</b>					
Year 10 Period 1	26	0.42%	0.56%	0.70%	0.42%
Year 10 Period 2	26	0.42%	0.56%	0.70%	0.42%
Year 10 Period 3	26	0.42%	0.56%	0.70%	0.42%
Year 10 Period 4	26	0.42%	0.56%	0.70%	0.42%
Year 10 Period 5	26	0.42%	0.56%	0.70%	0.42%



Year 10 Period 6	26	0.42%	0.56%	0.70%	0.42%
Year 10 Period 7	26	0.42%	0.56%	0.70%	0.42%
Year 10 Period 8	26	0.42%	0.56%	0.70%	0.42%
Year 10 Period 9	26	0.42%	0.56%	0.70%	0.42%
Year 10 Period 10	26	0.42%	0.56%	0.70%	0.42%
Year 10 Period 11	26	0.42%	0.56%	0.70%	0.42%
Year 10 Period 12	26	0.42%	0.56%	0.70%	0.42%
Year 10 Period 13	26	0.42%	0.56%	0.70%	0.42%

**START OF THE FRANCHISE**

The Reporting Period in the cells entitled "Year 1, Period 1" shall be the first Reporting Period of the first Franchisee Year of the Franchise Term.

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**Part 2 – Annual Cancellations Benchmark Table**

<b>Column 1</b>	<b>Column 2</b>	<b>Column 3</b>	<b>Column 4</b>	<b>Column 5</b>	
<b>Franchisee Year</b>	<b>Annual Performance Level Cancelled)</b>	<b>Cap (%)</b>	<b>Annual Target Performance Level Cancelled)</b>	<b>Annual Floor Performance Level Cancelled)</b>	<b>Annual CASL Target Performance Level (%)</b>
Year 1	0.22%		0.50%	0.65%	1.60%
Year 2	0.22%		0.51%	0.65%	1.70%
Year 3	0.24%		0.52%	0.66%	1.70%
Year 4	0.22%		0.50%	0.64%	1.68%
Year 5	0.16%		0.45%	0.59%	1.63%
Year 6	0.14%		0.42%	0.56%	1.61%
Year 7	0.13%		0.42%	0.56%	1.60%
Year 8	0.13%		0.42%	0.56%	1.60%
Year 9	0.13%		0.42%	0.56%	1.60%
<b>13 Reporting Periods Extension</b>					
Year 10	0.13%		0.42%	0.56%	1.60%

**Part 3 – Annual Cancellations Payment Table**

<b>Payment</b>	<b>Amount (£)</b>	<b>Amount (£)</b>
	Without Multiplier	With Multiplier
PBP <sub>c</sub>	£11,012,000	£12,375,000 *
PPP <sub>c</sub>	£22,025,000	£24,750,000*

\* provided that in respect of any Franchisee Year of less than 13 Reporting Periods PBP<sub>c</sub> and/or PPP<sub>c</sub> (as applicable) shall be multiplied by the number of whole Reporting Periods in the relevant Franchisee Year and then divided by 13.

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**APPENDIX 2 TO SCHEDULE 7.1**

**TOC Minute Delay Benchmarks and Annual TOC Minute Delay Benchmarks**

**Part 1 – TOC Minute Delay Benchmark Table**

<b>Reporting Period/Rail Year</b>		<sup>72</sup> <b>Target Performance Level</b>	<b>Breach Performance Level</b>	<b>Default Performance Level</b>	<b>Breach Period Performance Level</b>
		(relevant Minutes Delay/1000 Train Miles)	(relevant Minutes Delay/1000 Train Miles)	(relevant Minutes Delay/1000 Train Miles)	(relevant Minutes Delay/1000 Train Miles)
Year 1 Period 1	17	16.16	20.07	22.85	N/A
Year 1 Period 2	17	16.06	20.01	22.79	N/A
Year 1 Period 3	17	15.97	19.96	22.74	N/A
Year 1 Period 4	17	15.87	19.91	22.69	N/A
Year 1 Period 5	17	15.77	19.85	22.63	N/A
Year 1 Period 6	17	15.67	19.76	22.54	18.45
Year 1 Period 7	17	15.57	19.66	22.44	18.35
Year 1 Period 8	17	15.48	19.56	22.34	18.26
Year 1 Period 9	17	15.38	19.46	22.24	18.16
Year 1 Period 10	17	15.28	19.36	22.14	18.06
Year 1 Period 11	17	15.18	19.27	22.05	17.96
Year 1 Period 12	17	15.08	19.17	21.95	17.86
Year 1 Period 13	17	14.99	19.07	21.85	17.77
Year 2 Period 1	18	14.96	18.95	21.73	17.74
Year 2 Period 2	18	14.94	18.84	21.62	17.71
Year 2 Period 3	18	14.91	18.72	21.50	17.69
Year 2 Period 4	18	14.88	18.61	21.39	17.66
Year 2 Period 5	18	14.86	18.49	21.27	17.64
Year 2 Period 6	18	14.83	18.38	21.16	17.61
Year 2 Period 7	18	14.81	18.26	21.04	17.59
Year 2 Period 8	18	14.78	18.14	20.92	17.56
Year 2 Period 9	18	14.76	18.03	20.81	17.53
Year 2 Period 10	18	14.73	17.91	20.69	17.51
Year 2 Period 11	18	14.70	17.80	20.58	17.48
Year 2 Period 12	18	14.68	17.68	20.46	17.46
Year 2 Period 13	18	14.65	17.57	20.35	17.43
Year 3 Period 1	19	14.61	17.44	20.22	17.39
Year 3 Period 2	19	14.57	17.35	20.13	17.35
Year 3 Period 3	19	14.53	17.31	20.08	17.31
Year 3 Period 4	19	14.49	17.27	20.04	17.27

Year 3 Period 5	19	14.45	17.23	20.00	17.23
Year 3 Period 6	19	14.41	17.19	19.96	17.19
Year 3 Period 7	19	14.37	17.15	19.92	17.15
Year 3 Period 8	19	14.33	17.11	19.89	17.11
Year 3 Period 9	19	14.29	17.07	19.85	17.07
Year 3 Period 10	19	14.25	17.03	19.81	17.03
Year 3 Period 11	19	14.21	16.99	19.77	16.99
Year 3 Period 12	19	14.17	16.95	19.73	16.95
Year 3 Period 13	19	14.13	16.91	19.69	16.91
Year 4 Period 1	20	14.10	16.88	19.66	16.88
Year 4 Period 2	20	14.07	16.85	19.63	16.85
Year 4 Period 3	20	14.04	16.82	19.60	16.82
Year 4 Period 4	20	14.01	16.79	19.57	16.79
Year 4 Period 5	20	13.99	16.76	19.54	16.76
Year 4 Period 6	20	13.96	16.73	19.51	16.73
Year 4 Period 7	20	13.93	16.71	19.48	16.71
Year 4 Period 8	20	13.90	16.68	19.46	16.68
Year 4 Period 9	20	13.87	16.65	19.43	16.65
Year 4 Period 10	20	13.84	16.62	19.40	16.62
Year 4 Period 11	20	13.81	16.59	19.37	16.59
Year 4 Period 12	20	13.78	16.56	19.34	16.56
Year 4 Period 13	20	13.75	16.53	19.31	16.53
Year 5 Period 1	21	13.66	16.44	19.22	16.44
Year 5 Period 2	21	13.58	16.36	19.13	16.36
Year 5 Period 3	21	13.49	16.27	19.05	16.27
Year 5 Period 4	21	13.40	16.18	18.96	16.18
Year 5 Period 5	21	13.31	16.09	18.87	16.09
Year 5 Period 6	21	13.22	16.00	18.78	16.00
Year 5 Period 7	21	13.14	15.92	18.69	15.92
Year 5 Period 8	21	13.05	15.83	18.61	15.83
Year 5 Period 9	21	12.96	15.74	18.52	15.74
Year 5 Period 10	21	12.87	15.65	18.43	15.65
Year 5 Period 11	21	12.78	15.56	18.34	15.56
Year 5 Period 12	21	12.70	15.48	18.25	15.48
Year 5 Period 13	21	12.61	15.39	18.17	15.39
Year 6 Period 1	22	12.57	15.35	18.13	15.35
Year 6 Period 2	22	12.54	15.31	18.09	15.31
Year 6 Period 3	22	12.50	15.28	18.06	15.28
Year 6 Period 4	22	12.46	15.24	18.02	15.24
Year 6 Period 5	22	12.43	15.20	17.98	15.20
Year 6 Period 6	22	12.39	15.17	17.95	15.17
Year 6 Period 7	22	12.35	15.13	17.91	15.13
Year 6 Period 8	22	12.32	15.10	17.87	15.10
Year 6 Period 9	22	12.28	15.06	17.84	15.06
Year 6 Period 10	22	12.24	15.02	17.80	15.02

Year 6 Period 11	22	12.21	14.99	17.76	14.99
Year 6 Period 12	22	12.17	14.95	17.73	14.95
Year 6 Period 13	22	12.13	14.91	17.69	14.91
Year 7 Period 1	23	12.12	14.90	17.68	14.90
Year 7 Period 2	23	12.11	14.89	17.67	14.89
Year 7 Period 3	23	12.10	14.88	17.66	14.88
Year 7 Period 4	23	12.09	14.87	17.65	14.87
Year 7 Period 5	23	12.08	14.86	17.64	14.86
Year 7 Period 6	23	12.07	14.85	17.63	14.85
Year 7 Period 7	23	12.06	14.84	17.62	14.84
Year 7 Period 8	23	12.05	14.83	17.61	14.83
Year 7 Period 9	23	12.04	14.82	17.60	14.82
Year 7 Period 10	23	12.03	14.81	17.59	14.81
Year 7 Period 11	23	12.02	14.80	17.58	14.80
Year 7 Period 12	23	12.01	14.79	17.57	14.79
Year 7 Period 13	23	12.00	14.78	17.56	14.78
Year 8 Period 1	24	12.00	14.78	17.56	14.78
Year 8 Period 2	24	12.00	14.78	17.56	14.78
Year 8 Period 3	24	12.00	14.78	17.56	14.78
Year 8 Period 4	24	12.00	14.78	17.56	14.78
Year 8 Period 5	24	12.00	14.78	17.56	14.78
Year 8 Period 6	24	12.00	14.78	17.56	14.78
Year 8 Period 7	24	12.00	14.78	17.56	14.78
Year 8 Period 8	24	12.00	14.78	17.56	14.78
Year 8 Period 9	24	12.00	14.78	17.56	14.78
Year 8 Period 10	24	12.00	14.78	17.56	14.78
Year 8 Period 11	24	12.00	14.78	17.56	14.78
Year 8 Period 12	24	12.00	14.78	17.56	14.78
Year 8 Period 13	24	12.00	14.78	17.56	14.78
Year 9 Period 1	25	12.00	14.78	17.56	14.78
Year 9 Period 2	25	12.00	14.78	17.56	14.78
Year 9 Period 3	25	12.00	14.78	17.56	14.78
Year 9 Period 4	25	12.00	14.78	17.56	14.78
Year 9 Period 5	25	12.00	14.78	17.56	14.78
Year 9 Period 6	25	12.00	14.78	17.56	14.78
Year 9 Period 7	25	12.00	14.78	17.56	14.78
Year 9 Period 8	25	12.00	14.78	17.56	14.78
Year 9 Period 9	25	12.00	14.78	17.56	14.78
Year 9 Period 10	25	12.00	14.78	17.56	14.78
Year 9 Period 11	25	12.00	14.78	17.56	14.78
Year 9 Period 12	25	12.00	14.78	17.56	14.78
Year 9 Period 13	25	12.00	14.78	17.56	14.78
<b>13 Reporting Periods Extension</b>					
Year 10 Period 1	26	12.00	14.78	17.56	14.78
Year 10 Period 2	26	12.00	14.78	17.56	14.78

Year 10 Period 3	26	12.00	14.78	17.56	14.78
Year 10 Period 4	26	12.00	14.78	17.56	14.78
Year 10 Period 5	26	12.00	14.78	17.56	14.78
Year 10 Period 6	26	12.00	14.78	17.56	14.78
Year 10 Period 7	26	12.00	14.78	17.56	14.78
Year 10 Period 8	26	12.00	14.78	17.56	14.78
Year 10 Period 9	26	12.00	14.78	17.56	14.78
Year 10 Period 10	26	12.00	14.78	17.56	14.78
Year 10 Period 11	26	12.00	14.78	17.56	14.78
Year 10 Period 12	26	12.00	14.78	17.56	14.78
Year 10 Period 13	26	12.00	14.78	17.56	14.78

**START OF THE FRANCHISE**

The Reporting Period in the cells entitled "Year 1 Period 1" shall be the first Reporting Period of first Franchisee Year in the Franchise Term.

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**Part 2 – Annual TOC Minute Delay Benchmark Table**

<b>Column 1</b>	<b>Column 2</b>	<b>Column 3</b>	<b>Column 4</b>	<b>Column 5</b>
<b>Franchisee Year</b>	<b>Annual Cap Performance Level (relevant Minutes Delay per 1000 train miles)</b>	<b>Annual Target Performance Level (relevant Minutes Delay per 1000 train miles)</b>	<b>Annual Floor Performance Level (relevant Minutes Delay per 1000 train miles)</b>	<b>Annual PPM Target Performance Level</b>
Year 1	11.43	14.99	16.77	92.65%
Year 2	11.09	14.65	16.43	92.80%
Year 3	10.57	14.13	15.91	92.95%
Year 4	10.20	13.75	15.53	93.10%
Year 5	9.05	12.61	14.39	93.30%
Year 6	8.58	12.13	13.91	93.40%
Year 7	8.45	12.00	13.78	93.50%
Year 8	8.45	12.00	13.78	93.50%
Year 9	8.45	12.00	13.78	93.50%
<b>13 Reporting Periods Extension</b>				
Year 10	8.45	12.00	13.78	93.50%



**Part 3 – Annual TOC Minute Delay Payment Table**

<b>Payment</b>	<b>Amount (£)</b>	<b>Amount (£)</b>
	Without Multiplier	With Multiplier
PBP <sub>MD</sub>	£874,000	£981,000
PPP <sub>MD</sub>	£1,749,000	£1,962,000

*\*provided that in respect of any Franchisee Year of less than 13 Reporting Periods PBPMD and/or PPPMD shall be multiplied by the number of whole Reporting Periods in the relevant Franchisee Year and then divided by 13.*

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**APPENDIX 3 TO SCHEDULE 7.1**

**Short Formation Benchmark and Annual Short Formation Benchmark Table**

**Part 1 – Short Formation Benchmark Table**

		<b>Target Performance Level</b>	<b>Breach Performance Level</b>	<b>Default Performance Level</b>	<b>Breach Period Performance Level</b>
		(%Short Formed)	(% Short Formed)	(% Short Formed)	(% Short Formed)
<b>Reporting Period/Rail Year</b>					
Year 1, Period 1	17	0.00%	4.61%	5.41%	N/A
Year 1, Period 2	17	0.00%	4.60%	5.40%	N/A
Year 1, Period 3	17	0.00%	4.60%	5.40%	N/A
Year 1, Period 4	17	0.00%	4.59%	5.39%	N/A
Year 1, Period 5	17	0.00%	4.58%	5.38%	N/A
Year 1, Period 6	17	0.00%	4.58%	5.38%	4.58%
Year 1, Period 7	17	0.00%	4.57%	5.37%	4.57%
Year 1, Period 8	17	0.00%	4.56%	5.36%	4.56%
Year 1, Period 9	17	0.00%	4.56%	5.36%	4.56%
Year 1, Period 10	17	0.00%	4.55%	5.35%	4.55%
Year 1, Period 11	17	0.00%	4.54%	5.34%	4.54%
Year 1, Period 12	17	0.00%	4.53%	5.33%	4.53%
Year 1, Period 13	17	0.00%	4.53%	5.33%	4.53%
Year 2, Period 1	18	0.00%	4.52%	5.32%	4.52%
Year 2, Period 2	18	0.00%	4.51%	5.31%	4.51%
Year 2, Period 3	18	0.00%	4.51%	5.31%	4.51%
Year 2, Period 4	18	0.00%	4.50%	5.30%	4.50%
Year 2, Period 5	18	0.00%	4.49%	5.29%	4.49%
Year 2, Period 6	18	0.00%	4.48%	5.28%	4.48%
Year 2, Period 7	18	0.00%	4.48%	5.28%	4.48%
Year 2, Period 8	18	0.00%	4.47%	5.27%	4.47%
Year 2, Period 9	18	0.00%	4.46%	5.26%	4.46%
Year 2, Period 10	18	0.00%	4.46%	5.26%	4.46%
Year 2, Period 11	18	0.00%	4.45%	5.25%	4.45%
Year 2, Period 12	18	0.00%	4.44%	5.24%	4.44%
Year 2, Period 13	18	0.00%	4.44%	5.24%	4.44%
Year 3, Period 1	19	0.00%	4.43%	5.23%	4.43%
Year 3, Period 2	19	0.00%	4.43%	5.23%	4.43%
Year 3, Period 3	19	0.00%	4.43%	5.23%	4.43%
Year 3, Period 4	19	0.00%	4.42%	5.22%	4.42%
Year 3, Period 5	19	0.00%	4.42%	5.22%	4.42%
Year 3, Period 6	19	0.00%	4.42%	5.22%	4.42%
Year 3, Period 7	19	0.00%	4.42%	5.22%	4.42%

Year 3, Period 8	19	0.00%	4.41%	5.21%	4.41%
Year 3, Period 9	19	0.00%	4.41%	5.21%	4.41%
Year 3, Period 10	19	0.00%	4.41%	5.21%	4.41%
Year 3, Period 11	19	0.00%	4.40%	5.20%	4.40%
Year 3, Period 12	19	0.00%	4.40%	5.20%	4.40%
Year 3, Period 13	19	0.00%	4.40%	5.20%	4.40%
Year 4, Period 1	20	0.00%	4.40%	5.20%	4.40%
Year 4, Period 2	20	0.00%	4.39%	5.19%	4.39%
Year 4, Period 3	20	0.00%	4.39%	5.19%	4.39%
Year 4, Period 4	20	0.00%	4.39%	5.19%	4.39%
Year 4, Period 5	20	0.00%	4.38%	5.18%	4.38%
Year 4, Period 6	20	0.00%	4.38%	5.18%	4.38%
Year 4, Period 7	20	0.00%	4.38%	5.18%	4.38%
Year 4, Period 8	20	0.00%	4.38%	5.18%	4.38%
Year 4, Period 9	20	0.00%	4.37%	5.17%	4.37%
Year 4, Period 10	20	0.00%	4.37%	5.17%	4.37%
Year 4, Period 11	20	0.00%	4.37%	5.17%	4.37%
Year 4, Period 12	20	0.00%	4.36%	5.16%	4.36%
Year 4, Period 13	20	0.00%	4.36%	5.16%	4.36%
Year 5, Period 1	21	0.00%	4.36%	5.16%	4.36%
Year 5, Period 2	21	0.00%	4.36%	5.16%	4.36%
Year 5, Period 3	21	0.00%	4.35%	5.15%	4.35%
Year 5, Period 4	21	0.00%	4.35%	5.15%	4.35%
Year 5, Period 5	21	0.00%	4.35%	5.15%	4.35%
Year 5, Period 6	21	0.00%	4.34%	5.14%	4.34%
Year 5, Period 7	21	0.00%	4.34%	5.14%	4.34%
Year 5, Period 8	21	0.00%	4.34%	5.14%	4.34%
Year 5, Period 9	21	0.00%	4.34%	5.14%	4.34%
Year 5, Period 10	21	0.00%	4.33%	5.13%	4.33%
Year 5, Period 11	21	0.00%	4.33%	5.13%	4.33%
Year 5, Period 12	21	0.00%	4.33%	5.13%	4.33%
Year 5, Period 13	21	0.00%	4.33%	5.13%	4.33%
Year 6, Period 1	22	0.00%	4.32%	5.12%	4.32%
Year 6, Period 2	22	0.00%	4.32%	5.12%	4.32%
Year 6, Period 3	22	0.00%	4.32%	5.12%	4.32%
Year 6, Period 4	22	0.00%	4.31%	5.11%	4.31%
Year 6, Period 5	22	0.00%	4.31%	5.11%	4.31%
Year 6, Period 6	22	0.00%	4.31%	5.11%	4.31%
Year 6, Period 7	22	0.00%	4.31%	5.11%	4.31%
Year 6, Period 8	22	0.00%	4.30%	5.10%	4.30%
Year 6, Period 9	22	0.00%	4.30%	5.10%	4.30%
Year 6, Period 10	22	0.00%	4.30%	5.10%	4.30%
Year 6, Period 11	22	0.00%	4.29%	5.09%	4.29%
Year 6, Period 12	22	0.00%	4.29%	5.09%	4.29%
Year 6, Period 13	22	0.00%	4.29%	5.09%	4.29%

Year 7, Period 1	23	0.00%	4.29%	5.09%	4.29%
Year 7, Period 2	23	0.00%	4.28%	5.08%	4.28%
Year 7, Period 3	23	0.00%	4.28%	5.08%	4.28%
Year 7, Period 4	23	0.00%	4.28%	5.08%	4.28%
Year 7, Period 5	23	0.00%	4.27%	5.07%	4.27%
Year 7, Period 6	23	0.00%	4.27%	5.07%	4.27%
Year 7, Period 7	23	0.00%	4.27%	5.07%	4.27%
Year 7, Period 8	23	0.00%	4.27%	5.07%	4.27%
Year 7, Period 9	23	0.00%	4.26%	5.06%	4.26%
Year 7, Period 10	23	0.00%	4.26%	5.06%	4.26%
Year 7, Period 11	23	0.00%	4.26%	5.06%	4.26%
Year 7, Period 12	23	0.00%	4.25%	5.05%	4.25%
Year 7, Period 13	23	0.00%	4.25%	5.05%	4.25%
Year 8, Period 1	24	0.00%	4.25%	5.05%	4.25%
Year 8, Period 2	24	0.00%	4.25%	5.05%	4.25%
Year 8, Period 3	24	0.00%	4.25%	5.05%	4.25%
Year 8, Period 4	24	0.00%	4.25%	5.05%	4.25%
Year 8, Period 5	24	0.00%	4.25%	5.05%	4.25%
Year 8, Period 6	24	0.00%	4.25%	5.05%	4.25%
Year 8, Period 7	24	0.00%	4.25%	5.05%	4.25%
Year 8, Period 8	24	0.00%	4.25%	5.05%	4.25%
Year 8, Period 9	24	0.00%	4.25%	5.05%	4.25%
Year 8, Period 10	24	0.00%	4.25%	5.05%	4.25%
Year 8, Period 11	24	0.00%	4.25%	5.05%	4.25%
Year 8, Period 12	24	0.00%	4.25%	5.05%	4.25%
Year 8, Period 13	24	0.00%	4.25%	5.05%	4.25%
Year 9, Period 1	25	0.00%	4.25%	5.05%	4.25%
Year 9, Period 2	25	0.00%	4.25%	5.05%	4.25%
Year 9, Period 3	25	0.00%	4.25%	5.05%	4.25%
Year 9, Period 4	25	0.00%	4.25%	5.05%	4.25%
Year 9, Period 5	25	0.00%	4.25%	5.05%	4.25%
Year 9, Period 6	25	0.00%	4.25%	5.05%	4.25%
Year 9, Period 7	25	0.00%	4.25%	5.05%	4.25%
Year 9, Period 8	25	0.00%	4.25%	5.05%	4.25%
Year 9, Period 9	25	0.00%	4.25%	5.05%	4.25%
Year 9, Period 10	25	0.00%	4.25%	5.05%	4.25%
Year 9, Period 11	25	0.00%	4.25%	5.05%	4.25%
Year 9, Period 12	25	0.00%	4.25%	5.05%	4.25%
Year 9, Period 13	25	0.00%	4.25%	5.05%	4.25%
<b>13 Reporting Periods Extension</b>					
Year 10, Period 1	26	0.00%	4.25%	5.05%	4.25%
Year 10, Period 2	26	0.00%	4.25%	5.05%	4.25%
Year 10, Period 3	26	0.00%	4.25%	5.05%	4.25%
Year 10, Period 4	26	0.00%	4.25%	5.05%	4.25%
Year 10, Period 5	26	0.00%	4.25%	5.05%	4.25%

Year 10, Period 6	26	0.00%	4.25%	5.05%	4.25%
Year 10, Period 7	26	0.00%	4.25%	5.05%	4.25%
Year 10, Period 8	26	0.00%	4.25%	5.05%	4.25%
Year 10, Period 9	26	0.00%	4.25%	5.05%	4.25%
Year 10, Period 10	26	0.00%	4.25%	5.05%	4.25%
Year 10, Period 11	26	0.00%	4.25%	5.05%	4.25%
Year 10, Period 12	26	0.00%	4.25%	5.05%	4.25%
Year 10, Period 13	26	0.00%	4.25%	5.05%	4.25%

**START OF THE FRANCHISE**

The Reporting Period in the cells entitled "Year 1, Period 1" shall be the first Reporting Period of the first Franchisee Year in the Franchise Term.

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**Part 2 – Annual Short Formation Benchmark Table**

<b>Column 1</b>	<b>Column 2</b>	<b>Column 3</b>	<b>Column 4</b>
<b>Franchisee Year</b>	<b>Annual Target Performance level (%)</b>	<b>Annual Intermediate Performance Level (%)</b>	<b>Annual Floor Performance Level (%)</b>
<b>Year 1</b>	0.0%	3.50%	4.53%
<b>Year 2</b>	0.0%	3.40%	4.44%
<b>Year 3</b>	0.0%	3.36%	4.40%
<b>Year 4</b>	0.0%	3.32%	4.36%
<b>Year 5</b>	0.0%	3.28%	4.33%
<b>Year 6</b>	0.0%	3.24%	4.29%
<b>Year 7</b>	0.0%	3.20%	4.25%
<b>Year 8</b>	0.0%	3.20%	4.25%
<b>Year 9</b>	0.0%	3.20%	4.25%
<b>13 Reporting Periods Extension</b>			
<b>Year 10</b>	0.0%	3.20%	4.25%

**Part 3 – Annual Short Formation Payment Table**

	<b>Amount (£)</b>
IPR <sub>SF</sub>	£220,250.00
BPR <sub>SF</sub>	£2,643,000.00

\* provided that in respect of any Franchisee Year of less than 13 Reporting Periods PPP<sub>SF</sub> (as applicable) shall be multiplied by the number of whole Reporting Period in the relevant Franchisee Year and then divided by 13.

## SCHEDULE 7.2

### National Rail Passenger Surveys and Customer and Communities Improvement Fund

#### 1. Conduct of National Rail Passenger Surveys

1.1 The Franchisee agrees with the Secretary of State that:

- (a) the Passengers' Council may measure the level of passenger satisfaction with the Franchise Services through National Rail Passenger Surveys;
- (b) the Passengers' Council shall determine how, when (normally twice per annum) and where National Rail Passenger Surveys are to be carried out;
- (c) the Franchisee shall grant access on trains or at stations to the Passengers' Council (or its representatives and agents) to carry out National Rail Passenger Surveys;
- (d) the Franchisee shall co-operate with the Passengers' Council (in such manner as the Passengers' Council may reasonably request or as the Secretary of State may reasonably direct) in order to enable the Passengers' Council to carry out National Rail Passenger Surveys; and
- (e) the Passengers' Council and/or the Secretary of State may, from time to time, publish the results of each National Rail Passenger Survey.

1.2 The Secretary of State shall ensure or shall procure that:

- (a) the findings of any National Rail Passenger Survey are made available by the Passengers' Council to the Franchisee within a reasonable period of time after the completion of each such survey and shall use all reasonable endeavours to procure that those findings are made available in a timely manner to enable the Franchisee to comply with its obligations under paragraph 1.3; and
- (b) if any such survey includes a comparison between its findings and the findings of any equivalent earlier survey, such comparison forms a reasonable basis for monitoring the trends of passenger satisfaction over time.

1.3 The Franchisee shall, as soon as reasonably practicable after such information is made available to the Franchisee in accordance with paragraph 1.2, publicise its performance against the NRPS Benchmarks by including such information in its Customer Report and displaying such information at all of the Stations and on its website.

1.4 It is agreed by the Franchisee that, subject to paragraph 1.5, the methodology to be adopted by the Passengers' Council in conducting any such National Rail Passenger Survey shall be as described in the document in the agreed terms marked **PSM** (the "**Passenger Survey Methodology**");



- 1.5 If:
- (a) at any time during the Franchise Term the methodology adopted in conducting any National Rail Passenger Survey is, in the reasonable opinion of the Secretary of State, materially inconsistent with the Passenger Survey Methodology; and
  - (b) the Secretary of State reasonably determines that in consequence a revision to the NRPS Benchmark is required in order to hold constant the risk of the Franchisee failing to satisfy the NRPS Benchmark,

then the Secretary of State shall make such revisions to such NRPS Benchmarks as he reasonably considers appropriate to hold constant such risk.

- 1.6 If the Passengers' Council ceases to undertake National Rail Passenger Surveys then the relevant National Rail Passenger Survey for the purposes of this Schedule 7.2 shall be such other passenger survey as the Secretary of State may, after consultation with the Franchisee, reasonably determine to be appropriate in the circumstances (the "**Alternative NRPS**"). The provisions of this Schedule 7.2 shall apply in respect of any Alternative NRPS and for these purposes Passengers' Council shall be replaced with such other entity that is responsible for conducting such Alternative NRPS.

## 2. **NRPS Benchmarks**

- 2.1 It is agreed by the Secretary of State and the Franchisee that, subject to paragraph 1.6, the results of the National Rail Passenger Survey(s) carried out by the Passengers' Council in any Franchisee Year shall be used to determine the Franchisee's performance against the NRPS Benchmarks for that Franchisee Year. If in any Franchisee Year the Passengers' Council has conducted:

- (a) only one National Rail Passenger Survey in that Franchisee Year then the performance of the Franchisee against the NRPS Benchmarks shall be measured against the results of such National Rail Passenger Survey; or
- (b) more than one National Rail Passenger Survey in that Franchisee Year then the performance of the Franchisee against the NRPS Benchmarks shall be measured against the average of the results of all of the National Rail Passenger Surveys conducted by the Passengers' Council in that Franchisee Year.

### **Performance Results/Required Remedial Actions**

- 2.2 For each Franchisee Year the Secretary of State shall determine the Franchisee's performance against each NRPS Benchmark by comparing:

- (a) if only one National Rail Passenger Survey has been published by Passengers' Council in that Franchisee Year, the results of such National Rail Passenger Survey against the NRPS Benchmarks applicable in respect of that Franchisee Year; or
- (b) if more than one National Rail Passenger Survey has been published by Passengers' Council in that Franchisee Year, the average of the results of all of the National Rail Passenger Surveys published by the Passengers' Council in that Franchisee Year against the NRPS Benchmarks applicable in respect of that Franchisee Year.

For the purposes of undertaking the comparison pursuant to this paragraph 2.2, the results referred to in paragraph 2.2(a) or paragraph 2.2(b) (as the case may be) shall be rounded up to one decimal place with the midpoint (that is, 4.45) rounded upwards (that is, 4.5).

- 2.3 If, following the Secretary of State's determination pursuant to any of paragraphs 2.2(a) or 2.2(b) (as the case may be), the results show that the level of customer satisfaction in respect of any NRPS Measure is below the NRPS Benchmark for such measure then:
- (a) the Franchisee shall, unless the Secretary of State shall otherwise direct, incur Additional Expenditure in order to secure the Required Improvement; or
  - (b) if the Secretary of State so requires, a sum equivalent to the Additional Expenditure reasonably required to secure the Required Improvement shall be added to the CCIF Amount for the relevant period.
- 2.4 Without limiting paragraph 2.3, on each occasion that the Franchisee becomes obliged to incur Additional Expenditure to secure a Required Improvement, the Franchisee shall produce an action plan which is consistent with its obligations under paragraph 2.3 and in compliance with the following provisions:
- (a) the Franchisee shall (1) produce, (2) obtain the Secretary of State's approval of, and (3) commence the implementation of the action plan within three months after the date on which the results of such National Rail Passenger Survey which triggered the requirement for the Required Improvement were published or otherwise made available to the Franchisee pursuant to paragraph 1.2;
  - (b) the action plan will contain specific tangible action points and indicate in the case of each action point:
    - (i) how that action will contribute to meeting the NRPS Measure;
    - (ii) where the action is to be implemented;
    - (iii) when the action is to be commenced and by when it is to be implemented provided always that where any action is expressed to be ongoing the plan shall include specific review dates; and
    - (iv) how performance of the action is to be measured; and
  - (c) the action plan will identify the Additional Expenditure associated with each action.
- 2.5 The Franchisee shall, except to the extent otherwise agreed by the Secretary of State in advance, implement each action plan referred to in paragraph 2.4 in accordance with its terms.
- 2.6 It is acknowledged by the Franchisee that the approval or lack of approval by the Secretary of State of each action plan as contemplated in paragraph 2.4(a) shall not relieve the Franchisee of its obligations under this Schedule 7.2 or any other provisions of the Franchise Agreement.

2.7 Upon the termination of this Franchise Agreement the Franchisee shall pay to the Secretary of State, by way of adjustment to Franchise Payments, an amount equivalent to the amount of any Additional Expenditure that the Franchisee is committed to incur pursuant to paragraph 2.3 and which it has not yet incurred as at the end of the Franchise Period.

2.8 For the purposes of this Schedule 7.2:

**"Additional Expenditure"** means, where the Franchisee's performance is:

- (a) subject to paragraphs 2.8(d) and (e), below the NRPS Benchmark for one NRPS Measure, but equal to or more than the NRPS Benchmark for the other two NRPS Measures, £300,000;
- (b) subject to paragraphs 2.8(d) and (e), below the NRPS Benchmark for two NRPS Measures, but equal to or more than the NRPS Benchmark for the other NRPS Measure, £450,000;
- (c) subject to paragraphs 2.8(d) and (e), below the NRPS Benchmark for all three NRPS Measures, £600,000;
- (d) for any Franchisee Year which is shorter than 13 Reporting Periods, the amounts specified in paragraphs 2.8(a) to 2.8(c) shall be reduced pro rata;
- (e) for each Franchisee Year (other than the first Franchisee Year) the Additional Expenditure applicable in relation to such Franchisee Year shall be determined as follows:

AD x RPI

where:

AD is £300,000 (where paragraph 2.8(a) above applies), £450,000 (where paragraph 2.8(b) above applies) or £600,000 (where paragraph 2.8(c) above applies) as the case may be; and

RPI has the meaning given to it in Schedule 8.2 (Annual Franchise Payments); and

- (f) such additional expenditure shall be additional to:
  - (i) any sums provided for expenditure in respect of the same or similar commitments in the Business Plan for the Franchisee Year (the "**First Expenditure Franchisee Year**") in which the obligation to incur Additional Expenditure under paragraph 2.3 first arises (the "**Existing Expenditure**"), and in any subsequent Franchisee Year, shall be in addition to the amount of the Existing Expenditure as increased by an amount equivalent to any increase in the Retail Prices Index between the beginning of the First Expenditure Franchisee Year and the beginning of that subsequent Franchisee Year; and
  - (ii) without limiting the preceding paragraph (f)(i), any expenditure made or to be made by the Franchisee for the purposes of complying with the provisions of Schedule 1

(Passenger Service Obligations), Schedule 4 (Persons with Disabilities and Disability Discrimination), Part 1 (List of Committed Obligations) to Schedule 6.1 (Committed Obligations and Related Provisions) and Schedule 7 (Performance Benchmarks); and

**“Required Improvement”** means an improvement in the level of customer satisfaction for the relevant NRPS Measure as measured by a National Rail Passenger Survey so that such level is equal to or higher than the related NRPS Benchmark.

### 3. **Customer Reports and Communities Improvement Fund**

- 3.1 The Franchisee shall undertake consultations with passengers, potential passengers and other users of the rail network (including in each case by undertaking consultations with: (i) persons who are protected by a Disabled People’s Protection Policy; and (ii) persons with other protected characteristics within the meaning of the EA) in accordance with and shall otherwise comply with the Customer and Stakeholder Engagement Strategy.

#### **Customer Reports**

- 3.2 The Franchisee shall:

- (a) by no later than the Start Date; and
- (b) thereafter at least twice each Franchisee Year,

publish the Customer Report in such readily accessible formats as the Secretary of State may reasonably require (including in booklet or other similar hard copy formats, in electronic formats (such as on the Franchisee’s website, through social media channels and by email)), in each case in accordance with the Customer and Stakeholder Engagement Strategy and the provisions of paragraph 20 of Schedule 13 (Information and Industry Initiatives).

The Secretary of State and the Franchisee acknowledge and agree that, as regards the Customer Reports to be published by the Franchisee pursuant to paragraph 3.2(b) above, the first Customer Report of each Franchisee Year shall be prepared in respect of the first six Reporting Periods of that Franchisee Year and the second Customer Report of each Franchisee Year shall be prepared in respect of the last seven Reporting Periods of that Franchisee Year. This pattern of Reporting shall be continued in subsequent Franchisee Years.

- 3.3 No later than 3 months prior to the start of each CCIF Period the Franchisee shall provide to the Secretary of State details of those initiatives, works or proposals (each a **“CCIF Scheme”**) which the Franchisee proposes to undertake in that CCIF Period in order to resolve or mitigate issues raised with the Franchisee through the consultation referred to in paragraph 3.1. The Franchisee shall use all reasonable endeavours to propose, in respect of each CCIF Period, CCIF Schemes with an aggregate projected CCIF Scheme Shortfall of not less than the aggregate of the CCIF Amount for each Franchisee Year in the relevant CCIF Period.
- 3.4 In relation to each CCIF Scheme proposed by the Franchisee pursuant to paragraph 3.3 the Franchisee shall provide:

- (a) details of the specific issues which that CCIF Scheme is intended to resolve or mitigate (including how those issues have been identified) and how that CCIF Scheme will resolve or mitigate those issues; and
  - (b) fully worked up details of the CCIF Scheme sufficient to enable the Secretary of State to evaluate the same, including:
    - (i) a timetable for the implementation of that CCIF Scheme, setting out the proposed commencement and completion date of such CCIF Scheme and any other key dates and milestones;
    - (ii) details of the projected CCIF Scheme Cost; and
    - (iii) details of the projected CCIF Scheme Revenue.
- 3.5 The Franchisee shall provide the Secretary of State with such further information in relation to any CCIF Scheme proposed by the Franchisee pursuant to paragraph 3.3 as the Secretary of State may reasonably require.
- 3.6 A CCIF Scheme proposed by the Franchisee pursuant to paragraph 3.3 shall not be an Approved CCIF Scheme unless and until approved by the Secretary of State pursuant to this paragraph 3.6. Without limitation, the Secretary of State may withhold his approval to any proposed CCIF Scheme which:
- (a) has not been identified and/or developed in accordance with the Customer and Stakeholder Engagement Strategy;
  - (b) is not designed to resolve or mitigate issues raised with the Franchisee through the consultation referred to in paragraph 3.1;
  - (c) has a completion date falling later than the end of the relevant CCIF Period;
  - (d) is projected to generate a Commercial Return or in relation to which the Secretary of State considers the CCIF Scheme Costs (or any part of them) to be too high or disproportionate to the benefits accruing from the CCIF Scheme;
  - (e) the Franchisee is otherwise funded to undertake; or
  - (f) in the opinion of the Secretary of State, amounts to actions or steps which the Franchisee is otherwise obliged to take or which any competent train operator should be taking in relation to the operation of the Franchise.
- 3.7 Approved CCIF Schemes shall be included as Committed Obligations in Schedule 6.1 (Committed Obligations and Related Provisions).
- 3.8 Paragraph 3.10 will apply if:
- (a) the aggregate projected CCIF Scheme Shortfall in respect of all Approved CCIF Schemes for any CCIF Period is less than the aggregate of the CCIF Amount for each Franchisee Year in that CCIF Period; or
  - (b) subject to paragraph 3.9 in any CCIF Period, in the Secretary of State's reasonable opinion, the aggregate of the actual CCIF Scheme Shortfall

incurred by the Franchisee during that CCIF Period upon Approved CCIF Schemes is less than the aggregate of the CCIF Amount for each Franchisee Year in that CCIF Period,

in each case the underspend against the aggregate CCIF Amount being the **"CCIF Underspend"**.

3.9 If:

- (a) the amount of the CCIF Scheme Costs actually incurred by the Franchisee in relation to any Approved CCIF Scheme exceed the projected CCIF Scheme Costs notified to the Secretary of State pursuant to paragraph 3.4 for such Approved CCIF Scheme, then the amount of the excess shall not amount to CCIF Scheme Cost; or
- (b) in the Secretary of State's reasonable opinion, the amount of the CCIF Scheme Revenue actually earned by the Franchisee in relation to any Approved CCIF Scheme is less than the projected CCIF Scheme Revenue notified to the Secretary of State pursuant to paragraph 3.4 for such Approved CCIF Scheme then, for the purposes of paragraph 3.8(b) the actual CCIF Scheme Revenue shall be deemed to be the projected CCIF Scheme Revenue.

3.10 Where this paragraph 3.10 applies the Secretary of State may require:

- (a) all or part of the CCIF Underspend to be added to the CCIF Amount for the first Franchisee Year in the subsequent CCIF Period;
- (b) the Franchisee to propose further CCIF Schemes using all or part of the CCIF Underspend by such new deadline as the Secretary of State may specify;
- (c) the Franchisee to spend all or part of the CCIF Underspend in such manner as the Secretary of State may direct; and/or
- (d) the Franchisee to pay all or part of the CCIF Underspend to the Secretary of State,

provided that paragraph 3.10(d) shall automatically apply in respect of the last CCIF Period unless the Secretary of State specifies otherwise.

3.11 The Franchisee shall:

- (a) undertake and complete a review of its Customer and Stakeholder Engagement Strategy during each of the 4th and 7th Franchisee Years; and
- (b) provide the Secretary of State with any proposed revisions to the Customer and Stakeholder Engagement Strategy arising out of such review by no later than the end of each such Franchisee Year.

3.12 The aim of such review shall be to update the Customer and Stakeholder Engagement Strategy to reflect lessons learned in the period since the Start Date or the previous review of the Customer and Stakeholder Engagement Strategy (as applicable) and to ensure that the Customer and Stakeholder Engagement Strategy achieves effective passenger engagement. Any revisions to the

Customer and Stakeholder Engagement Strategy shall require the consent of the Secretary of State (such consent not to be unreasonably withheld or delayed).

- 3.13 Any Franchise Asset arising as a result of an Approved CCIF Scheme shall be designated as a Primary Franchise Asset and shall not be de-designated as such. Any such Primary Franchise Asset which falls to be valued in accordance with the Supplemental Agreement shall be valued at nil.

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**APPENDIX 1 TO SCHEDULE 7.2**

**NRPS Benchmark Table**

	<b>NRPS BENCHMARK<sup>73</sup></b>		
	<b>STATION</b>	<b>TRAINS</b>	<b>CUSTOMER SERVICES</b>
2016	65	65	64
2017	68	67	65
2018	70	69	66
2019	73	70	68
2020	76	72	69
2021	76	73	70
2022	77	74	71
2023	77	75	73
2024	78	76	74
2025	78	77	75
2026	78	77	75

<sup>73</sup> Bidders to populate - Bidders may provide more challenging NRPS benchmarks than those set out in the table.



## **SCHEDULE 7.3**

### **Northern Franchise Service Quality Regime**

#### **1. Introduction**

This Schedule 7.3 provides for:

- 1.1 the service quality management and process arrangements to be put in place by the Franchisee for the management and delivery of service quality for the Franchise Term;
- 1.2 the responsibilities including the inspection, auditing and reporting requirements of the Franchisee;
- 1.3 the means of the measurement and reporting of the level of performance identified during inspections required to be carried out by the Franchisee in accordance with the Service Quality Schedules;
- 1.4 the means of calculation of any Service Quality Payments;
- 1.5 the remedies available to the Secretary of State in the event of underperformance by the Franchisee; and
- 1.6 the performance information the Franchisee will be required to publish.

#### **2. The Service Quality Management Arrangements**

2.1 The Franchisee shall put in place management arrangements and processes (including the collection of relevant data) which shall (as a minimum):

- (a) be capable of measuring and reporting the Franchisee's performance against each Service Quality Indicator comprised in a Service Quality Area; and
- (b) set out procedures for:
  - (i) ensuring compliance with the requirements of this Schedule 7.3 including the obligation to conduct Service Quality Inspections as required pursuant to paragraph 3; and
  - (ii) identifying and rectifying failures identified during each Service Quality Inspection (including processes which ensure that corrective actions identified during any Service Quality Inspection are undertaken in a diligent and prompt manner),

(the "**SQR Management System**").

2.2 The SQR Management System shall be implemented and fully operational by no later than the first day of the Reporting Period commencing in January 2017.

2.3

- (a) The Franchisee shall:

- (i) by no later than the first day of the first Reporting Period which commences:
- (A) after the CS5 Remapping Date, update its SQR Management System to include the stations and SQR Trains (including the facilities and services comprised in such stations and such SQR trains (as the case may be)) relating to the remapping of the passenger services described in paragraph 19.2(a) of Schedule 6.2 (Northern Franchise Specific Provisions) ("**Remapped Stations/SQR Train Facilities**"). The requirements of this Schedule shall begin to apply in relation to Remapped Stations/SQR Train Facilities from the first day of the third Reporting Period which commences after the CS5 Remapping Date; and
  - (B) after the Barton-on-Humber Transfer Date, update its SQR Management System to exclude the Stations (including the facilities and services comprised in such stations) in respect of which the Franchisee shall cease to be the Facility Owner as contemplated in paragraph 19.2(b) of Schedule 6.2 (Northern Franchise Specific Provisions). The requirements of this Schedule shall cease to apply in relation to such stations (including the facilities and services comprised in such stations) from the first day of the first Reporting Period which commences after the Barton-on-Humber Transfer Date.
- (b) If at any time during the Franchise Term, the Franchisee:
- (i) operates additional railway passenger services or operates additional stations which are not part of the Passenger Services or Stations (as the case may be) at the Start Date ("**New Passenger Services and Station Services**"); and/or
  - (ii) introduces new facilities or services on a SQR Train and/or Station which were not in existence at the Start Date or introduces a new train which was not a SQR Train at the Start Date ("**New Facilities/Services**"),

then it shall update its SQR Management System to include such New Passenger Services and Station Services and New Facilities/Services by no later than the first day of the first Reporting Period which commences after the date upon which the Franchisee begins to operate such New Passenger Services and Station Services or such New Facilities/Service are introduced (as the case may be). The requirements of this Schedule shall begin to apply in relation to such New Passenger Services and Station Services and such New Facilities/Services from the first day of the first Reporting Period which commences after the date on which the Franchisee commences the operation of such New Passenger Services and Station Services or New Facilities/Services are introduced (as the case may be).

## 2.4 SQR Register

- (a) The Franchisee shall prepare and complete the SQR Register by no later than the first day of the Reporting Period commencing in January 2017 so as to include the facilities and services which exist at every Station and every SQR Train. The form and content of the SQR Register shall include as a minimum the following content:
- (i) description, purpose and quantity of each facility or service;
  - (ii) photographic evidence of each facility or service;
  - (iii) individual serial number and asset tracking number (where applicable) for each facility or service; and
  - (iv) details of the applicable Service Quality Indicators against which the facility or service will be measured and reported against; and
  - (v) map of each Station, setting out the location of each facility or service located at such Station.
- (b) The Franchisee shall:
- (i) maintain the SQR Register; and
  - (ii) update such SQR Register:
    - (A) at the same time as the Franchisee is required pursuant to paragraph 2.3 to update the SQR Management System, to include the Remapped Stations/SQR Train Facilities, New Facilities/Services and the facilities and services which exist at a Station or a SQR train comprised in the New Passenger Services and Station Services (as the case may be) and to exclude the facilities and services comprised in the Stations to be transferred to the EMT Franchisee as contemplated in paragraph 19.2(b) of Schedule 6.2 (Northern Franchise Specific Provisions); and
    - (B) in any case, at such regular intervals as is reasonably necessary to ensure compliance with its obligations under this Schedule 7.3; and
- (c) immediately at the request of the Secretary of State, provide an up to date copy of the SQR Register to the Secretary of State, a representative of Rail North or to any person carrying out an SoS Audit or SoS Service Inspection on behalf of the Secretary of State.

## 3. Franchisee Service Quality Inspections

- 3.1 In each Reporting Period commencing from the first day of the Reporting Period commencing in January 2017 and for the duration of the Franchise Term, the Franchisee shall, in accordance with the requirements of paragraph 3.2, undertake or procure the undertaking of Station Service Quality Inspections, and Train

Service Quality Inspections (together to be known as the "**Service Quality Inspection**").

3.2 The Franchisee shall (as a minimum):

- (a) ensure that each Service Quality Inspection is carried out accurately and impartially by independent persons (who for these purposes can be Franchise Employees):
- (b) if the Franchisee elects for Service Quality Inspections to be carried out by Franchise Employees then any such Franchise Employees must not be persons:
  - (i) who are responsible for the management or operation of any of the Stations or SQR Trains which are the subject of the Service Quality Inspection; or
  - (ii) whose base salary payment or provision of any benefit (whether contractual or otherwise) are dependent on the result of any Service Quality Inspection;
- (c) ensure that any Franchise Employee who is involved in the operation of any Stations or SQR Train (including any person who is responsible for the management and operation of any such Stations or SQR Train) in respect of which a Service Quality Inspection is to be undertaken is not notified or otherwise made aware of the date or time of any proposed or actual Service Quality Inspection;
- (d) ensure that:
  - (i) each Station is the subject of a Station Service Quality Inspection at least 4 times in each Service Quality Year; and
  - (ii) each Station Service Quality Inspection is carried out so that in total and in respect of each Reporting Period at least 150 Stations are the subject of Station Service Quality Inspections in each such Reporting Period; and
- (e)
  - (i) in respect of each Reporting Period, undertake a minimum of 550 Train Service Quality Inspections in respect of vehicles comprised within SQR Trains in each such Reporting Period with such Train Service Quality Inspection being distributed across the day and between the days of the week in proportion to the typical distribution of passenger journeys across the day and between the days of the week; and
  - (ii) ensure that Train Service Quality Inspections are not unduly concentrated on vehicles that operate on a particular Route and in accordance with this requirement shall undertake a Train Service Quality Inspection of vehicles operated on each Route at least once every other Reporting Period.

3.3 For any Reporting Period which is longer than 32 days or shorter than 25 days the minimum number of:

- (a) Station Service Quality Inspections as specified in paragraph 3.2(d); and
- (b) Train Service Quality Inspections as specified in paragraph 3.2(e),

shall be increased or reduced pro rata based on a normal Reporting Period of 28 days.

#### 4. **Independent Service Quality Audits/SoS Audits**

4.1 In respect of each Service Quality Year the Franchisee shall (at its cost) procure the carrying out of an independent audit ("**Independent Service Quality Audit**") (which for these purposes shall include the carrying out of inspections which are conducted on a basis that is, as far as reasonably practicable, consistent (in terms of the identity and type of Station or SQR Train inspected and the time (of day and/or in the week) at which the inspection takes place but otherwise undertaken in accordance with the requirements of this Schedule 7.3) with the Service Quality Inspections undertaken in that Service Quality Year) to verify and confirm that the:

- (a) SQR Management System complies with the requirements of paragraph 2.1 and has been implemented as required pursuant to paragraph 2.2;
- (b) Service Quality Inspections undertaken in that Service Quality Year comply with the requirements of paragraph 3.2;
- (c) the SQR Register has been maintained and updated as required pursuant to paragraph 2.4;
- (d) the Pass Rates reported by the Franchisee for Reporting Periods within that Service Quality Year have been calculated in accordance with the requirements of paragraph 7.1;
- (e) the Pass Rates reported by the Franchisee for that Service Quality Year have been calculated in accordance with paragraph 7.2; and

4.2 Any Independent Service Quality Audit shall either:

- (a) confirm that, after having regards to the findings of such inspections, its assessment of the matters referred to in paragraphs 4.1(a) to 4.1(e) and any other relevant information at the disposal of any person conducting such Independent Service Quality Audit, it can reasonably be concluded that the Pass Rates reported by the Franchisee for that Reporting Periods within that Service Quality Year and/or for that Service Quality Year are a fair, accurate and impartial reflection of the Franchisee's performance against each Service Quality Specification; or
- (b) state that such confirmation cannot be provided,

4.3 Any Independent Service Quality Audit carried out by the Franchisee as required under paragraph 4.1 shall be for the benefit of the Secretary of State. Each terms of reference for the procurement of any such Independent Service Quality Audit and the identity of any independent person proposed to undertake such Independent Service Quality Audit is subject to approval by the Secretary of State

prior to any procurement by the Franchisee of any such Independent Service Quality Audit.

- 4.4 The Secretary of State (and any of his employees, agents, representatives and/or advisers, including for these purposes Rail North and any of its advisers, representatives and employees each such person to be referred to as a "**SoS Nominee**") shall have the right to witness any inspection carried out as part of an Independent Service Quality Audit. The Franchisee shall co-operate in good faith with the Secretary of State in permitting the Secretary of State (including a SoS Nominee) to exercise his rights under this paragraph 4.4 including by promptly providing to him the details of how and when any Independent Service Quality Audit will be conducted a reasonable time (and in any event not less than 2 weeks) prior to the commencement of any such Independent Service Quality Audit.
- 4.5 The Franchisee shall provide the report of any Independent Service Quality Audit to the Secretary of State as soon as reasonably practicable after the end of the Service Quality Year to which it relates and in any event by no later than the date that is 3 Reporting Periods after the end of the relevant Service Quality Year. To the extent that the confirmation specified in paragraph 4.2(a) cannot be provided in respect of any Independent Service Quality Audit the Franchisee shall procure that any such audit report specifies in detail the reasons why such confirmation cannot be given (including details of any material discrepancies between any Pass Rate reported by the Franchisee in accordance with paragraph 7 and a comparable Pass Rate derived from the inspections carried out as part of the Independent Service Quality Audit (and in particular where any such material discrepancies are in favour of the Franchisee)).

#### **Secretary of State's right of audit**

- 4.6 Without prejudice to any other audit rights the Secretary of State may have under the Franchise Agreement, the Secretary of State (and a SoS Nominee on his behalf), shall have the right to carry out audits (the "**SoS Audits**") for the purposes of verifying, as a minimum, the matters referred to in paragraph 4.1. The Secretary of State shall use his reasonable endeavours to procure that any inspections carried out as part of any SoS Audits undertaken pursuant to this paragraph 4.6 are conducted on a basis that is, as far as reasonable practicable, consistent with the Service Quality Inspections undertaken in respect of the Service Quality Year to which the SoS Audit relates.

#### **Consequences of a Failed SoS Audit or Independent Service Quality Audit**

- 4.7 If:
- (a) following an Independent Service Quality Audit or SoS Audit (as the case may be) any such audit cannot verify or confirm any of the matters referred to in paragraph 4.1 or any confirmation required by paragraph 4.2(a) cannot be provided; or
  - (b) the Franchisee fails to:
    - (i) carry out a Service Quality Inspection as required by paragraph 3.2; or
    - (ii) calculate the Pass Rates and/or report to the Secretary of State the Pass Rates as required pursuant to paragraphs 7.1 and 7.2; or

- (iii) procure that an Independent Service Quality Audit is carried out or fails to provide an audit report as required pursuant to paragraph 4.5,

then the following provisions of paragraphs 4.8 and 4.9 shall apply.

4.8 If any of the circumstances specified in paragraph 4.7 occur then:

- (a) the Secretary of State may in the case of an SoS Audit, require the Franchisee to reimburse to him the reasonable and proper costs incurred in undertaking any such SoS Audit; and
- (b) the Secretary of State may in all cases:
  - (i) require the Franchisee to carry out additional Service Quality Inspections at the Franchisee's cost (that is, in excess of those required pursuant to paragraph 3.2);
  - (ii) require the Franchisee to procure a further Independent Service Quality Audit (or the Secretary of State may carry out a further SoS Audit) for the purposes of verifying whether any deficiencies in the SQR Management System have led or contributed to the failure of any Independent Service Quality Audit or SoS Audit or to confirm or verify whether any of the matters referred to in paragraph 4.1 have been subsequently rectified by the Franchisee; or
  - (iii) elect to step in and carry out SoS Service Quality Inspections in place of the Service Quality Inspections for the duration of the Franchise Term or such other period as the Secretary of State may specify (the "**SoS Service Quality Inspection Period**") and in these circumstances:
    - (A) the results of each SoS Service Quality Inspection shall be used for the purposes of calculating the Pass Rates and the Service Quality Payments in accordance with paragraphs 7.1(b), 7.2 and 8 (respectively);
    - (B) the Franchisee's obligations to undertake Service Quality Inspections and procure an Independent Service Quality Audit shall cease to apply for the duration of the SoS Service Quality Inspection Period; and
    - (C) the Secretary of State may require the Franchisee to reimburse to him the reasonable and proper costs incurred by him in undertaking any such SoS Service Quality Inspection during the SoS Service Quality Inspection Period.

4.9

- (a) On the first occasion that any Independent Service Quality Audit or SoS Audit (as the case may be) reveals discrepancies in the Franchisee's calculation of the Pass Rate which in the reasonable opinion of the Secretary of State are considered to be material or (including where any

such Independent Service Quality Audit or SoS Audit (as the case may be) fails to confirm or verify any of the matters specified in paragraph 4.1 in circumstances where the Pass Rate has been calculated wrongly or there would have been a different Pass Rate if the Franchisee has complied with the requirements of paragraph 4.1) ("**Material Discrepancies**") and such Material Discrepancies are in the Franchisee's favour then the Franchisee shall include in the calculation of the Service Quality Payment that it makes for that Service Quality Year pursuant to paragraph 8 an amount determined as follows:

$$SQA_{LD} = (SQA_{actual} - SQA_{paid}) \times 2$$

where:

$SQA_{LD}$  means the amount to be added to the Service Quality Payment where the circumstances contemplated in this paragraph 4.9 apply;

$SQA_{actual}$  means the Service Quality Payment that should have been made in that Service Quality Year but for the Material Discrepancies in the Franchisee's calculation of the Pass Rate; and

$SQA_{paid}$  means the actual Service Quality Payment made in that Service Quality Year.

- (b) If the circumstance specified in paragraph 4.9(a) occurs on more than one occasion then a contravention of the Franchise Agreement shall occur.

5. **Requirements for access in relation to SoS Service Quality Inspections, SoS Audits and witnessing Independent Service Quality Audits and Service Quality Inspections**

5.1 The Franchisee shall grant such access to information, individuals and facilities including:

- (a) access to the Stations and SQR Trains;
- (b) access to schedules of the locations and times of any actual or planned Independent Service Quality Audits or Service Quality Inspections (as the case may be); and
- (c) access to the relevant Franchise Employees, records and information (including access to relevant third parties and information, records and other materials kept by such third parties on behalf of the Franchisee),

as is reasonably necessary to enable the Secretary of State and/or the SoS Nominees to carry out SoS Audits or SoS Service Quality Inspections (as the case may be) or to witness any Service Quality Inspections or Independent Service Quality Audits. The Franchisee shall ensure that it has necessary arrangements in place with any relevant third parties for the purposes of ensuring that it can comply with its obligations under this paragraph 5.1.

5.2 The Secretary of State shall use reasonable endeavours to ensure that the persons employed in undertaking any SoS Service Quality Inspections or SoS Audits carry out such audits diligently and objectively.



5.3 The Secretary of State shall use reasonable endeavours to notify the Franchisee of the result of any SoS Service Quality Inspection or SoS Audit that is undertaken.

5.4 In carrying out any SoS Service Quality Inspection or SoS Audit (as the case may be) or witnessing any Service Quality Inspections or Independent Service Quality Audits, the Secretary of State shall, subject to paragraph 5.5, be responsible for ensuring that the SoS Nominees:

- (a) are appropriately trained and briefed with respect to such reasonable location-specific safety rules and regulations; and
- (b) obey such reasonable location-specific rules and regulations in respect of security and access,

in each case, as have been notified to the Secretary of State under paragraph 5.5.

5.5 The Franchisee shall provide reasonable prior notice from time to time of current location-specific access, security and safety rules and regulations to the Secretary of State for the purpose of ensuring that the Secretary of State (and the SoS Nominees) can carry out their respective inspection and auditing rights in an efficient, secure and safe manner.

## 6. **Maintenance of Records**

Without limiting the obligations of the Franchisee pursuant to paragraphs 1.5 and 1.6 of Schedule 13 (Information and Industry Initiatives), the Franchisee shall, for the duration of the Franchise Term, maintain true, up to date and complete records of the results of each Service Quality Inspection and its calculations of the Pass Rates in relation to such Service Quality Inspections. The Franchisee shall, immediately at the request of the Secretary of State (or Rail North on its behalf) make any such records available to the Secretary of State or Rail North (as the case may be).

## 7. **Reporting Arrangements**

7.1 Within 14 days after the end of each Reporting Period, the Franchisee shall provide to the Secretary of State:

- (a) a statement (disaggregated to separately show the total number of Train Service Quality Inspections and Station Service Quality Inspections carried out in that Reporting Period) setting out the following:
  - (i) the number of Service Quality Inspections (and where applicable Service Quality Re-inspections) carried out in respect of each Service Quality Schedule in that Reporting Period;
  - (ii) for each Service Quality Schedule the number of Service Quality Inspections (and where applicable Service Quality Re-inspections) where a "fail" was recorded in respect of a Service Quality Indicator in that Reporting Period and setting out (to the extent known) the reasons why such failures occurred; and
  - (iii) for each Service Quality Schedule the number of Service Quality Inspections (and where applicable Service Quality

Re-inspections) where a "pass" was recorded in respect of a Service Quality Indicator in that Reporting Period; and

(iv) for each Service Quality Schedule and in respect of a Service Quality Area, the total number of "passes" and "fails" recorded in respect of each Service Quality Indicator comprised in such Service Quality Area; and

(b) in respect of that Reporting Period and for each Service Quality Schedule, its calculation of the Pass Rate for each Service Quality Area comprised in such Service Quality Schedule, such Pass Rate to be separately calculated for Train Service Quality Inspections and Station Service Quality Inspections in that Reporting Period as follows:

$$SQA_{pr} = \sum IPR_{rp}$$

where:

$SQA_{rp}$  is the Pass Rate for each Service Quality Area comprised in such service Quality Schedule for that Reporting Period;

$IPR_{rp}$  is ascertained as follows:

$$p \times w$$

where:

p is ascertained as follows:

$$P = \left( \frac{SQ_i - SQ_f}{SQ_i} \right) \times 100$$

where:

$SQ_i$  is in respect of each Service Quality Indicator relevant to a Service Quality Area, the total number of Service Quality Inspections (and where applicable Service Quality Re-inspections), carried out in respect of that Service Quality Indicator for that Reporting Period; and

$SQ_f$  is in respect of each Service Quality Indicator relevant to a Service Quality Area, the total number of Service Quality Inspections (and where applicable Service Quality Re-inspections) carried out in respect of that Service Quality Indicator for that Reporting Period where a "fail" was recorded; and

w is the weighting as specified in Column 4 of the table in Appendix 1 of the table of this Schedule 7.3 in respect of the relevant Service Quality Indicator comprised in that Service Quality Area.

7.2 Within 14 days after the end of each Service Quality Year, the Franchisee shall provide to the Secretary of State its calculation of the Pass Rate for that Service Quality Year in respect of each Service Quality Area comprised in each Service Quality Schedule, such Pass Rate to be separately calculated for the Train Service

Quality Inspections and the Station Service Quality Inspections carried out in that Service Quality Year as follows:

$$SQA_{yr} = \sum IPR_{yr}$$

where:

$SQA_{yr}$  is the Pass Rate for each Service Quality Area comprised in such Service Quality Schedule for that Service Quality Year;

$IPR_{yr}$  is ascertained as follows:

$$p \times w$$

where:

p is ascertained as follows:

$$P = \left( \frac{SQ_i - SQ_f}{SQ_i} \right) \times 100$$

where:

$SQ_i$  is in respect of each Service Quality Indicator relevant to a Service Quality Area, the total number of Service Quality Inspections (and where applicable Service Quality Re-inspections), carried out in respect of that Service Quality Indicator for that Service Quality Year;

$SQ_f$  is in respect of each Service Quality Indicator relevant to a Service Quality Area, the total number of Service Quality Inspections (and where applicable Service Quality Re-inspections) carried out in respect of that Service Quality Indicator for that Service Quality Year where a "fail" was recorded; and

w is the weighting as specified in Column 4 of the table in Appendix 1 of this Schedule 7.3 in respect of the Service Quality Indicator comprised in that Service Quality Area.

### 7.3 **Publication of Pass Rates**

- (a) The Franchisee shall publish (as a minimum) on its web site (in such format as the Secretary of State may reasonably require) details of:
- (i) the Pass Rate for each Service Quality Area for each Reporting Period and each Service Quality Year alongside the SQS Benchmark for such Service Quality Area; and
  - (ii) the Pass Rate for each Service Quality Area for each Service Quality Year alongside the applicable SQS Benchmark for such Service Quality Area.
- (b) The Franchisee shall ensure that the Pass Rates published by it pursuant to paragraph 7.3(a) are also recorded in the subsequent Customer

Report which relates to the Reporting Periods during which the applicable Pass Rates were achieved, along with:

- (i) from the third Customer Report onwards, a comparison with the Pass Rates achieved for the same Reporting Periods in the previous Franchisee Year accompanied by a supporting narrative describing the outcomes and implications of the results of such comparison exercise;
- (ii) a comparison against the applicable Pass Rates for the Reporting Periods in question accompanied by a supporting narrative describing the outcomes and implications of the results of such comparison exercise;
- (iii) details of any remedial work either:
  - (A) planned by the Franchisee to occur in the period in relation to which the next Customer Report will report to improve the Franchisee's performance in relation to achieving and exceeding the SQS Benchmarks in respect of any Service Quality Area where performance is below the applicable SQS Benchmark; or
  - (B) undertaken by the Franchisee during the Reporting Periods that have elapsed since the last Reporting Period reported on in the previous Customer Report or, in the case of the first Customer Report, since the Start Date, for the purposes of improving the Franchisee's performance in relation to achieving and exceeding the SQS Benchmarks for any Service Quality Area where performance was below the applicable SQS Benchmark; and
- (iv) details of any other initiatives planned to be implemented by the Franchisee to improve the Franchisee's performance against the SQS Benchmarks.

## 8. Calculation of the Service Quality Payments

### 8.1

- (a) For each Service Quality Year the Franchisee shall calculate the sum of the Franchisee's performance payments in respect of each Service Quality Area and for each Service Quality Schedule as follows:

$$SQP = TSQP + SSQP + SQA_{LD}$$

where:

SQP is the Service Quality Payment payable by the Franchisee to the Secretary of State for that Service Quality Year;

$$TSQP = \sum SAP_T$$

where:

SAP<sub>T</sub> is the amount which is payable by the Franchisee in respect of a Service Quality Area relating to SQR Trains (save that the maximum amount which the Franchisee shall be liable to pay in respect of any such Service Quality Area in any Service Quality Year shall not exceed £200,000 x RPI where RPI is 1 in the first Service Quality Year and in any subsequent Service Quality Year is the quotient of the Retail Prices Index for the January in which that subsequent Service Quality Year commences divided by the Retail Prices Index for January 2017) and which is calculated as follows;

$$(TBM - SQAT_{yr}) \times \text{£PR}$$

where:

TBM is the SQS Train Benchmark for each Service Quality Area;

SQAT<sub>yr</sub> is the value for SQA<sub>yr</sub> ascertained as specified in paragraph 7.2 but only in so far as such value relates to the Train Service Quality Inspections carried out in that Service Quality Year; and

£PR is:

- (i) in respect of the first Service Quality Year, £43,201; and
- (ii) in respect of any subsequent Service Quality Year £43,201 x RPI, where RPI is the quotient of the Retail Prices Index for the January in which that subsequent Service Quality Year commences divided by the Retail Prices Index for January 2015; and

$$SSQP = \sum SAPs$$

where:

SAPs is the amount payable by the Franchisee in respect of a Service Quality Area relating to Stations (save that the maximum amount which the Franchisee shall be liable to pay in respect of such Service Quality Area shall not exceed £500,000 x RPI where RPI is the quotient of the Retail Prices Index for the January in which that Service Quality Year commences divided by the Retail Prices Index for January 2015) and which is calculated as follows:

$$(SBM - SQAS_{yr}) \times \text{£PR}$$

where:

SBM is the SQS Station Benchmark for each Service Quality Area;

SQAS<sub>yr</sub> is the value for SQA<sub>yr</sub> ascertained as specified in paragraph 7.2 but only in so far as such value relates to the Station Service Quality Inspections carried out in that Service Quality Year; and

£PR is:

- (i) in respect of the first Service Quality Year, £108,003; and

- (ii) in respect of any subsequent Service Quality Year  $\text{£}108,003 \times \text{RPI}$ , where RPI is the quotient of the Retail Prices Index for the January in which that subsequent Service Quality Year commences divided by the Retail Prices Index for January 2015; and

SQALD is the amount determined pursuant to paragraph 4.9 and payable by the Franchisee in that Service Quality Year; and

- (b) for each Service Quality Year, the Franchisee shall by the date that is no later than 28 days after the end of that Service Quality Year calculate and notify to the Secretary of State the value of SQA<sub>yr</sub> (as determined pursuant to paragraph 7.2 and disaggregated by reference to the Train Service Quality Inspections and the Station Service Quality Inspections undertaken in that Service Quality Year) and the Service Quality Payment (calculated in accordance with this paragraph 8.1) for that Service Quality Year.
- (c) On the later of receipt of the:
  - (i) notification referred to in paragraph 8.1(b) by the Secretary of State in respect of a Service Quality Year; and
  - (ii) any audit report relating to any Independent Service Quality Audit or SoS Audit (as the case may be) undertaken in respect of that Service Quality Year:

the Secretary of State shall:

- (A) confirm to the Franchisee that he agrees with the calculation of SQA<sub>yr</sub> and the Service Quality Payment for that Service Quality Year, in which case, the Service Quality Payment for that Service Quality Year shall be paid in accordance with paragraph 8.2; and
- (B) where any Independent Service Quality Audit or SoS Audit (as the case may be) reveals that there were material discrepancies in the calculation of the Pass Rate (and so the Service Quality Payment) in favour of the Franchisee for that Service Quality Year (including where any such Independent Service Quality Audit or SoS Audit (as the case may be) fails to confirm or verify any of the matters specified in paragraphs 4.1(a) or 4.2(a), notify the Franchisee of that fact and the provisions of paragraph 4.9 shall apply.

## 8.2 Payment of Service Quality Payments

Any Service Quality Payment to be made in respect of any Service Quality Year shall be made by way of adjustment to Franchise Payments on the next Payment Date which falls more than 7 days following the receipt of the confirmation pursuant to paragraph 8.1(c)(ii)(A) and, where applicable, notification from the Secretary of State pursuant to paragraph 8.1(c)(ii)(B) provided that any Service Quality Payment to be made in respect of the final Service Quality Year shall be calculated in accordance with paragraph 8 but shall be paid by the Franchisee to the Secretary of State within 30 days of the receipt of the confirmation from the

Secretary of State pursuant to paragraph 8.1(c)(ii)(A) and, where applicable, notification from the Secretary of State pursuant to paragraph 8.1(c)(ii)(B).

9. **Requirements for Service Quality Re-inspections and other consequences of performance falling below the SQS Benchmark**

9.1 **Service Quality Re-inspections**

- (a) In addition to the information to be provided by the Franchisee pursuant to paragraph 7, the Franchise shall at the end of each Reporting Period provide to the Secretary of State a list of each facility or service comprised in a Station (on a Station by Station basis) against which a "fail" was recorded during any Service Quality Inspections or Service Quality Re-inspection (as the case may be).
- (b) If in any Reporting Period a "fail" is recorded against any Service Quality Schedule ("**Service Quality Failure**") then the Franchisee shall within 30 days of the occurrence of such Service Quality Failure rectify such Service Quality Failure and undertake an inspection of the relevant facility or service which resulted in the occurrence of such Service Quality Failure ("**Service Quality Re-inspection**"). The provisions of this paragraph 9.1(b) shall continue to apply until such a time as the relevant facility or service which has resulted in the occurrence of such Service Quality Failure is rectified and a Service Quality Re-inspection in respect of that facility or service has not resulted in a "fail". Any Service Quality Re-inspections carried out in a Reporting Period shall be in addition to any Service Quality Inspections carried out in that Reporting Period in respect of the relevant Service Quality Schedule and the scores for that Service Quality Re-inspection shall be included for the purposes of calculating the Pass Rates under paragraphs 7.1 and 7.2 and determining the Service Quality Payment under paragraph 8.
- (c) If following two Station Quality Re-inspections a "fail" is recorded against the same facility or service which resulted in the occurrence of a Service Quality Failure ("**Re-inspection Failure**") then the Franchisee shall within 14 days of the occurrence of such Re-inspection Failure notify the Secretary of State of such failure. The Franchisee shall prepare and submit to the Secretary of State together with such notice a plan which sets out the steps the Franchisee proposes to implement to ensure that the Re-inspection Failure is rectified before the next Service Quality Inspection and the Re-inspection Failure does not reoccur. The Franchisee shall implement such plan in accordance with its terms.

9.2 **Consequences of performance falling below the SQS Benchmark**

- (a) If the Pass Rate as calculated in accordance with paragraph 7.1 in respect of any Service Quality Area is below any SQS Benchmark for that Service Quality Area ("**Affected Service Quality Area**") for:
  - (i) any three consecutive Reporting Periods; or
  - (ii) any four Reporting Periods within any period of thirteen consecutive Reporting Periods,

then the Franchisee shall immediately notify the Secretary of State of such fact and within 28 days (or such longer period as the Secretary of State may specify) of the date of any such notification submit to the

Secretary of State (for his approval) its proposals (including proposed timescales for the implementation of any such proposals) for ensuring that the Affected Service Quality Area will, as soon as reasonable practicable, be provided at a level that is equal to or above the SQS Benchmark.

- (b) If the Secretary of State is not reasonably satisfied that any proposal submitted to him by the Franchisee pursuant to paragraph 9.2(a) will ensure that the Affected Service Quality Area will, as soon as reasonable practicable, be provided at a level that is equal to or above the SQS Benchmark for each such Affected Service Quality Area then the Secretary of State will notify the Franchisee of such fact (including his reasons for not being so reasonably satisfied) and the Franchisee shall within two weeks (or such longer period as the Secretary of State may specify) from receipt of any such notice from the Secretary of State submit a revised proposal which seeks to address any of the Secretary of State's concerns as notified to the Franchisee (the "**Revised Proposal**").
- (c) Following receipt of any proposal pursuant to paragraph 9.2(a) or (where applicable) receipt of a Revised Proposal the Secretary of State may require the Franchisee to implement any such proposal within such timescales as the Secretary of State may reasonably determine having regard to any timescales proposed by the Franchisee in any such proposal.
- (d) If following receipt of any Revised Proposal the Secretary of State is still not satisfied that such Revised Proposal will ensure that the Franchisee's performance in relation to the Affected Service Quality Area will, as soon as reasonable practicable be provided at a level that is equal to or above the SQS Benchmark then the Secretary of State may require the Franchisee to implement such alternative proposals or measures as the Secretary of State may reasonably determine, within such timescales as he may reasonably determine having regard to any timescales proposed by the Franchisee in such Revised Proposal.
- (e) If:
  - (i) the Franchisee fails to implement any proposal as required pursuant to this paragraph 9.2 within the required timescales; or
  - (ii) the Franchisee's performance in relation to the Affected Service Quality Area is not at a level that is equal to or above the SQS Benchmark within the period specified in such proposal (or the period reasonably determined by the Secretary of State in exercise of his rights under paragraph 9.2(c) or 9.2(d) (as the case may be),

then a contravention of the Franchise Agreement shall occur and the Secretary of State will (except as he may otherwise agree including by agreeing a variation pursuant to paragraph 11), and without prejudice to his other rights consequent upon the relevant contravention, serve a Remedial Plan Notice pursuant to paragraph 1.1 of Schedule 10.1 (Remedial Plans and Remedial Agreements).



10. **Variations to the Service Quality Regime**

- 10.1 Without prejudice to paragraph 10.2, the Secretary of State and the Franchisee may from time to time agree to vary the contents of the Service Quality Schedules, any SQS Benchmark and/or any of the payment rates in respect of SQR Trains and/or Stations as specified in paragraph 8.1 (including by reducing the SQS Benchmark in respect of certain Service Quality Areas and at the same time increasing others). Any variation agreed by the Secretary of State and the Franchisee pursuant to this paragraph 10.1 shall be effective from the date agreed by the parties for this purpose. Any such variation as agreed by the Secretary of State and the Franchisee shall not constitute a Change.
- 10.2 The parties agree that the Secretary of State shall have the right at any time during the Franchise Period to vary the provisions of this Schedule 7.2 (including in respect of any of the matters referred to in paragraph 10.1). The exercise by the Secretary of State of his rights under this paragraph 10.2 shall be a Change.

**Appendix 1 to Schedule 7.3**

**Service Quality Areas /SQS Benchmarks/Service Quality Indicators/Weightings**

<b>STATIONS</b>																
	<b>Column 1</b>	<b>Column 2</b>												<b>Column 3</b>	<b>Column 4</b>	
	<b>Service Quality Areas</b>	<b>SQS Station Benchmarks</b>												<b>Service Quality Indicators</b>	<b>Weightings</b>	
		2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026				
Stations	Ambience													1	Lighting	20%
														2	Seating	20%
														3	Shelters/canopies	20%
														4	Vegetation/landscaping	20%
		0.74	0.79	0.84	0.88	0.89	0.90	0.91	0.91	0.92	0.93	0.93		5	Toilet operation/fit for use	20%
	Maintenance													1	Winterisation	25%
														2	Hazardous Damage	25%
														3	Lifts/escalator operational	25%
		0.88	0.90	0.92	0.94	0.95	0.95	0.96	0.96	0.96	0.97	0.97		4	Car & cycle parking	25%
	Cleanliness													1	Cleanliness	30%
														2	Toilet cleanliness	20%
														3	Graffiti/etching	20%
0.61		0.69	0.76	0.84	0.85	0.87	0.88	0.89	0.90	0.92	0.92		4	Litter	30%	

	Information	0.76	0.80	0.85	0.89	0.90	0.91	0.91	0.92	0.93	0.94	0.94	1	Customer Information Screens operation/accuracy	30%	
													2	Help points operation/response	15%	
													3	Posters	10%	
													4	Public address	30%	
													5	Signs	15%	
	Ticketing	0.91	0.92	0.94	0.96	0.96	0.97	0.97	0.97	0.98	0.98	0.98	1	Ticket vending machines operation/info	100%	
<b>TRAINS</b>																
	Column 1	Column 2												Column 3	Column 4	
	Service Quality Areas	SQS Train Benchmarks												Service Quality Indicators	Weightings	
		2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026				
Trains	Ambience	0.81	0.84	0.87	0.90	0.91	0.91	0.92	0.92	0.93	0.93	0.93	1	Lighting	33%	
													2	Vehicle interior condition	34%	
													3	Toilet Operation & fit for use	33%	
	Cleanliness	0.65	0.72	0.79	0.86	0.87	0.88	0.89	0.91	0.92	0.93	0.93	0.93	1	Exterior cleanliness	10%
														2	Graffiti and etching	20%
														3	Interior cleanliness	30%
														4	Litter	20%
														5	Toilet cleanliness	20%
Information	0.82	0.86	0.90	0.94	0.94	0.94	0.95	0.95	0.95	0.95	0.95	0.95	1	Customer information display	47%	



## Appendix 2 to Schedule 7.3

### Service Quality Schedules

#### Station Service Schedules

Please note for all questions (apart from station signage) where it asks to Fail if something which is not present this only includes items which are on the station map for the station. New assets must be added onto the map.

FAULT TYPE	FAILURE CRITERIA
Car and Cycle Parking	<p><b>Fail:</b> if any of the following apply:</p> <ol style="list-style-type: none"> <li>1. Cycle racks/lockers/hoops are               <ol style="list-style-type: none"> <li>(a) not fit for purpose</li> <li>(b) not present and is shown on map</li> <li>(c) contain litter rendering use impossible.</li> </ol> </li> <li>2. Car parking or waiting bays are not clearly marked.</li> <li>3. There is no information or signage informing passengers of who may park in the car park and/or the sign is not legible.</li> </ol>
CIS	<p><b>Fail:</b> If any of the following apply:</p> <ol style="list-style-type: none"> <li>(a) screen not present although shown on map for the station</li> <li>(b) screen is not functioning to specification or the information is illegible</li> <li>(c) the information displayed appears to be incorrect at the time of the audit including the expected time of arrival (accurate to within 5 minutes) and the destination of those trains.</li> </ol>
Cleanliness	<p><b>Fail:</b> If ANY or all of the following apply</p> <ol style="list-style-type: none"> <li>(a) generally unclean in areas that passengers may come into contact with</li> <li>(b) staining of floor and walls, fluids on floor (c) dirt noticeable on glass surfaces</li> <li>(d) any area smells unpleasant through spillage, litter or general lack of cleanliness.</li> </ol>
Graffiti and etching	<p><b>Fail:</b> If any of the following apply</p> <ol style="list-style-type: none"> <li>(a) collectively there is graffiti/and or etching of an area more than 1xA3 in lobby or WC</li> <li>(b) collectively there is graffiti/and or etching of an area more than 2xA3 in all other areas</li> <li>(c) there is graffiti/and or etching that could be viewed as racist or obscene and likely to cause offence any size (to be reported to maintenance operator for removal within 24hrs)</li> <li>(d) there is one or more unauthorised poster or flyer.</li> </ol>

Hazardous damage	<b>Fail:</b> If an area has damage that could pose a danger to passengers and cannot be failed under any other area. (example: exposed wiring/broken glass or a trip hazard)
Help Point / Call for Aid	<b>Fail:</b> If help point (a) not present and is shown on the map (b) not operational (c) is faulty or poor reception for use or (d) the operator fails to answer call within 30 seconds.
Lifts and escalator Operational	<b>Fail:</b> Fail if lift and/or escalator are not functional and operational from 15 minutes before the departure of the first train and 10 minutes after the actual arrival of the last train.
Lighting	<b>Fail:</b> If lighting is required or on at time of audit and more than 10% of all lights found within any area of the station in line with the station map (e.g. platform, waiting room) are defective, (lights obscured by vegetation, or with dirty lenses or bulbs that cause inconsistent illumination shall be regarded as defective) and also lights which do not have a cover and/or cover is cracked or broken.
Litter	<b>Fail:</b> if (a) there are more than 10 items of litter, each larger than the size of a credit card found within any area of the Station in line with the station map, for example, platform or ICP; and or (b) more than 10 items of litter is present on the track bed or if any effluent discharge is visible.
Posters and Frames	<b>Fail:</b> If any one or more of the following applies: (a) poster and/or frame not present but shown on the map for the station. (b) the poster frame is damaged/rusting or insecure in any way (c) information is not visible through the full area of the front panel (d) the poster is not in correct location as agreed criteria (e) the poster is showing incorrect or out of date information (f) the poster should not be torn or damaged
Public Address –	<b>Fail:</b> If (a) not present if shown on map (b) not operational (c) inaudible (d) announcement not made (e) information was not provided timely or was incorrect at the time of audit.

<p>Seating</p>	<p><b>Fail:</b> If seats are</p> <ul style="list-style-type: none"> <li>(a) missing if shown on map</li> <li>(b) damaged and unusable (including torn upholstery &gt;5cm, splinters wooden and metal likely to cause injury or damage to clothing)</li> <li>(c) dirty (including rust stains) likely to cause soiling to clothing</li> <li>(d) seat is unsecure or unstable.</li> </ul>
<p>Shelter/Canopy fit for purpose Includes all canopies, stand alone shelters and waiting rooms at stations and any covered area where the public are able to stand.</p>	<p><b>Fail:</b> If</p> <ul style="list-style-type: none"> <li>(a) any shelter/canopy/waiting area is damaged in any way that results in it not functioning to its design limits or is missing.</li> <li>(b) Any shelter will not be fit for purpose if there are holes in the panels, panels are missing or polycarbonate panels are completely opaque or have been burnt in any way.</li> <li>(c) The shelter/canopy/waiting room is leaking or otherwise not waterproof where designed to be so.</li> <li>(d) Any closed shelter or waiting room is closed when it should be open.</li> </ul>
<p>Signs</p>	<p><b>Fail:</b> If required and there are no signs directing passengers to any of the following facilities, or where they exist they are damaged or defaced in a way that information is not legible.</p> <ul style="list-style-type: none"> <li>(a) platforms and destinations</li> <li>(b) exits</li> <li>(c) bridges/subways</li> <li>(d) ticket Offices</li> <li>(e) TVMs</li> <li>(f) waiting rooms</li> <li>(g) car parks</li> <li>(h) car park ticket machines</li> <li>(i) disabled access route</li> </ul>
<p>Ticket Buying Facilities</p>	<p><b>Fail:</b> If</p> <p>The ticket machine is not present but shown on the map. Any ticket machine is not working. If the following information is missing or not legible, name, address of operator, range of fares available, instructions on use, methods of payment and information on what passengers should do to contact in the event of a problem or to obtain a refund. The Ticket Office is not open to the public when it should be available.</p>
<p>Toilet(s)</p>	<p><b>Fail:</b> If the following items are missing from any toilet facility:</p>

	<ul style="list-style-type: none"> <li>(a) Toilet paper</li> <li>(b) Soap or hand wash</li> <li>(c) Hand towels (if no electric hand dryer provided or hand dryer is broken).</li> </ul>
Toilet(s) Operational - Fit for Use	<p><b>Fail:</b> If any or all the following apply to any toilet facility:</p> <ul style="list-style-type: none"> <li>(a) The toilet is not open as specified</li> <li>(b) More than &gt; 50% of cubicles are out of use (c) Lavatory or Urinals blocked</li> <li>(d) Flush system not operational</li> <li>(e) Disabled access facilities not operational (f) Baby change facilities not operational</li> <li>(g) Hand wash facilities not operational</li> <li>(h) Electric hand dryers (where fitted) not operational</li> <li>(i) Door locks not operational</li> <li>(j) Flooding on the floor</li> </ul>
Landscaping and Vegetation	<p><b>Fail:</b> If any of the following apply</p> <ul style="list-style-type: none"> <li>(a) vegetation is obstructing walkways, signs, lighting or CCTV</li> <li>(b) vegetation is likely to present a tripping hazard (not to be failed under hazardous damage question)</li> <li>(c) any growth of vegetation poses a risk of injury to persons or damage (including staining) to their clothing or articles</li> <li>(d) any area intended to be laid out with vegetation should be neat and tidy and not overgrown.</li> <li>(d) there are leaves which are slippery underfoot in an area where passengers may come into contact with it.</li> </ul>
Winterisation	<p><b>Fail:</b> If no evidence of grit application or snow clearing has taken place at the time audit takes place if required by weather conditions.</p>



## Train Service Schedules

No	Schedules	Criteria
1	Exterior cleanliness	Fail if any of the following apply: (a) slightly stained front end, (b) stained engrained dirt on body ends or streaked engrained body sides and/or body side window glass.
2	Customer information displays (Destination boards and Passenger Information Displays)	Fail if either the external or internal customer information screens are (a) not functioning (b) illegible and/or (c) showing incorrect information
3	Public address audio system	Fail if any of the following apply (a) the announcement is not audible or capable of being understood (b) an announcement of the train destination is not made immediately prior to departure from any terminal station (c) an announcement of the next station and appropriate interchange is not made on approach to the next station (d) an announcement is not made following a delay of five or more minutes.
4	Lighting (Passenger saloon, toilet and door vestibule)	Fail if either/both of the following apply (a) any light bulb or lighting tube does not illuminate when the power is on (b) any light cover is cracked or broken, is loose or is otherwise unfit for purpose or missing.
5	Vehicle interior condition	Fail if any 2 of the following list apply:- (a) unsightly damaged panel(s) or damaged panel trim(s) (b) seat tear(s) in seat fabric more than (25mm) (c) heavy wear pattern on floor coverings and seat coverings (d) loose and/or missing window seal(s) (e) broken and/or cracked window(s) (f) hole in vinyl or carpet

6	Graffiti and Etching	<p>Fail if any of the following apply</p> <ul style="list-style-type: none"> <li>(a) graffiti/etching is present which can be viewed as racist or obscene</li> <li>(b) outside the vehicle any graffiti covers an area greater than a A4 sized piece of paper</li> <li>(c) inside the vehicle any graffiti found is greater than an area 10cm<sup>2</sup>.</li> </ul>
7	<p>Interior cleanliness To include seats</p>	<p>Fail if any of the following applies</p> <ul style="list-style-type: none"> <li>(a) there is a contamination or spillage that is readily apparent to a passenger entering a carriage,</li> <li>(b) there is a contamination or spillage that would render the area or facility unusable and/or</li> <li>(c) any surface in the interior of the vehicle (excepting the floor) is subject to excessive dust, dirt (that a letter written in the dirt or dust it is clearly legible), staining or chewing gum. The floor has engrained dirt and is stained excepting recent tracked dirt from people's shoes.</li> </ul>
8	Litter	<p>Fail if either/both of the following apply</p> <ul style="list-style-type: none"> <li>(a) more than 6 items of litter (apart from current newspapers) per vehicle interior</li> <li>(b) any litter bins are full to the extent no more litter can be placed in the bins.</li> </ul>
9	Toilet	<p>Fail if any of the following apply: The door handle or locking mechanism is faulty;</p> <ul style="list-style-type: none"> <li>(a) Lavatory seat not in place.</li> <li>(b) Lavatory blocked or soiled or flush system not operational.</li> <li>(c) Hand wash water system not operational.</li> <li>(d) Toilet unavailable or "locked out of use".</li> <li>(e) Baby changing facilities (if fitted) are not clean and working.</li> <li>(f) Disabled Access and facilities (if fitted) are not working.</li> </ul>

10	Toilet facilities	<p>Fail if any of the following apply:</p> <ul style="list-style-type: none"> <li>(a) Toilet tissue not replenished.</li> <li>(b) Litter and disposal bins overflowing.</li> <li>(c) Soap not replenished.</li> <li>(d) All fixtures, fittings and surfaces dirty / soiled including toilet pan, seat, panels, floor, hand driers and mirrors or the floor has puddles (not splashes).</li> <li>(e) Hand towels not replenished (No means of hand drying available - not toilet tissue).</li> <li>(f) Toilet unavailable / "locked out of use".</li> </ul>
11	Mobile data coverage	<p>Fail if it is not possible to connect to the internet and view and refresh a webpage via the service provided by the train operator.</p>

## **SCHEDULE 8**

### **Payments**

- Schedule 8.1: Franchise Payments**  
**Appendix 1: Profit Share Thresholds**  
**Appendix 2: Components of AFA and DFR**
- Schedule 8.2: Annual Franchise Payments**  
**Appendix: Figures for the Calculation of Annual Franchise payments**
- Schedule 8.3: Miscellaneous Payment Provisions**
- Schedule 8.4: Track Access Adjustments and Station Charge Adjustments**

## SCHEDULE 8.1

### Franchise Payments

#### 1. Franchise Payments

1.1 The Franchise Payment for any Reporting Period shall be an amount equal to:

$$\text{£FP} = \text{PFP} + \text{TAA} + \text{SCA} + \text{CPS} + \text{TMDPS} + \text{SQP} + \text{EX}_A$$

where:

£FP means the Franchise Payment for that Reporting Period;

PFP means  $\left(\frac{\text{RPD}}{\text{FYD}} \times \text{AFP}\right)$

where:

RPD means the number of days in that Reporting Period;

FYD is equal to 365, or if February 29 falls during the Franchisee Year in which that Reporting Period falls, 366;

AFP means the Annual Franchise Payment for the Franchisee Year in which that Reporting Period occurs, as determined in accordance with Schedule 8.2 (Annual Franchise Payments);

TAA means any Track Access Adjustment to be made on that Reporting Period's Payment Date;

SCA means any Station Charge Adjustment to be made on that Reporting Period's Payment Date;

CPS means any Cancellations Performance Sum payable by the Secretary of State to the Franchisee on that Reporting Period's Payment Date (which shall only be a positive number);

TMDPS means any TOC Minute Delay Performance Sum payable by the Secretary of State to the Franchisee on that Reporting Period's Payment Date (which shall only be a positive number);

SQP means any Service Quality Payment payable by the Franchisee to the Secretary of State on that Reporting Period's Payment Date (which shall only be a negative number); and

EX<sub>A</sub> means any Excess Amount (as such term is defined in paragraph 19.4 of Schedule 13 (Information and Industry Initiatives) payable by the Franchisee to the Secretary of State on that Reporting Period's Payment Date (which shall only be a negative number);.

1.2 Where a Franchisee Year starts or ends during a Reporting Period, £FP and PFP shall be determined as if references in paragraph 1.1 to a Reporting Period were to each of the separate sections of two such Reporting Periods which fall either side of such Franchisee Year start or end, and the Franchise Payment for such

Reporting Period shall be the sum of £FP as determined for each such section of such Reporting Period.

1.3 The parties agree that:

- (a) each of £FP, TAA and SCA may be a positive or negative number;
- (b) where £FP is a positive number, the Secretary of State shall pay that amount to the Franchisee on the Payment Date for that Reporting Period; and
- (c) where £FP is a negative number, the Franchisee shall pay the corresponding positive amount to the Secretary of State on the Payment Date for that Reporting Period.

## 2. **Payment of Franchise Payments**

2.1 The Secretary of State shall notify the Franchisee, no less than seven days prior to the end of each Reporting Period, of the amount of the Franchise Payment payable in respect of that Reporting Period.

2.2 Each such notification shall set out in reasonable detail how the Franchise Payment has been calculated.

2.3 The Payment Date for a Reporting Period shall be the last Weekday of that Reporting Period.

2.4 Each Franchise Payment shall be payable by the Franchisee or, as the case may be, the Secretary of State in the amount notified by the Secretary of State in accordance with paragraph 2.1 on the Payment Date of the Reporting Period to which it relates.

2.5 Each Franchise Payment shall be made:

- (a) by automatic electronic funds transfer in pounds sterling to such bank account in the United Kingdom as the payee of such payment may have previously specified to the payer in writing; and
- (b) so that cleared funds are received in that account on or before the due date for payment.

2.6 If either party disputes the amount of a Franchise Payment, the dispute shall, unless the parties otherwise agree, be resolved in accordance with the provisions of Clause 8 (Governing Law) of this Franchise Agreement. Any such dispute shall not affect the obligation of either party to pay a Franchise Payment notified in accordance with this paragraph 2.

2.7 If either party fails to pay any amount to the other party on its due date, it shall in addition pay interest on such amount at the Interest Rate, calculated on a daily basis, from the due date for payment to the date on which payment is made.

2.8 If the amount of any Franchise Payment is agreed or determined to be incorrect and:

- (a) either party has made a payment to the other party which is greater than it would have made if the amount of the Franchise Payment had

been correct, then the recipient shall repay the excess within three Weekdays of the agreement or determination; or

- (b) either party has made a payment to the other party which is less than it would have made if the amount of the Franchise Payment had been correct, then the payer shall pay the amount of any shortfall to the payee within three Weekdays of the agreement or determination,

together, in each case, with interest on the amount payable at the Interest Rate, calculated on a daily basis from the date on which the Franchise Payment was paid until the date on which such excess amount or shortfall is paid.

### 3. Profit Share

#### 3.1 For the purposes of this paragraph 3:

**"First Profit Share Threshold"** means an amount in respect of any Franchisee Year determined as follows:

$$\text{FPST} \times \text{RPI} \times (\text{NRP}/13)$$

where:

FPST is the amount prescribed for these purposes in paragraph 1 of Appendix 1 (Profit Share Thresholds) to this Schedule 8.1 in respect of the relevant Franchisee Year;

RPI has the meaning given to it in Schedule 8.2 (Annual Franchise Payments); and

NRP means the whole number of Reporting Periods in that Franchisee Year.

**"Second Profit Share Threshold"** means an amount in respect of any Franchisee Year determined as follows:

$$\text{SPST} \times \text{RPI} \times (\text{NRP}/13)$$

where:

SPST is the amount prescribed for these purposes in paragraph 2 of Appendix 1 (Profit Share Thresholds) to this Schedule 8.1 in respect of the relevant Franchisee Year;

RPI has the meaning given to it in Schedule 8.2 (Annual Franchise Payments); and

NRP means the whole number of Reporting Periods in that Franchisee Year.

**"Third Profit Share Threshold"** means an amount in respect of any Franchisee Year determined as follows:

$TPST \times RPI \times (NRP/13)$

where:

- TPST is the amount prescribed for these purposes in paragraph 3 of Appendix 1 (Profit Share Thresholds) to this Schedule 8.1 in respect of the relevant Franchisee Year;
- RPI has the meaning given to it in Schedule 8.2 (Annual Franchise Payments); and
- NRP means the whole number of Reporting Periods in that Franchisee Year.

**"Relevant Profit"** means, subject to paragraph 3.4, in respect of any Franchisee Year, the total profit of the Franchisee for that Franchisee Year calculated by applying the accounting policies and standards set out in the Record of Assumptions and applied through the Financial Model:

- (a) after taking into account in respect of that Franchisee Year:
- (i) interest, finance income and finance charges (other than finance items recognised in respect of retirement benefits);
  - (ii) Franchise Payments;
  - (iii) all extraordinary and exceptional items, as defined under the accounting policies and standards set out in the Record of Assumptions and applied through the Financial Model;
  - (iv) the Franchisee's normal pension contributions in relation to the Franchise Section and any other pension schemes to the extent connected with the Franchise;
  - (v) any payments to Affiliates of the Franchisee (including management fees and royalty fees) and any fee payable in respect of the use of any brand by the Franchisee (whether or not such fee is payable to an Affiliate) where "brand" includes any word, mark, logo or device, trade mark rights, rights in respect of domain names, copyright or any other brand rights of any kind (the "**Brand Fee**") except to the extent that such payments exceed an amount to be determined as follows:

$AFA \times RPI$

where:

AFA is the amount specified in respect of each Franchisee Year in Column 2 of the table set out in paragraph 1 of Appendix 2 (Components of AFA and DFR) to this Schedule 8.1 (Franchise Payments) provided that if the Secretary of State exercises his right to extend the Franchise Agreement



pursuant to Schedule 18 (Additional Reporting Periods) for less than 13 Reporting Periods then the AFA for the Franchisee Year which commences 1 April 2025 shall be equal to  $A \times (B/13)$  where:

A means the amount specified in Column 2 of the table set out in paragraph 1 of Appendix 2 (Components of AFA and DFR) to this Schedule 8.1 for the period referred to as Year 10 (extension); and

B means the number of Reporting Periods in the Franchisee Year which commences 1 April 2025; and

RPI has the meaning given to it in the definition of Threshold Amount;

(vi) any sums payable by or to the Franchisee pursuant to the terms of the Supplemental Agreement; and

(vii) any capital expenditure to the extent that it is recognised as an operating cost in the Annual Audited Accounts and any depreciation on capital expenditure that is recognised as an expense in the Annual Audited Accounts, unless the depreciation policy and assumptions used in the Annual Audited Accounts are different to those set out in the Record of Assumptions and applied through the Financial Model, in which case an adjustment should be made to take account of the depreciation which would have been charged had the policy and assumptions set out in the Record of Assumptions been applied for the relevant Franchisee Year; and

(b) before taking into account in respect of that Franchisee Year:

(i) any taxation on profits including corporation tax;

(ii) shares of the profit of any Affiliate of the Franchisee, except dividends received in cash;

(iii) non cash entries in respect of the Franchise Section and any other pension schemes to the extent connected with the Franchise, excluding accruals or prepayments of any normal pension contributions due;

(iv) any payment made by the Franchisee consequent upon any breach or contravention of the Franchise Agreement and/or its Licences (including as a consequence of any penalty payment paid or payable pursuant to Section 57A of the Railways Act 1993);

(v) any profit share payments payable to the Secretary of State in relation to any Franchisee Year; and

- (vi) fees, remuneration and pension contributions in respect of any director and officers of the Franchisee in excess of an amount to be determined as follows:

$DFR \times [RPI]/[AWE]$  [Bidders to populate: Bidders to delete as appropriate]

where:

DFR is the amount specified in respect of each Franchisee Year in Column 2 of the table set out in paragraph 2 of Appendix 2 (Components of AFA and DFR) to this Schedule 8.1 (Franchise Payments) provided that if the Secretary of State exercises his right to extend the Franchise Agreement pursuant to Schedule 18 (Additional Reporting Periods) for less than 13 Reporting Periods then the DFR for the Franchisee Year which commences 1 April 2025 shall be equal to  $A \times (B/13)$  where:

A means the amount specified in Column 2 of the table set out in paragraph 2 of Appendix 2 (Components of AFA and DFR) to this Schedule 8.1 for the period referred to as Year 10 (extension); and

B means the number of Reporting Periods in the Franchisee Year which commences 1 April 2025; and

[RPI has the meaning given to it in the definition of Threshold Amount] or [AWE means  $\frac{CAWE}{OAW}$  where

CAWE means the Average Weekly Earnings published in the January immediately preceding the commencement of that Franchisee Year; and OAW means the Average Weekly Earnings for January 2015 [Bidders to populate: Bidders to delete as appropriate].

3.2 If the Annual Audited Accounts in respect of any Franchisee Year show that the Relevant Profit for that Franchisee Year exceeds the First Profit Share Threshold then, subject to paragraph 3.4, the Franchisee shall pay to the Secretary of State:

(a) 20% of Relevant Profit in excess of the First Profit Share Threshold but less than or equal to the Second Profit Share Threshold;

(b) 50% of Relevant Profit in excess of the Second Profit Share Threshold but less than or equal to the Third Profit Share Threshold; and

(c) 100% of Relevant Profit in excess of the Third Profit Share Threshold.

3.3 Subject to paragraphs 3.5 and 3.6 below, payments due under paragraph 3.2 shall be paid as part of the Franchise Payment for the first Reporting Period falling 30 or more days after delivery of the Annual Audited Accounts by the Franchisee to the Secretary of State under paragraph 3.9 of Schedule 13 (Information and Industry Initiatives) or if there is no such Reporting Period, within 30 days of the date of such delivery.

### 3.4

- (a) If in any Franchisee Year (or any period of 12 consecutive months after the end of the Franchise Period) (the "**Current Franchisee Year**") the Franchisee receives a compensation or other settlement payment of at least £200,000 x RPI arising from a single claim or series of related claims which relate wholly or partly to costs, losses or expenses (including loss of revenue) arising in any other Franchisee Year or Franchisee Years, then the Franchisee shall notify the Secretary of State of such payment as soon as reasonably practicable and for the purposes of this paragraph 3 and notwithstanding its other terms:
- (i) the payment which relates to such other Franchisee Year shall be attributed to that other Franchisee Year and not treated as received in the Current Franchisee Year;
  - (ii) where and to the extent any payments under this paragraph 3 in respect of any other Franchisee Year would have been made or would have been higher had that amount actually been received in that other Franchisee Year, the Franchisee shall pay a reconciliation amount to the Secretary of State within 30 days after delivery of the Annual Audited Accounts that relate to the Current Franchisee Year by the Franchisee to the Secretary of State under paragraph 3.9 of Schedule 13 (Information and Industry Initiatives) or, if there is no further requirement on the Franchisee to deliver Annual Audited Accounts following the end of the Franchise Period, within 30 days of the Franchisee receiving the relevant payment; and
  - (iii) RPI has the meaning given to it in Schedule 8.2 (Annual Franchise Payments).
- (b) Where the Secretary of State reasonably considers that in calculating Relevant Profit any particular item or transaction has not been accounted for on a reasonable basis (including where the accounting treatment looks to the form rather than the substance, of the item or transaction) he shall be entitled to require it to be accounted for on such other basis as he may reasonably determine and notify to the Franchisee provided that the Secretary of State shall not be entitled pursuant to this paragraph to alter the accounting policies of the Franchisee from those set out in the Record of Assumptions and applied through the Financial Model.
- (c) Without prejudice to paragraph 3.4(a) where the Annual Audited Accounts in relation to any previous Franchisee Year are subject to adjustment or restatement the Secretary of State shall have a discretion to require the recalculation of Relevant Profit for the relevant Franchisee Year and to require that the Franchisee shall pay to the Secretary of State the amount which is the difference between the profit share actually paid to the Secretary of State pursuant to paragraph 3.2 and the amount that would have been paid had the Relevant Profit been originally calculated on the basis that such adjustment or revision was included in the Annual Audited Accounts. Any payment due to the Secretary of State shall be paid by the Franchisee within 30 days of the Secretary of State notifying the Franchisee that he requires a payment to be made pursuant to this paragraph.

- 3.5 The Franchisee shall, within 10 days after delivery of any Annual Audited Accounts under paragraph 3.9 of Schedule 13 (Information and Industry Initiatives), deliver to the Secretary of State a report identifying:
- (a) the amount of total profit and the adjustments made in the calculation of Relevant Profit pursuant to this paragraph 3;
  - (b) any items falling under paragraph 3.4(a), including details of the allocation across Franchisee Years of such items; and
  - (c) any adjustments or restatements made in relation to the Annual Audited Accounts in respect of any previous Franchisee Year,

and shall provide such additional information, records or documents as the Secretary of State may reasonably require in relation to such matters (including an unqualified written report from the Franchisee's auditors addressed to the Secretary of State which confirms that any such report gives a true and fair view of the matters contained within it including the amount of total profit and the adjustments made in the calculation of Relevant Profit).

- 3.6 Any profit share payment pursuant to paragraph 3.2 to be made in respect of the final Franchisee Year shall be determined in accordance with this paragraph 3 but shall be paid within 30 days of the Secretary of State giving written notice to the Franchisee of the amount of such profit share payment.
- 3.7 If the Franchisee fails to provide the Annual Audited Accounts for the final Franchisee Year within four Reporting Periods of the expiry of the final Franchisee Year pursuant to paragraph 3.9 of Schedule 13 (Information and Industry Initiatives), the Secretary of State shall be entitled (but not obliged) to determine any Profit Share Adjustment in accordance with this paragraph 3 but by reference to any relevant information available to the Secretary of State at the time of such determination, including any information contained in the latest cumulative, year-to-date Management Accounts or in the Annual Management Accounts.

## APPENDIX 1 TO SCHEDULE 8.1

### Profit Share Thresholds

1. The prescribed amounts for the component of FPST for the relevant Franchisee Year and for the purposes of the definition of First Profit Share Threshold are as set out in the table below: [*Bidders to Populate*]

Franchisee Year	First Profit Share Threshold Amount <sup>74</sup>
Year 1	£[Insert Amount]
Year 2	£[Insert Amount]
Year 3	£[Insert Amount]
Year 4	£[Insert Amount]
Year 5	£[Insert Amount]
Year 6	£[Insert Amount]
Year 7	£[Insert Amount]
Year 8	£[Insert Amount]
Year 9	£[Insert Amount]
Year 10 (extension)	£[Insert Amount]

2. The prescribed amounts for the component of SPST for the relevant Franchisee Year and for the purposes of the definition of Second Profit Share Threshold are as set out in the table below: [*Bidders to Populate*]

Franchisee Year	Second Profit Share Threshold Amount <sup>75</sup>
Year 1	£[Insert Amount]
Year 2	£[Insert Amount]
Year 3	£[Insert Amount]
Year 4	£[Insert Amount]
Year 5	£[Insert Amount]
Year 6	£[Insert Amount]

<sup>74</sup> The maximum amount to be specified in this column will be 7.5% of total revenue (being farebox revenue and other income (excluding subsidy)) as provided in the Financial Templates in the ITT.

<sup>75</sup> The maximum amount to be specified in this column will be 9.5% of total revenue (being farebox revenue and other income (excluding subsidy)) as provided in the Financial Templates in the ITT.

Year 7	£[Insert Amount]
Year 8	£[Insert Amount]
Year 9	£[Insert Amount]
Year 10 (extension)	£[Insert Amount]

3. The prescribed amounts for the component of TPST for the relevant Franchisee Year and for the purposes of the definition of Third Profit Share Threshold are as set out in the table below: [*Bidders to Populate*]

<b>Franchisee Year</b>	<b>Third Profit Share Threshold Amount<sup>76</sup></b>
Year 1	£[Insert Amount]
Year 2	£[Insert Amount]
Year 3	£[Insert Amount]
Year 4	£[Insert Amount]
Year 5	£[Insert Amount]
Year 6	£[Insert Amount]
Year 7	£[Insert Amount]
Year 8	£[Insert Amount]
Year 9	£[Insert Amount]
Year 10 (extension)	£[Insert Amount]

<sup>76</sup> The maximum amount to be specified in this column will be 15% of total revenue (being farebox revenue and other income (excluding subsidy)) as provided in the Financial Templates in the ITT.

## APPENDIX 2 TO SCHEDULE 8.1

### Components of AFA and DFR

1. The amounts for the purposes of the component of AFA in paragraph 3(a)(v) of Schedule 8.1 (Franchise Payments) are set out in the table below:

<b>Franchisee Year</b>	<b>Component of AFA<sup>77</sup></b>
Year 1	£[Insert Amount]
Year 2	£[Insert Amount]
Year 3	£[Insert Amount]
Year 4	£[Insert Amount]
Year 5	£[Insert Amount]
Year 6	£[Insert Amount]
Year 7	£[Insert Amount]
Year 8	£[Insert Amount]
Year 9	£[Insert Amount]
Year 10 (extension)	£[Insert Amount]

2. The amounts for the purposes of the component of DFR in paragraph 3(b)(vi) of Schedule 8.1 (Franchise Payments) are set out in the table below:

<b>Franchisee Year</b>	<b>Component of DFR<sup>78</sup></b>
Year 1	£[Insert Amount]
Year 2	£[Insert Amount]
Year 3	£[Insert Amount]
Year 4	£[Insert Amount]
Year 5	£[Insert Amount]
Year 6	£[Insert Amount]
Year 7	£[Insert Amount]

<sup>77</sup> Bidders to populate.

<sup>78</sup> Bidders to populate.

Year 8	£[Insert Amount]
Year 9	£[Insert Amount]
Year 10 (extension)	£[Insert Amount]

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## SCHEDULE 8.2

### Annual Franchise Payments

#### 1. Annual Franchise Payments

The Annual Franchise Payment for any Franchisee Year is an amount equal to:

$$\text{AFP} = \text{FXD} + (\text{VCRPI} \times \text{RPI}) + (\text{VCAWE} \times \text{AWE}) + (\text{PRPI} \times \text{RPI}) + (\text{RRPI} \times \text{RPI})$$

where:

AFP equals the Annual Franchise Payment in the relevant Franchisee Year;

FXD means the figure shown in respect of the relevant Franchisee Year in Column 2 of the table set out in the Appendix (Figures for Calculation of Annual Franchise Payments) to this Schedule 8.2;

VCRPI means the figure shown in respect of the relevant Franchisee Year in Column 3 of the table set out in the Appendix (Figures for Calculation of Annual Franchise Payments) to this Schedule 8.2;

RPI is the quotient of the Retail Prices Index for the January which immediately precedes the commencement of the relevant Franchisee Year divided by the Retail Prices Index for January 2015;

VCAWE means the figure shown in respect of the relevant Franchisee Year in Column 4 of the table set out in the Appendix (Figures for Calculation of Annual Franchise Payments) to this Schedule 8.2;

AWE is the quotient of the Average Weekly Earnings for the January which immediately precedes the commencement of the relevant Franchisee Year divided by the Average Weekly Earnings for January 2015;

PRPI means the figure shown in respect of the relevant Franchisee Year in Column 5 of the table set out in the Appendix (Figures for Calculation of Annual Franchise Payments) to this Schedule 8.2; and

RRPI means the figure shown in respect of the relevant Franchisee Year in Column 6 of the table set out in the Appendix (Figures for Calculation of Annual Franchise Payments) to this Schedule 8.2 (and which shall always be expressed as a negative number).

**APPENDIX TO SCHEDULE 8.2**

**Figures for Calculation of Annual Franchise Payments**

*[Bidders to populate]*

<b>Column 1</b>	<b>Column 2</b>	<b>Column 3</b>	<b>Column 4</b>	<b>Column 5</b>	<b>Column 6</b>
<b>Franchisee Year</b>	<b>FXD</b>	<b>VCRPI</b>	<b>VCAWE</b>	<b>PRPI</b>	<b>RRPI<sup>79</sup></b>
<b>Year 1</b>					
<b>Year 2</b>					
<b>Year 3</b>					
<b>Year 4</b>					
<b>Year 5</b>					
<b>Year 6</b>					
<b>Year 7</b>					
<b>Year 8</b>					
<b>Year 9</b>					
<b>Year 10 (extension)</b>					

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<sup>79</sup> To be expressed as negative numbers.

## **SCHEDULE 8.3**

### **Miscellaneous Payment Provisions**

The Secretary of State, in his discretion, may at any time decide to reimburse or ameliorate net losses of the Franchisee arising from Industrial Action (however caused and of whatever nature) in circumstances where the Franchisee has demonstrated to the satisfaction of the Secretary of State that it has taken all reasonable steps to avoid the Industrial Action and that, Industrial Action having nevertheless occurred, the Franchisee has taken all reasonable steps to mitigate its effects.

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## SCHEDULE 8.4

### Track Access Adjustments and Station Charge Adjustments

#### 1. Track Access Adjustments

- 1.1 The Track Access Adjustment to be made in respect of any Reporting Period shall be determined in accordance with the following formula:

$$\text{TAA} = (\text{GCA} - \text{W}) \times \frac{\text{RPD}}{\text{FYD}}$$

where:

TAA means the Track Access Adjustment to be made in that Reporting Period;

GCA is the value of "GC" for the Franchisee Year in which the Reporting Period falls under Part 3A of Schedule 7 of the Track Access Agreement;

W is the value of "Wt" for the Franchisee Year in which the Reporting Period falls under Part 2 of Schedule 7 of the Track Access Agreement;

RPD means the number of days in that Reporting Period; and

FYD means the number of days in the Franchisee Year in which that Reporting Period falls,

except that, where a Reporting Period falls during two Franchisee Years, TAA shall be determined as if the references to Reporting Period were to each of the two periods within such Reporting Period which fall wholly within one of such Franchisee Years and the Track Access Adjustment to be made in that Reporting Period shall reflect the sum of TAA as determined for each such period.

- 1.2 The Franchisee shall notify the Secretary of State upon becoming aware that any Track Access Adjustment is to be made and shall supply such information as the Secretary of State may require in relation thereto. The Franchisee shall exercise its rights under the Track Access Agreement in such manner and take such other action as the Secretary of State may reasonably require in connection with any related payment thereunder (including in relation to any agreement of the amount of any such payment and including submitting any relevant dispute to any relevant dispute resolution procedures). The Franchisee shall not, without the consent of the Secretary of State, agree or propose to agree a value for "Wt" or "GC" under Parts 2 or 3A of Schedule 7 of the Track Access Agreement.
- 1.3 The Franchisee shall provide such evidence of payment as the Secretary of State may require (including any certificates) for the purpose of determining the value of "W" and "GCA" under paragraph 1.1.
- 1.4 If no value is ascertained for "W" or "GCA" prior to the date on which the Franchise Payment for the relevant Reporting Period is determined, then a Track Access Adjustment shall only be determined to the extent such values can be ascertained at such time and, when such values are subsequently ascertained, adjustment shall be made to reflect the full Track Access Adjustment for such Reporting Period.

1.5 The values of "W" and "GCA" when used in the computation in paragraph 1.1 shall be taken to exclude any input Value Added Tax which is recoverable in respect of the payments they represent by the Franchisee under Sections 24 to 26 of the Value Added Tax Act 1994.

1.6 References in this paragraph 1 to "Wt" and "GC" and Parts 2 and 3A of Schedule 7 of the Track Access Agreement shall be deemed also to be references to such other provisions, and such other algebra under any such other provisions, of any Track Access Agreement as the Secretary of State may reasonably consider have an equivalent effect, or are intended to fulfil the same function, as "Wt" or "GC" and Parts 2 or 3A of Schedule 7 of the Track Access Agreement to which the Franchisee is a party on the Start Date.

## 2. **Station Charge Adjustment**

2.1 The Station Charge Adjustment to be made in respect of any Reporting Period shall be the aggregate of the Individual Station Charge Adjustments as determined in accordance with the following formula for each Station and each other Franchisee Access Station:

$$ISCA = L \times \frac{RPD}{FYD}$$

where:

ISCA means the Individual Station Charge Adjustment for the relevant station for that Reporting Period;

L is the value of "Lt" for the Franchisee Year in which the Reporting Period falls under:

- (a) if the relevant station is not an Independent Station, Condition F11.2 of the Station Access Conditions entitled "National Station Access Conditions 2013 (England and Wales) (incorporating amendments with effect from 1 April 2014)" relating to such station; or
- (b) if the relevant station is an Independent Station, Condition 42.3 of the Independent Station Access Conditions relating to that Independent Station,

in each case, to the extent that value represents an amount payable to or by Network Rail or any other relevant Facility Owner by or to the Franchisee on its own behalf under the relevant Access Agreement (excluding any amount payable to Network Rail by the Franchisee in its capacity as Facility Owner of a station on behalf of a beneficiary which is party to an Access Agreement in respect of a Station);

RPD means the number of days in that Reporting Period; and

FYD means the number of days in the Franchisee Year in which that Reporting Period falls except that, where a Reporting Period falls during two Franchisee Years, the Station Charge Adjustment shall be determined as if the references to Reporting Period were to each of the two periods within such Reporting Period which fall wholly within one of such Franchisee Years and the Station Charge Adjustment for such Reporting

Period shall be the sum of the Station Charge Adjustment as determined for each such period.

- 2.2 The Franchisee shall notify the Secretary of State upon becoming aware that any Station Charge Adjustment is to be made and shall supply such information as the Secretary of State may require in relation thereto. The Franchisee shall exercise such rights as it may have under any Access Agreement in such manner and take such other action as the Secretary of State may reasonably require in connection with any related payment thereunder (including in relation to any agreement of the amount of any such payment and including submitting any relevant dispute to any relevant dispute resolution procedures). The Franchisee shall not, without the consent of the Secretary of State, agree or propose to agree a value for "Lt" under any relevant Access Agreement.
- 2.3 The Franchisee shall provide such evidence of payment as the Secretary of State may require (including any certificates) for the purpose of determining the value of "L" under paragraph 2.1.
- 2.4 If no value is ascertained for "L" prior to the date on which the Franchise Payment for the relevant Reporting Period is determined, then a Station Charge Adjustment shall only be determined to the extent such values can be ascertained at such time and, when such values are subsequently ascertained, an adjustment shall be made to reflect the full Station Charge Adjustment for such Reporting Period.
- 2.5 The value of "L" when used in the computation in paragraph 2.2 shall be taken to exclude any input Value Added Tax which is recoverable in respect of the payments they represent by the Franchisee under Sections 24 to 26 of the Value Added Tax Act 1994.
- 2.6 For the purposes of this paragraph 2, "**Independent Station**" shall mean, at any time, any station of which Network Rail is the Facility Owner at that time.
- 2.7 References in this paragraph 2 to "Lt", Condition F11.2 of the Station Access Conditions entitled "National Station Access Conditions 2013 (England and Wales) (incorporating amendments with effect from 1 April 2014)" and Condition 42.3 of the Independent Station Access Conditions shall be deemed also to be references to such other provisions, and such other algebra under any such other provisions, of any relevant station access conditions as the Secretary of State may reasonably consider have an equivalent effect, or are intended to fulfil the same function as, "Lt" and Condition F11.2 of the Station Access Conditions entitled "National Station Access Conditions 2013 (England and Wales) (incorporating amendments with effect from 1 April 2014)" and Condition 42.3 of the Independent Station Access Conditions which are in effect on the Start Date.

## **SCHEDULE 9**

### **Changes**

- Schedule 9.1: Financial and Other Consequences of Change**
- Appendix 1: Summary Flow Chart**
- Appendix 2: Agreement or Determination of Revised Inputs**
- Annex to Appendix 2: Incentivising Long Term Investment**
- Schedule 9.2: Identity of the Financial Model etc.**
- Schedule 9.3: Secretary of State Risk Assumptions**
- Schedule 9.4: Specified Infrastructure Related Change**
- Schedule 9.5: Variations to the Franchise Agreement and Incentivising Beneficial Changes**

## SCHEDULE 9.1

### Financial and Other Consequences of Change

#### 1. Purpose and Application of Schedule

1.1 This Schedule 9.1 sets out:

- (a) the circumstances in which the occurrence of a Change will result in an adjustment to the Franchise Payments, the Benchmarks and/or the Annual Benchmarks and wherever in Schedule 9 reference is made to "adjustment to Franchise Payments" such reference shall be construed to include (unless the context otherwise requires):
  - (i) the restatement of the values of FPST, SPST and TPST as specified in respect of each Franchisee Year in paragraphs 1, 2 and 3 (respectively) of Appendix 1 to Schedule 8.1 (Franchise Payments) ("**Profit Share Components**"); and
  - (ii) the restatement of the values of AFA and DFR as specified in respect of each Franchisee Year in paragraphs 1 and 2 (respectively) of Appendix 2 to Schedule 8.1 ("**AFA/DFR Components**");
- (b) the process by which that adjustment to the Franchise Payments and/or the Benchmarks and/or the Annual Benchmarks will be determined and effected; and
- (c) provisions dealing with the responsibility for costs incurred by the Franchisee in connection with any audit of the Run of the Financial Model and its results.

1.2 Schedule 9.2 (Identity of the Financial Model etc.) contains provisions dealing with the Financial Model which are relevant to the operation of this Schedule 9.1.

1.3 This Schedule 9.1 shall apply in relation to a Change where:

- (a) there are good reasons for considering that that Change will be a Qualifying Change or, with other Changes, part of an Aggregated Qualifying Change; and
- (b) the required notice(s) has/have been given in accordance with paragraph 1.4 (or the parties have agreed that this Schedule 9.1 will apply and there should be a Run of the Financial Model and/or a review of the Benchmarks and/or the Annual Benchmarks even though the required notices have not been given).

1.4 The notice requirements are that:

- (a) subject to paragraph 1.4(b), a party must have notified the other that it considers that the Change will be a Qualifying Change and that it requires a Run of the Financial Model and/or a review of the Benchmarks and/or the Annual Benchmarks in respect of that Change:



- (i) within 6 months of the notification or agreement of that Change if it is a Variation pursuant to paragraph 1.1 of Schedule 9.5 (Variations to the Franchise Agreement and Incentivising Beneficial Changes); or
    - (ii) within 6 months of becoming aware of it, if it is any other type of Change; and
  - (b) in the case of an Aggregated Qualifying Change, a party must have notified the other:
    - (i) after an individual Change occurs, within the time limits stated in paragraphs 1.4(a)(i) or 1.4(a)(ii), that it reserves the right to count that Change towards an Aggregated Qualifying Change; and
    - (ii) within 6 months of the occurrence of the last Change which that party considers will trigger an Aggregated Qualifying Change, that the party requires a Run of the Financial Model and/or a review of the Benchmarks and/or the Annual Benchmarks in respect of the Changes comprised in that Aggregated Qualifying Change. The notice must identify each of the Changes included in the Aggregated Qualifying Change.
- 1.5 References in the remainder of this Schedule 9.1 and in Schedule 9.2 (Identity of the Financial Model etc.) to a “**Change**” are to a Change in respect of which the requirements in paragraph 1.3 have been satisfied.
- 1.6 Appendix 1 (Summary Flow Chart) to this Schedule 9.1 contains a flow chart summary of the process described in this Schedule 9.1. This is for guidance only and if there are any inconsistencies between this flow chart and any other of the contents of Schedule 9 (Changes), the latter shall apply.
- 2. Timescales**
- 2.1 Where this Schedule 9.1 applies, any resulting restatement of the Annual Franchise Payment Components, the Profit Share Components, the AFA/DFR Components and the Benchmarks and/or the Annual Benchmarks (as applicable) shall be made in accordance with this Schedule 9.1:
- (a) where it is reasonably practicable to do so, at least three Reporting Periods prior to the Change; or
  - (b) where the timescale in paragraph 2.1(a) is not reasonably practicable, as soon as reasonably practicable after that.
- 2.2 If paragraph 2.1(b) applies and it is not reasonably practicable for the restatement of the Annual Franchise Payment Components, the Profit Share Components and the AFA/DFR Components to be made before the Change occurs, then paragraph 9 (Estimated Revisions) shall apply.
- 3. How any adjustments to Franchise Payments will be established**
- 3.1 The adjustments, if any, to the Franchise Payments to be made in respect of any Change shall be established by:

- (a) establishing those Model Changes and/or Revised Inputs required to take account of the Change; then
- (b) applying those Model Changes and/or Revised Inputs to the Financial Model before performing a Run of the Financial Model to generate the New Results; then
- (c) restating the Annual Franchise Payment Components, the Profit Share Components and the AFA/DFR Components by, in each case, substituting the New Results for the Old Results (so that, to the extent that the New Results and the Old Results are different, this will result in an adjustment to the Franchise Payments),

in each case, subject to and in accordance with the terms more particularly described in this Schedule 9.1

#### 4. **How Model Changes and/or Revised Inputs will be established**

4.1 The parties shall agree or the Secretary of State shall reasonably determine the Revised Inputs and (if any) the Model Changes.

4.2 **"Revised Inputs"** means:

- (a) the data that the Financial Model utilised in order to produce the Old Results, as such data is recorded in the Financial Model released by the Secretary of State pursuant to either of paragraphs 2.1(d) or 2.2 of Schedule 9.2 (Identity of the Financial Model etc.) for the purposes of the Run of the Financial Model; but
- (b) amended, whether by way of increase, reduction or other alterations to such data, (if at all) only as the parties may agree or the Secretary of State may reasonably determine is required by the provisions of Appendix 2 (Agreement or Determination of Revised Inputs) to this Schedule 9.1 in respect of a Change.

4.3 **"Model Changes"** means any changes that the parties may agree or the Secretary of State may reasonably determine are required to the Financial Model and/or the Operational Model, as released by the Secretary of State pursuant to either of paragraphs 2.1(d) or 2.2 of Schedule 9.2 (Identity of the Financial Model etc.), for the purposes of the Run of the Financial Model, as a consequence of and in order to give effect to the Revised Inputs.

4.4 The Secretary of State shall provide a written statement of the Revised Inputs and any Model Changes to the Franchisee for the purposes of paragraph 7 promptly after they have been agreed or determined.

#### 5. **Changes to Benchmarks and/or Annual Benchmarks**

5.1 This paragraph 5 shall apply if either party has given notice to the other that it considers that a Change has or will have, in that party's reasonable opinion, a material effect on the risk of the Franchisee failing to satisfy the requirements of any Benchmark and/or Annual Benchmark (whether in terms of increasing or reducing that risk).

5.2 Any notice referred to in paragraph 5.1 shall be given as soon as reasonably practicable and in any event before the parties have agreed or the Secretary of State has reasonably determined the Revised Inputs in respect of the Change.

5.3 Where this paragraph 5 applies, the relevant Benchmarks and/or Annual Benchmarks shall be revised to the extent that such revision is reasonably considered to be necessary to hold constant the risk of the Franchisee failing to satisfy the requirements of that Benchmark and/or Annual Benchmarks. The parties shall agree or the Secretary of State shall reasonably determine any such revision(s).

5.4 For the purposes of any revision to the Benchmarks and/or Annual Benchmarks under this paragraph 5, regard may be had to:

- (a) any assumptions in the Record of Assumptions; and/or
- (b) the contents of an Operational Model; and/or
- (c) any other information,

to the extent they are relevant to the consideration of whether a revision is reasonably considered to be appropriate to take account of the Change.

**6. Run of the Financial Model following agreement or determination of the Revised Inputs and Model Changes**

6.1 When the Revised Inputs and Model Changes (if any) are agreed or determined there shall be a Run of the Financial Model.

6.2 The Run of the Financial Model shall be performed after making any Model Changes and utilising the Revised Inputs and shall be performed by:

- (a) the Franchisee promptly on receiving notification of the Revised Inputs and any Model Changes from the Secretary of State pursuant to paragraph 4.4 or within such period of time as the Secretary of State shall reasonably determine; or
- (b) the Secretary of State if the Franchisee fails to do so. In these circumstances, the Franchisee shall reimburse to the Secretary of State the Secretary of State's costs of performing the Run of the Financial Model.

6.3 The party that performs the Run of the Financial Model pursuant to paragraph 6.2 shall provide the non performing party with a reasonable opportunity to be in attendance and shall promptly notify such other party of the New Results.

6.4 Where there is more than one Change, Runs of the Financial Model in respect of such Changes shall (unless otherwise agreed or the Secretary of State reasonably determines) be undertaken in the order in which such Changes occur. For this purpose, the order of occurrence will be determined by reference to the earliest date from which the Franchise Payments are reasonably expected to require adjustment as a result of the restatement of the Annual Franchise Payment Components triggered by a Change. This will be as agreed between the parties or in the absence of agreement be reasonably determined by the Secretary of State.

**7. Certification or Audit of the New Results**

7.1 The Secretary of State, as soon as reasonably practicable after receiving or generating the New Results pursuant to paragraph 6.3, shall either:

- (a) certify to the Franchisee his approval of the New Results; or

- (b) notify the Franchisee that he requires the Run of the Financial Model and its results to be audited by an independent auditor appointed by the Secretary of State with the approval (not to be unreasonably withheld) of the Franchisee.
  - 7.2 For the purposes of paragraph 7.1(b), the requirement for an audit is one that requires the auditor either to certify:
    - (a) that the New Results have been produced by applying the Revised Inputs (as provided to the Franchisee by the Secretary of State pursuant to paragraph 4.4) to the Financial Model after making the Model Changes (as provided to the Franchisee by the Secretary of State pursuant to paragraph 4.4); or
    - (b) the New Results themselves, by itself applying the Revised Inputs (as provided to the Franchisee by the Secretary of State pursuant to paragraph 4.4) to the Financial Model after making the Model Changes (as provided to the Franchisee by the Secretary of State pursuant to paragraph 4.4).
  - 7.3 The parties shall procure that any auditor is, as soon as reasonably practicable after his appointment, able to discharge the audit requirements.
  - 7.4 The results as certified by the Secretary of State pursuant to paragraph 7.1 or by the auditor pursuant to paragraph 7.2 shall be final and binding on the parties, except in the case of manifest error.
  - 7.5 The Secretary of State may stipulate (on or before the date on which the Secretary of State approves or the auditor certifies the results of the Run of the Financial Model) in respect of a Change that the restated Annual Franchise Payment Components are to apply for a limited period of time only (the "**Initial Period**"), with provision thereafter, if appropriate, for a further Run of the Financial Model with new Revised Inputs and/or Model Changes based on information available at that time.
  - 8. **Restatement of the Annual Franchise Payment Components, the Profit Share Components, the AFA/DFR Components, the Benchmarks and/or Annual Benchmarks**
  - 8.1 When the New Results have been certified by the Secretary of State or the auditor in accordance with paragraph 7 then:
    - (a) if:
      - (i) there is any difference between the Old Results and the New Results; and
      - (ii) the New Results are such that the Change:
        - (1) meets the criteria for a Qualifying Change; or
        - (2) with other Changes meets the criteria for an Aggregated Qualifying Change,
- the Annual Franchise Payment Components, the Profit Share Components and the AFA/DFR Components shall be restated in the amounts of the New Results; and

- (b) if any changes to the Benchmarks and/or Annual Benchmarks have been agreed or determined in accordance with paragraph 5, the Benchmarks and/or Annual Benchmarks shall be restated to give effect to those changes.
- 8.2 Subject to paragraph 8.3, the restatement of the Annual Franchise Payment Components, the Profit Share Components and the AFA/DFR Components shall have effect on and from the date on which the Secretary of State or the auditor certifies the results of the Run of the Financial Model.
- 8.3 If and to the extent that:
- (a) the application of the New Results in respect of the then current or any earlier Franchisee Year would result in any change to the amount of any payments already made between the Secretary of State and the Franchisee; and
  - (b) that change in payments is not already taken into account in any Reconciliation Amount payable pursuant to paragraph 9.11,

then a reconciliation payment shall be paid by the Franchisee or the Secretary of State (as the case may be). The payment shall be made on the first Payment Date which falls more than seven days after agreement or determination of the amount of the reconciliation payment required (or if there is no such Payment Date, within 14 days after such agreement or determination).

## 9. **Estimated Revisions**

- 9.1 This paragraph 9 applies where there is or is to be a Change before there is a Run of the Financial Model in respect of it. It provides a mechanism for interim adjustments in Franchise Payments pending the final agreement or determination of those adjustments under this Schedule 9.1.
- 9.2 Where this paragraph 9 applies, the Secretary of State shall make the Estimated Revisions described in paragraph 9.3:
- (a) if the Franchisee requests the Secretary of State to do so at the same time as requesting a Run of the Financial Model in respect of the Change under paragraph 1.4; or
  - (b) if the Secretary of State otherwise agrees or chooses (in his discretion) to do so.
- 9.3 The estimated revisions are the Secretary of State's estimates of the New Results which will apply once the process in paragraphs 4 - 8 of this Schedule 9.1 has been completed in respect of the Change (the "**Estimated Revisions**"). For the avoidance of doubt, Revised Inputs are not made in order to generate or take account of the Estimated Revisions.
- 9.4 The estimates referred to in paragraph 9.3 will be such estimates as the Secretary of State, acting reasonably, makes having regard to the time and the information available to him at the time the estimates fall to be made, provided always that it is acknowledged that:
- (a) the purpose of the estimates is to enable provision to be made in respect of adjustments to the Annual Franchise Payment Components, the Profit Share Components and the AFA/DFR Components before full information

about the Change is available and/or full consideration of the nature and extent of Revised Inputs and/or Model Changes has been undertaken;

- (b) it may not be reasonably practicable in all circumstances for the Secretary of State to take into account in such an estimate all actual or potential impacts of a Change. Where the Secretary of State is aware that there are any such actual or potential impacts which he has not taken into account, he shall notify the Franchisee of them when notifying the Estimated Revisions pursuant to paragraph 9.2; and
- (c) the Secretary of State shall be entitled to adjust any Estimated Revision notified pursuant to paragraph 9.2 to the extent he reasonably considers appropriate if at any time:
  - (i) the Secretary of State becomes aware of any new or revised information which would, if it had been available to him at the time he made his original estimate, have resulted in him making a different Estimated Revision; and
  - (ii) it is reasonable to revise the Estimated Revision having regard to the likely period of delay prior to the Run of the Financial Model in respect of the relevant Change.

9.5 In the circumstances described in paragraph 9.2 and paragraph 9.4(c), the Annual Franchise Payment Components, the Profit Share Components and the AFA/DFR Components shall be restated in the amounts and values of the Estimated Revisions, and Franchise Payments shall be paid accordingly until the Run of the Financial Model has taken place and its results have been put into effect.

9.6 The Secretary of State shall use all reasonable endeavours to notify the Franchisee of the Estimated Revisions required by paragraph 9.2 at least two Reporting Periods before he considers the Change is likely to occur. If, having exercised all reasonable endeavours, the Secretary of State cannot provide two Reporting Periods' notice, he shall provide such notification as soon as reasonably practicable afterwards.

9.7 The restatement of the Annual Franchise Payment Components, the Profit Share Components and the AFA/DFR Components referred to in paragraph 9.5 shall have effect on and from:

- (a) the date on which the Secretary of State notifies the Franchisee of the Estimated Revisions; or
- (b) such other date as the Secretary of State, acting reasonably, may notify the Franchisee as the date on which the Secretary of State considers the Estimated Revisions should reasonably take effect, consistent with the matters taken into account by the Secretary of State in estimating the Estimated Revisions.

9.8 No estimate made by the Secretary of State pursuant to this paragraph 9 shall prejudice the Secretary of State's subsequent determination of any Revised Input or Model Change pursuant to paragraph 4.

9.9 Subject to paragraph 9.10, where adjustments to Franchise Payments (including for these purposes any profit share payments pursuant to paragraph 3 of Schedule 8.1 (Franchise Payments)) have resulted from the operation of paragraph 9.5. then, as soon as reasonably practicable after the certification of the New Results

following the related Run of the Financial Model, the parties shall agree or the Secretary of State shall reasonably determine the difference (the "**Reconciliation Amount**") between:

- (a) the total amount of Franchise Payments (including for these purposes the profit share payments pursuant to paragraph 3 of Schedule 8.1 (Franchise Payments)) paid or to be paid to which adjustments have been made pursuant to the operation of paragraph 9.5; and
- (b) the total amount of the Franchise Payments (including for these purposes the profit share payments pursuant to paragraph 3 of Schedule 8.1 (Franchise Payments)), as determined by that Run of the Financial Model, in respect of the same period as the period over which the adjusted Franchise Payments (including for these purposes the profit share payments) referred to in paragraph 9.9(a) have been paid or are to be paid.

9.10 If a Change is agreed or determined not to be a Qualifying Change or not to be part of an Aggregated Qualifying Change with or without any Run of the Financial Model having been performed, the Reconciliation Amount shall be the total amount of the adjustments to Franchise Payments (including the profit share payments referred to in paragraph 9.9) which have resulted from the operation of paragraph 9.5.

9.11 The Reconciliation Amount shall be paid:

- (a) by the Franchisee to the Secretary of State where the Estimated Revisions resulted in:
  - (i) an overpayment of Franchise Payments by the Secretary of State to the Franchisee; or
  - (ii) an underpayment of Franchise Payments and/or profit share payments pursuant to paragraph 3 of Schedule 8.1 (Franchise Payments),by the Franchisee to the Secretary of State compared with:
  - (iii) the amount of the Franchise Payments (including for these purposes the profit share payments pursuant to paragraph 3 of Schedule 8.1 (Franchise Payments)), described in paragraph 9.9(b); or
  - (iv) where paragraph 9.10 applies, the amount of the unrestated Franchise Payments (including for these purposes the profit share payments pursuant to paragraph 3 of Schedule 8.1 (Franchise Payments)), over the same period; and
- (b) by the Secretary of State to the Franchisee where the Estimated Revisions resulted in:
  - (i) an underpayment of Franchise Payments by the Secretary of State to the Franchisee; or

- (ii) an overpayment of Franchise Payments and/or profit share payments pursuant to paragraph 3 of Schedule 8.1 (Franchise Payments),

by the Franchisee to the Secretary of State compared with:

- (iii) the amount of the Franchise Payments (including for these purposes the profit share payments pursuant to paragraph 3 of Schedule 8.1 (Franchise Payments)) described in paragraph 9.9(b); or
- (iv) where paragraph 9.10 applies, the amount of the unrestated Franchise Payments (including for these purposes the profit share payments pursuant to paragraph 3 of Schedule 8.1 (Franchise Payments)) over the same period,

in either case, such payment shall be made on the first Payment Date which falls more than 7 days after agreement or determination (or if none, within 14 days after such agreement or determination).

## 10. **Information**

The Franchisee shall promptly, having regard to the other timescales anticipated in this Schedule 9.1, provide to the Secretary of State such information as the Secretary of State may request for the purpose of enabling the Secretary of State to exercise his rights and comply with his obligations pursuant to this Schedule 9.1.

## 11. **Costs**

11.1 This paragraph deals with the costs incurred by the Franchisee in connection with any audit required by the Secretary of State pursuant to paragraph 7.

11.2 The costs of any audit required under paragraph 7.1(b) shall be met by the Secretary of State subject to the following:

- (a) the costs of the audit shall be met entirely by the Franchisee:
  - (i) [specify other circumstances i.e. other than those already set out in (ii)(A) and (B) below]<sup>80</sup>; and
  - (ii) in the case of a Change falling within any of the following sub-paragraphs within the definition of Change:
    - (A) an event set out in any Secretary of State Risk Assumption specified in Schedule 9.3 (Secretary of State Risk Assumptions) or any of the events specified in paragraphs 3.1, 3.3 or 4.9 of Schedule 9.4 (Specified Infrastructure Related Change); and
    - (B) a Charge Variation.
- (b) where paragraph 11.2(a) does not apply, the Secretary of State shall only be responsible for the reasonable costs of the Franchisee in

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<sup>80</sup> Bidders to populate.



connection with the audit, and the Franchisee shall comply with the Secretary of State's reasonable directions in connection with the audit which may include a requirement for a competitive tender for the appointment of the auditor.

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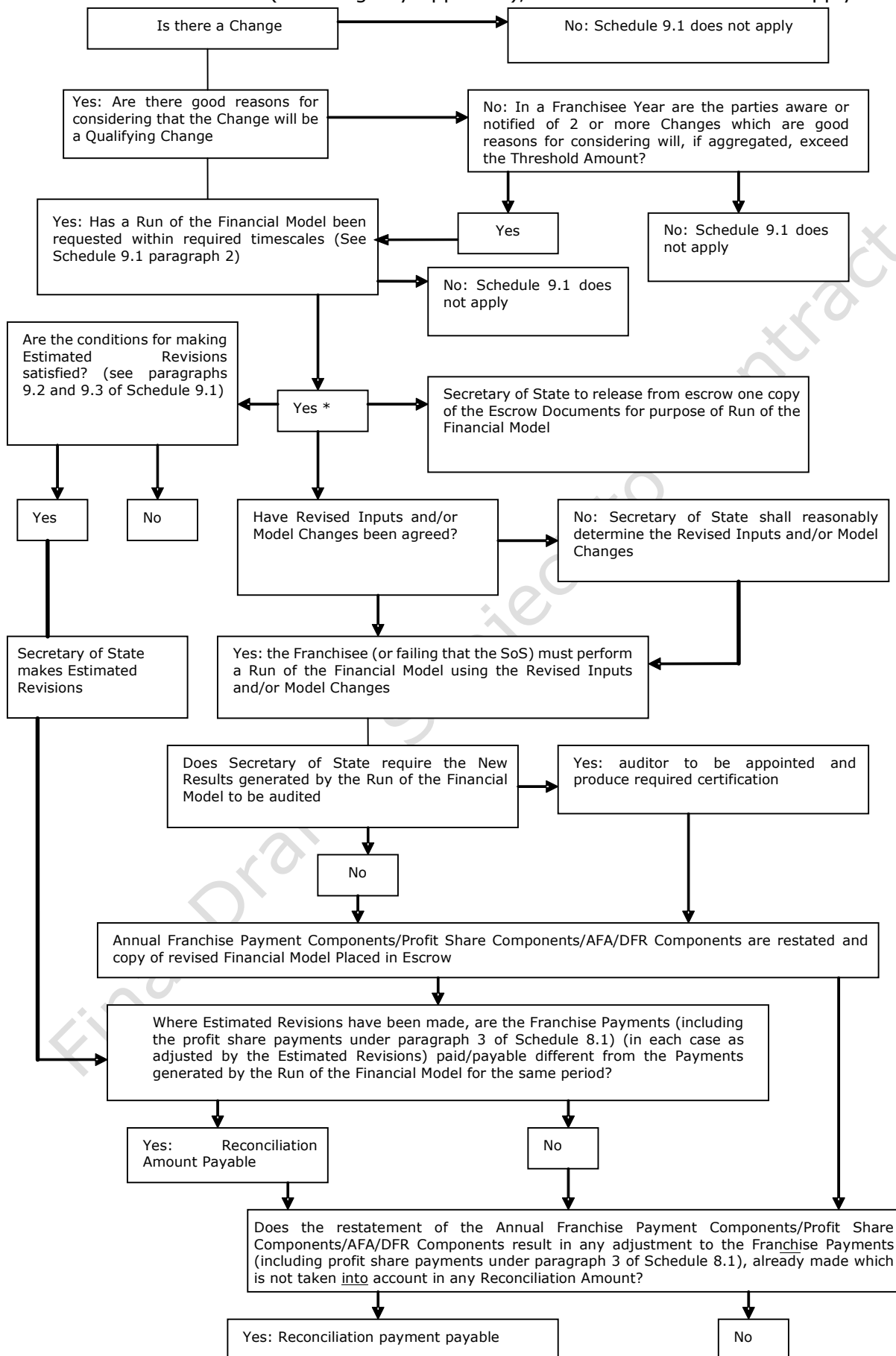
**APPENDIX 1 TO SCHEDULE 9.1**

**Summary Flow Chart**

See next page.

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This summary is for guidance only. If there are any inconsistencies with the other contents of Schedule 9.1 or 9.2 (including any Appendix), those other contents shall apply.



## APPENDIX 2 TO SCHEDULE 9.1

### Agreement or Determination of Revised Inputs

1. The parties shall agree or the Secretary of State shall reasonably determine the Revised Inputs that are required in respect of a Change:
  - (a) on the basis of the general adjustments and/or assumptions referred to in paragraph 2;
  - (b) on the basis of the assumptions in the Record of Assumptions as added to and/or amended (if at all) in accordance with paragraph 3;
  - (c) so as to provide for Traction Electricity Charges in accordance with paragraph 4;
  - (d) so as to provide for profit in accordance with paragraph 5;
  - (e) so as to give effect to the provisions of paragraph 6 in relation to indexation; and
  - (f) so as to give effect to the provisions of paragraph 8 in relation to Cancellations Performance Sum and TOC Minute Delay Performance Sum,

provided that if there is any inconsistency between the assumptions in the Record of Assumptions described in paragraph (b) above and any other of the requirements of this paragraph 1, those other requirements shall prevail, unless the Secretary of State (acting reasonably) otherwise elects.

### 2. **General Adjustments/Assumptions**

- 2.1 Revised Inputs are to be agreed between the parties or reasonably determined by the Secretary of State on the basis that:

- (a) any increase in costs relating to a Change; and/or
- (b) any reduction in revenues relating to a Change,

that is attributable to any activities, actions or omissions of the Franchisee which are not permitted under, or would otherwise constitute a contravention of, the terms of the Franchise Agreement, is to be disregarded.

- 2.2 Revised Inputs are to be agreed between the parties or reasonably determined by the Secretary of State on the basis that:

- (a) any reduction in costs relating to a Change; and/or
- (b) any increase in revenues relating to a Change,

that is attributable to any activities, actions or omissions of the Franchisee which are not permitted under, or would otherwise constitute a contravention of, the terms of the Franchise Agreement, is to be taken into account.

2.3 Revised Inputs are also to be agreed between the parties or reasonably determined by the Secretary of State on the basis that:

- (a) the Franchisee will use all reasonable endeavours to:
  - (i) reduce any costs that may arise or income that may be foregone; and
  - (ii) increase any revenue that may arise and avoid any cost that may be avoided,
- (b) as a consequence of a Change; and

any requirement for borrowing in respect of Capital Expenditure by the Franchisee is dealt with in accordance with paragraph 2 of Schedule 9.5 (Variations to the Franchise Agreement and Incentivising Beneficial Changes).

2.4 Where and as directed to do so by the Secretary of State (acting reasonably) the Franchisee shall undertake one or more competitive tendering exercises for the purposes of ascertaining the likely level of any costs relating to a Change which are relevant to a Revised Input.

### 3. **Assumptions in the Record of Assumptions**

3.1 The parties shall (unless to do so would be contrary to paragraph 2) agree or the Secretary of State shall reasonably determine Revised Inputs that are in accordance with the assumptions that are contained in the Record of Assumptions, as added to or modified pursuant to paragraph 3.2 or paragraph 3.3.

3.2 Where the Secretary of State reasonably considers that the assumptions contained in the Record of Assumptions are ambiguous or that additional assumptions are required in relation to circumstances not dealt with by the assumptions in the Record of Assumptions, the parties shall agree or the Secretary of State shall reasonably determine the assumptions or additional assumptions to be utilised for this purpose.

3.3 Where the Secretary of State reasonably considers that:

- (a) a Change is likely to result in an increase in either or both of the costs of the Franchisee and the revenues of the Franchisee; and
- (b) an assumption relevant to the Change contained in the Record of Assumptions does not accord with what would be achievable by, or experienced by, an economic and efficient franchisee,

then the parties shall agree or the Secretary of State shall reasonably determine a modification to the assumption so that, as modified, it does accord with what would be achievable by, or experienced by, an economic and efficient franchisee.

### 4. **Traction Electricity Charges**

4.1 This paragraph 4 applies only in relation to Charge Variations.

4.2 In agreeing or determining Revised Inputs, no adjustment shall be made in respect of a Charge Variation to the extent that Charge Variation relates, directly or indirectly and however it may be effected, to the Traction Electricity Charge payable by the Franchisee pursuant to any Track Access Agreement. For this

purpose (and subject to clause 1.1(l) of this Agreement), the Traction Electricity Charge is the component of the Track Charges (as defined in the Track Access Agreement) identified as such in any Track Access Agreement or any similar arrangement under which the Franchisee pays for traction current consumed by rolling stock vehicles operated by or on behalf of the Franchisee.

## 5. Revised Input for Profit

### 5.1

- (a) Where a Change is forecast to result in an increase to the Franchisee's revenue in a Franchisee Year, the parties shall agree or the Secretary of State shall reasonably determine Revised Inputs in relation to profit that provide for an increase in the amount of profit in any Franchisee Year equal to [insert percentage agreed profit margin]<sup>81</sup> of the forecast increase in revenue for that Franchisee Year; and/or
- (b) Where a Change is forecast to result in a reduction in the Franchisee's revenue in a Franchisee Year, the parties shall agree or the Secretary of State shall reasonably determine Revised Inputs in relation to profit that provide for a decrease in the amount of profit in any Franchisee Year equal to the lower of:
  - (i) the percentage specified in paragraph 5.1(a); or
  - (ii) the average profit margin in the current Business Plan for the remaining Franchise Term,of the forecast reduction in revenue for that Franchisee Year.

5.2 In agreeing or determining Revised Inputs in relation to profit in respect of any Change, the parties or the Secretary of State shall effect such change (if any) in the amount attributable to profit in paragraph 5.1 as they agree or the Secretary of State reasonably determines to reflect:

- (a) the risk for the Franchisee in continuing to operate the Franchise on the terms of the Franchise Agreement after and as a result of the Change; and
- (b) the likelihood of:
  - (i) material benefit from such Change arising after expiry of the Franchise Term; and
  - (ii) material detriment from such Change arising prior to the expiry of the Franchise Term.

5.3 In agreeing or determining Revised Inputs for the purposes of any Protected Proposal, the parties or the Secretary of State shall effect such change (if any) to the amount attributable to profit as they agree or the Secretary of State reasonably determines:

- (a) fairly rewards the Franchisee for proposing the Protected Proposal; and

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<sup>81</sup> Bidders to populate so that paragraph 5.1(a) is consistent with the profit margin stated in bidders' financial model.

- (b) reasonably incentivises the Franchisee to propose further Protected Proposals

by sharing with the Franchisee a reasonable amount of the additional profit that is expected to arise from implementing the Protected Proposal.

- 5.4 The Annex (Incentivising Long Term Investment) to this Appendix 2 sets out the Secretary of State's guidance on how he approaches incentivising long term investment. Nothing in this Annex is intended to limit or be limited by, the provisions of paragraph 2.2 of Schedule 14.4 (Designation of Franchisee Assets).

## 6. **Indexation**

In agreeing or determining Revised Inputs, the parties shall apply the following principles in connection with indexation. For each relevant item of data in the Financial Model in respect of which a Revised Input is agreed or determined to be required:

- (a) the parties shall agree or the Secretary of State shall reasonably determine, having regard to the particular facts of the Change, the base date at which that item is priced; and
- (b) that item shall be deflated by reference to the original base date and index (if any) relevant to that item in the Financial Model.

## 7. **Efficiency Benefit Share**

No Revised Inputs shall be made to reflect:

- (a) any amount payable by or to the Franchisee in respect of Efficiency Benefit Share Mechanism; or
- (b) any change in the basis on which Efficiency Benefit Share Mechanism is calculated or is to be paid (including any change which may require amounts in respect of Efficiency Benefit Share Mechanism to be payable by as well as payable to the Franchisee).

## 8. **Cancellations Performance Sum and TOC Minute Delay Performance Sum**

In agreeing or determining Revised Inputs, no adjustment shall be made to the Financial Model to reflect any change in the amount of the Cancellations Performance Sum or the TOC Minute Delay Performance payable by the Secretary of State or to be incurred by the Franchisee arising from the exercise by the Secretary of State of his rights pursuant to paragraph 1.7 of Schedule 7.1 (Performance Benchmarks). For example if prior to such exercise the Franchisee would have been entitled to receive a Cancellations Performance Sum of £100 for a particular level of performance against the Annual Cancellations Benchmark and after such exercise the Franchisee would only be entitled to receive a Cancellations Performance Sum of £50 for achieving the same level of performance, no adjustment shall be made to the Financial Model to reflect this.

## **ANNEX TO APPENDIX 2 TO SCHEDULE 9.1**

### **Incentivising Long Term Investment**

This Appendix sets out the Secretary of State's guidance on how he approaches incentivising long term investment.

1. The Secretary of State wishes to encourage the Franchisee to:
  - (a) improve the efficiency;
  - (b) reduce the cost; and
  - (c) enhance the revenue earning potential of the delivery of services to passengers,from the commencement of the Franchise, through the Franchise Term and into the successor franchises.
2. It is recognised however that the Franchise Term may be perceived to be a barrier to undertaking investment or change programmes where:
  - (a) the time scale for implementation limits the benefit to the Franchisee; or
  - (b) the business case for such investment or change has a payback period longer than the Franchise Term.
3. In this context investment or change may be considered to encompass:
  - (a) capital investments undertaken solely by the Franchisee;
  - (b) capital investments undertaken by the Franchisee in association with others;
  - (c) total or partial substitution of certain train services by bus services where an enhanced service level could be provided for reduced cost or where the provision of bus services improves the overall capacity of the network or delivers other benefits;
  - (d) changes in working practices of the Franchisee's employees;
  - (e) changes in the contracted roles and responsibilities between the Franchisee and its major suppliers; and
  - (f) operational changes.
4. Accordingly, the Franchisee is encouraged to propose schemes that seek to achieve the objectives set out in paragraph 1 for consideration by the Secretary of State during the Franchise Term.
5. In considering the Franchisee's proposals for any investment or change proposed to be undertaken, the Secretary of State will recognise:
  - (a) the capital cost and proposed payment profile;



- (b) legitimate costs of the Franchisee in developing, procuring, delivering and project managing the project;
- (c) the life of any capital assets and the duration of the benefits stream arising;
- (d) the remaining Franchise Term and the projected payback period;
- (e) the benefits associated with undertaking the investment early rather than waiting until the Franchise is re-let;
- (f) the risks of cost overrun or under performance of the projected benefits;
- (g) a profit element for undertaking the project commensurate with the risks of the proposed project; and
- (h) alternative benefit sharing arrangements which could be based on:
  - (i) a capital lump sum when the expenditure is incurred;
  - (ii) an enhanced Franchise Payment over the Franchise Term;
  - (iii) a balloon payment on expiry of the Franchise which allocates a proportion of future benefits to the Franchisee;
  - (iv) an ongoing payment if the benefits materialise after the Franchise Term; and/or
  - (v) any combination of any of paragraphs 5(h)(i) to 5(h)(iv) inclusive.

6. In evaluating the Franchisee's proposals for any investment or change proposed to be undertaken and to enable best value for money to be obtained from third party financiers, the Secretary of State shall also give consideration to the appropriateness of the provision, by the Secretary of State, of an undertaking (or other form of comfort) pursuant to Section 54 of the Act.

## SCHEDULE 9.2

### Identity of the Financial Model etc.

#### 1. Franchisee's Obligations

- 1.1 The Franchisee shall deliver two copies of each of the Financial Model, the Operational Model and the Record of Assumptions (each such copy in electronic format on CD-ROM) together with hard format copies of the output template of the Financial Model in the format set out in the document in agreed terms marked **FF** (the **Escrow Documents**) to the Secretary of State in the agreed form, accompanied by a notice that the Escrow Documents are to be Placed in Escrow.
- 1.2 The Franchisee shall deliver the Escrow Documents in accordance with paragraph 1.1 of this Schedule 9.2:
- (a) on the date of the Franchise Agreement;
  - (b) within seven days of the Start Date, but updated only as strictly necessary for any elapsed time between the actual Start Date and the date assumed to be the Start Date in the Initial Business Plan; and
  - (c) within seven days of any approval or audit of a Run of the Financial Model as provided for in paragraph 7 of Schedule 9.1 (Financial and Other Consequences of Change), but updated with the Revised Inputs and any Model Changes.
- 1.3 The Franchisee shall deliver with each such deposit of the Escrow Documents all of the following information to the extent that it is relevant:
- (a) details of the Escrow Documents deposited (including full filename and version details, any details required to access the Escrow Documents including media type, backup command/software used, compression used, archive hardware and operating system details);
  - (b) the names and contact details of persons who are able to provide support in relation to accessing and interpreting the Escrow Documents; and
  - (c) if required by the Secretary of State, a certificate from independent auditors approved by the Secretary of State, confirming that the deposited version of the Escrow Documents is in the agreed form in accordance with paragraph 1.1 or (as the case may be) is in accordance with paragraphs 1.2(b) or 1.2(c).

#### 2. Secretary of State's Obligations

- 2.1 The Secretary of State shall:
- (a) within three days following receipt, acknowledge receipt to the Franchisee of any version of the Escrow Documents delivered to him for the purposes of being Placed in Escrow;
  - (b) save as provided under paragraph 2.1(c), store each copy of the Escrow Documents in a different physical location from any other copy of each

such document and use all reasonable endeavours to ensure that each copy of the Escrow Documents is at all times kept in a safe and secure environment. In so doing the Secretary of State shall be deemed to have Placed in Escrow the Escrow Documents for the purposes of the Franchise Agreement;

- (c) notify the Franchisee if he becomes aware at any time during the term of the Franchise Agreement that any copy of the Escrow Documents or part thereof stored in a particular location has been lost, damaged or destroyed. In such an event, the Secretary of State shall be permitted to create a new copy of the Escrow Documents or part thereof from the other copy Placed in Escrow and shall within seven days notify the Franchisee accordingly and afford it the right to make reasonable inspections in order to satisfy itself that a "complete and accurate" copy has been made. Following the making of such a new copy of the Escrow Documents, the Secretary of State shall retain all copies of the Escrow Documents in accordance with paragraph 2.1(b);
- (d) within seven days of receipt of a notice from the Franchisee stating that the Escrow Documents are required for the purposes of a Run of the Financial Model in relation to any Change, or should the Secretary of State himself so decide that the Escrow Documents are required by the Franchisee or by the Secretary of State for such purposes release one copy of the Escrow Documents accordingly and retain one copy of the Escrow Documents in escrow in accordance with paragraph 2.1(b);
- (e) maintain a record of any release of any copy of any version of the Escrow Documents made, including details of any version released and the date of release as well as the identity of the person to whom the Escrow Documents are released;
- (f) have no obligation or responsibility to any person whatsoever to determine the existence, relevance, completeness, accuracy, effectiveness or any other aspect of the Escrow Documents; and
- (g) not be liable for any loss, damage or destruction caused to the Franchisee arising from any loss of, damage to or destruction of the Escrow Documents.

2.2 If the Franchisee fails to perform a Run of the Financial Model pursuant to paragraph 6.2(a) of Schedule 9.1 (Financial and Other Consequences of Change) or fails to return the copy of the Escrow Documents released pursuant to paragraph 2.1(d):

- (a) such failure to perform or to return the released copy to the Secretary of State shall be a contravention of the Franchise Agreement;
- (b) the Secretary of State may release the other copy of the Escrow Documents Placed in Escrow and take a copy thereof (the "**Replacement Copy**") in order that the Secretary of State may perform a Run of the Financial Model pursuant to paragraph 6.2(a) of Schedule 9.1 (Financial and other Consequences of Change);
- (c) once copied, the second copy of the Escrow Documents released pursuant to this paragraph 2.2 shall be Placed in Escrow; and

- (d) once the Run of the Financial Model has been approved or audited as provided for in paragraph 7 of Schedule 9.1 (Financial and Other Consequences of Change), two copies of the Replacement Copy shall also be Placed in Escrow.

Nothing in this Schedule 9.2 shall prevent the Secretary of State or the Franchisee each retaining for their working use one or more copies of any of the Escrow Documents Placed in Escrow provided that no such working copy shall (unless otherwise explicitly agreed by the parties) be regarded as a copy released from Escrow for the purposes of this Schedule 9.2 or any Run of the Financial Model.

### 3. **Errors in Escrow Documents**

3.1 Any feature of the Escrow Documents which is in the reasonable opinion of the Secretary of State an error will be addressed as follows:

- (a) if rectification of such an error would (as the case may be) over the Franchise Term result in a net increase in the amount of Franchise Payments payable by the Secretary of State to the Franchisee or a net decrease in the amount of Franchise Payments payable by the Franchisee to the Secretary of State then such error shall be rectified provided that there shall not be a restatement of the values of the Annual Franchise Payment Components, the Profit Share Components and the AFA/DFR Components;
- (b) if rectification of such an error would (as the case may be) over the Franchise Term result in a net decrease in the amount of Franchise Payments payable by the Secretary of State to the Franchisee or a net increase in the amount of Franchise Payments payable by the Franchisee to the Secretary of State then such error shall be rectified and the values of the Annual Franchise Payment Components, the Profit Share Components and the AFA/DFR Components shall be restated where appropriate;
- (c) a record of the error shall be noted in the Record of Assumptions and, if applicable, the Financial Model; and
- (d) as soon as reasonably practicable after the date of the rectification of the error, the Franchisee shall (unless otherwise agreed by the Secretary of State) deliver to the Secretary of State a certificate from independent auditors approved by the Secretary of State confirming that the error has been rectified as required by this paragraph 3 and is now in the agreed form in accordance with paragraphs 1.1, 1.2(b) or 1.2(c) as the case may be.

## SCHEDULE 9.3

### Secretary of State Risk Assumptions

#### 1. ERTMS

It shall be a Change if there is a material change to the actual implementation plans (including the relevant timescales for the delivery of such plans) adopted by Network Rail in respect of the ERTMS Programme when compared to the plans as specified in the Proposed ERTMS Implementation Plan and, as a result, after taking into account any compensation that the Franchisee is entitled to claim whether under Schedule 4 of the Track Access Agreement, Condition G.2 of the Network Code or otherwise (and for these purposes it shall be assumed that the Track Access Agreement complies with the provisions of paragraph 3.4 of Schedule 6.2 (Northern Franchise Specific Provisions)), the Franchisee is financially better off than would otherwise have been the case.

#### 2. Recalibration of the Fixed Track Access Charges/Access Charge Supplement as a consequence of the Remapping Proposals

2.1 A Change shall occur if as a direct consequence of the Proposed Start Date Remapping and/or any of the other remapping arrangements referred to in paragraph 19.2 of Schedule 6.2 (Northern Franchise Specific Provisions) (together to be known as the "**Remapping Proposals**") there is a difference between:

- (a) the Assumed Fixed Track Charges and the Actual Fixed Track Charges; and/or
- (b) the Assumed Access Charge Supplement and the Actual Access Charge Supplement.

2.2 For the purposes of this paragraph 2:

- (a) "**Assumed Fixed Track Charges**" means the Fixed Track Charges assumed by the Franchisee in its Financial Model and Record of Assumptions applicable as at the Start Date as being payable to Network Rail under the Track Access Agreement applicable as at the Start Date, following the recalibration of such charges as a consequence of any of the Remapping Proposals. The Assumed Fixed Track Charge to be as shown in the input rows [*insert applicable input row*]<sup>82</sup> of the Financial Model and paragraph [*insert reference*]<sup>83</sup> of the Record of Assumptions.
- (b) "**Actual Fixed Track Charges**" means the amount of the Fixed Track Charges payable by the Franchisee to Network Rail under the Track Access Agreement following the recalibration of such charges as a consequence of any of the Remapping Proposals;
- (c) "**Assumed Access Charge Supplement**" means the amount of the access charge supplement for restriction of use as specified in part 5 of schedule 4 of the Track Access Agreement assumed by the Franchisee in its Financial Model and Record of Assumptions applicable as at the Start Date as being payable to Network Rail under the Track Access

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<sup>82</sup> Bidders to populate.

<sup>83</sup> Bidders to populate.

Agreement applicable as at the Start Date following the recalibration of such charges as a consequence of any of the Remapping Proposals. The Assumed Access Charge Supplement to be as shown in the input rows [insert applicable input row]<sup>84</sup> of the Financial Model and paragraph [insert reference]<sup>85</sup> of the Record of Assumptions.

- (d) **“Actual Access Charge Supplement”** means the amount of the access charge supplement for restriction of use specified in part 5 of schedule 4 of the Track Access Agreement payable by the Franchisee to Network Rail under the Track Access Agreement following the recalibration of such charges as a consequence of any of the Remapping Proposals;
- (e) **“Fixed Track Charge”** has the meaning given to it in the Track Access Agreement; and
- (f) the provisions of this paragraph 2 set out the mechanisms which the parties have agreed to give effect to their intention based on the ORR’s Track Access passenger model contract as at the date of the Franchise Agreement and without limiting clause 1.1(l) of this Franchise Agreement any relevant Change shall take into account this commercial intention.

### 3. **TPE/Northern Sub Lease Agreement**

A Change shall occur if the Secretary of State directs the Franchisee pursuant to paragraph 19.6(c) of Schedule 6.2 (Northern Franchise Specific Provisions) to enter into the TPE/Northern Sub Lease Agreement (as such term is defined in paragraph 19.6(a) of Schedule 6.2) on terms which are materially inconsistent with the any of the principles specified in paragraph 19.6(b) of Schedule 6.2.

### 4. **Barton-on-Humber Transfer**

A Change shall occur if the Secretary of State as contemplated in paragraph 19.7 of Schedule 6.2 (Northern Franchise Specific Provisions) does not require the Franchisee to assign, novate or surrender its rights under the Station Leases applicable in respect of the Stations specified in paragraph 19.7(a) of Schedule 6.2.

#### **No double recovery**

The Franchisee shall not be entitled to recover (by way of a Change or otherwise) more than once in respect of the same loss suffered by it.

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<sup>84</sup> Bidders to populate.

<sup>85</sup> Bidders to populate.

## SCHEDULE 9.4

### Specified Infrastructure Related Change

#### 1. Definitions

1.1 In this Schedule 9.4 unless the context otherwise requires, the following words and expressions have the following meanings:

**"Base Assumption"** means as the context requires an assumption specified in Part A of the IAD;

**"Bidder Assumption"** means as the context requires an assumption specified in Part C of the IAD; <sup>86</sup>

**"Infrastructure Issues Action Programme"** has the meaning given to it in paragraph 4.4(b) of this Schedule 9.4;

**"IAD"** means the document in agreed terms marked **"IAD"** as it may subsequently be amended or restated in accordance with paragraphs 4.4(a) or 4.5 of this Schedule 9.4. Each amendment and restatement of the document shall be updated as necessary to state:

- (a) in Part A the then applicable Base Assumptions as any of them may be amended following any Change pursuant to paragraph 4.9 of this Schedule 9.4;
- (b) in Part B the then applicable Working Assumptions; and
- (c) in Part C the then applicable Bidder Assumptions;

**"IAD Review"** has the meaning given to it in paragraph 4.1 of this Schedule 9.4;

**"Infrastructure Review Date"** means the date falling six months after the Start Date and every six months thereafter together with any additional interim dates as may be agreed between the parties; and

**"Working Assumption"** means as the context requires an assumption specified in Part B of the IAD.

#### 2. Background and commercial principles

The Secretary of State and the Franchisee acknowledge and agree that:

- (a) one or more of the Working Assumptions or Bidder Assumptions may cease to be correct in circumstances which involve complex and interrelated infrastructure and rolling stock change, the consequences of which may require mitigating action to be taken during the Franchise Term;

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<sup>86</sup> DFT to populate after reviewing bid

- (b) one of the reasons that the Franchisee has been appointed by the Secretary of State to operate the Franchise Services is that it is a skilled and experienced train operator with the ability to manage these circumstances in a way that is, so far as is reasonably practicable, consistent with the efficient and effective delivery of railway infrastructure and rolling stock projects in accordance with planned timescales and budgets;
- (c) there are risk areas that are within the control of the Franchisee but it is also the case that successful delivery of infrastructure projects is materially dependent on third parties (including Network Rail) and other external factors which the Franchisee has limited or no ability to control;
- (d) accordingly in this Schedule 9.4 (Specified Infrastructure Related Change) and the relevant provisions of Schedule 6.2 (Northern Franchise Specific Provisions) the parties have sought to allocate risk between them and establish a process for mitigating risks that materialise or are likely to materialise on a reasonable and good faith basis in accordance with the following general principles:
  - (i) regular and effective reporting by the Franchisee;
  - (ii) regular and effective discussion and engagement between the parties leading to appropriate decision making;
  - (iii) effective risk management and the taking of appropriate risk mitigation actions on a timely basis;
  - (iv) review of, and where appropriate adjustment to, agreed risk mitigation actions in response to developing circumstances; and
  - (v) the use of rail industry regulated compensation mechanisms under Access Agreements and the Network Code in appropriate circumstances and the provision of appropriate Change adjustments under the Franchise Agreement whilst at the same time avoiding any multiple compensation to the Franchisee in relation to the same losses or excessive compensation including where applicable by way of retrospective adjustment through Franchise Payments or otherwise where it subsequently becomes apparent that the Franchisee has received multiple compensation in relation to the same loss or excessive compensation.

### **3. Change to Base Assumptions**

- 3.1 Subject to paragraph 3.2 below it shall be a Change if and whenever any infrastructure output that is the subject of a Base Assumption first becomes available for use in delivering the Passenger Services on a date that is later than the date specified in that Base Assumption or to a lesser specification in a way that materially adversely affects the Passenger Services.
- 3.2 If there is a Change pursuant to paragraph 3.1 and the Secretary of State reasonably determines that this is caused by any unreasonable action or inaction of the Franchisee or the Franchisee not acting in accordance with its obligations



pursuant to clause 5.1 of the Franchise Agreement the Secretary of State shall have the right to require that:

- (a) where the Franchisee is wholly and exclusively responsible for such circumstances arising there shall be no Change; or
- (b) where the Franchisee is partly responsible for such circumstances arising if there is a Qualifying Change then the impacts of relevant actions or inactions of the Franchisee, or its not acting in accordance with its obligations pursuant to clause 5.1 of the Franchise Agreement, shall not be taken into account in such Qualifying Change to the extent that to do so would be to compensate the Franchisee in relation to adverse impacts for which it was responsible.

3.3 Where there is a Change pursuant to paragraph 3.1 there will be a further Change when the relevant infrastructure output is available for use in delivering the Passenger Services.

3.4 It is agreed by the parties that where there is one or more Qualifying Changes pursuant to paragraph 3.1, 3.3 and/or 4.9 and there is an interrelationship between that Qualifying Change and any other such Qualifying Change then:

- (a) Model Changes and Revised Inputs shall be established and applied to the Financial Model, Runs of the Financial Model shall be performed and any Estimated Revisions shall be made in an appropriately co-ordinated way to take proper account of such interrelationships; and
- (b) the Franchisee shall not be entitled to recover more than once in relation to the same loss suffered by it.

3.5 In assessing whether any matters under this Schedule 9.4 give rise to a Change which is a Qualifying Change it shall be permissible in relation to any Base Assumption to take into account all actions in an Infrastructure Issues Action Programme relating to such Base Assumption, triggers of such Base Assumption and amendments to such Base Assumption.

#### 4. **Infrastructure Issues Reviews**

4.1 Not less than [three] nor more than [six] weeks prior to each Infrastructure Issues Review Date (and otherwise in accordance with such timescales as the parties may agree in relation to any interim Infrastructure Issues Review Date) the Franchisee shall deliver to the Secretary of State a written review of each of the Working Assumptions in Part B of the IAD and the Bidder Assumptions in Part C of the IAD including its latest forecast for achievement of the Working Assumptions and or Bidder Assumptions based on the reasonable knowledge of the Franchisee with appropriate supporting information (the "**IAD Review**"). The IAD Review shall identify in relation to each Working Assumption in Part B of the IAD and Bidder Assumption in Part C of the IAD:

- (a) whether the Franchisee remains reasonably confident that the Working Assumption or Bidder Assumption will be met; and
- (b) if the Franchisee does not remain reasonably confident that the Working Assumption or Bidder Assumption will be met:
  - (i) whether there are any steps which may be taken by the Franchisee to increase to a reasonable level its confidence

that the Working Assumption will be met, with an assessment of the relevant implications of such steps;

- (ii) where it is reasonably able to provide the same, its forecast for when the Working Assumption or Bidder Assumption is likely to be met, identifying any material concerns or conditions and any changes from any forecast previously provided;
- (iii) what a revised Working Assumption or Bidder Assumption should reasonably be in order for the Franchisee to be reasonably confident that it will be met, with reasons and supporting information (to the extent reasonably available to the Franchisee) including (where in relation to a Working Assumption only an amendment to the relevant existing Base Assumption is proposed) an estimate by the Franchisee of the nature and extent of any Change which would be involved in amending and restating the relevant Base Assumption to reflect such revised Working Assumption; and
- (iv) how likely it is that any such forecast or revised Working Assumption or Bidder Assumption will require further revision in future and what the probable parameters of such further revision are expected to be with reasons and supporting information (taking into account the information reasonably available to the Franchisee at the time),

it being acknowledged that the Franchisee shall be permitted to weight its review towards Working Assumptions and or Bidder Assumption which are falling due first or in respect of which there are material concerns or which in its reasonable opinion require attention or which the Secretary of State otherwise requests are given priority attention in the relevant IAD Review, as the case may be.

The IAD Review shall also include:

- (x) a report on progress against any Infrastructure Issues Action Programme already established under paragraph 4.4 and not then completed;
- (y) identification (taking into account the information reasonably available to the Franchisee at the time) of any changes or anticipated changes to the forecasts or assumptions on which actions in the Infrastructure Issues Action Programme have been based or other developments which it considers should be taken into account; and
- (z) any proposals for an Infrastructure Issues Action Programme to be established or (where one already exists) revised, together with an estimate by the Franchisee of the nature and extent of any Change which would be involved in amending and restating the Infrastructure Issues Action Programme.

4.2 Where in the context of carrying out any IAD Review from time to time the Franchisee believes that any matter relevant to a Working Assumption or Bidder Assumption will be delayed beyond the end of the Franchise Term (as it may be extended pursuant to paragraph 2 of Schedule 18 (Additional Reporting Periods)) the Franchisee shall provide its reasonable and informed view (based on the

information reasonably available to it) of the likely implications of this for the Successor Operator and the Secretary of State. The Franchisee shall actively engage with Network Rail and other relevant parties for the purpose of ensuring each IAD Review is as accurate as reasonably practicable under the circumstances.

4.3 The Franchisee shall:

- (a) provide such additional information as the Secretary of State shall reasonably request in relation to the contents of each IAD Review; and
- (b) meet with the Secretary of State to discuss the contents of each IAD Review.

4.4 The Secretary of State and the Franchisee shall use reasonable endeavours to agree within [two months] of an Infrastructure Issues Review Date (or by such other date as the parties may agree):

- (a) an amended and restated IAD including updating, as appropriate, each of the Working Assumptions and Bidder Assumptions by reference to the then prevailing circumstances and taking proper account of the interrelationships between them;
- (b) as appropriate, a programme of actions ("**Infrastructure Issues Action Programme**") intended to mitigate the impacts of any forecasts for or material changes to any of the Working Assumptions or Bidder Assumption taking into account the interrelationships between them, the importance attached to ensuring that relevant outputs are delivered in accordance with relevant programmes and the overriding duties of the Secretary of State in relation to the proper expenditure of public monies. The Infrastructure Issues Action Programme shall record any material forecasts or assumptions on which proposed mitigations are based in order to help identify aspects of the mitigation which may require review if those forecasts or assumptions prove incorrect or are otherwise subject to change.

4.5 Following each Infrastructure Issues Review Date after the first Infrastructure Issues Review Date any then existing Infrastructure Issues Action Programme shall be amended and restated to take account of any latest or updated forecasts, changes to Working Assumptions and Bidder Assumption and the latest programme with effect from the date that a further Infrastructure Issues Action Programme is agreed or reasonably determined by the Secretary of State.

4.6 In the event that the Secretary of State and the Franchisee fail to agree an amended or restated IAD or Infrastructure Issues Action Programme the Secretary of State shall have the right to reasonably determine them (or to determine that no amendments shall be made, or no Infrastructure Issues Action Programme shall be put in place, as the case may be). Where the Secretary of State declines to include within an Infrastructure Issues Action Programme any action proposed by the Franchisee, the failure of the Franchisee to take that action shall not be regarded as a failure on the part of the Franchisee to act reasonably to mitigate any Qualifying Change pursuant to paragraph 3.1.

4.7 It shall be a term of the Franchise Agreement that the Franchisee shall use all reasonable endeavours to comply with any Infrastructure Issues Action Programme.

- 4.8 In connection with the establishment of any amended and restated IAD and/or any Infrastructure Issues Action Programme the Franchisee and the Secretary of State acting reasonably shall consider and to the extent possible reach agreement upon the likelihood that any Change will occur pursuant to paragraph 3.1.
- 4.9 Following consideration by him pursuant to paragraph 4.8 and discussion with the Franchisee (and without prejudice to the occurrence of a Change at the latest when the relevant facts are not in accordance with the relevant Base Assumption) the Secretary of State shall have the right (but not the obligation) to require that a Change shall have occurred in consequence of any Base Assumption being different to any revised Working Assumption in relation to the corresponding infrastructure output contained in Part B of the amended and restated IAD.

In such circumstances:

- (a) the Secretary of State and the Franchisee shall agree or (in the absence of agreement) the Secretary of State shall reasonably determine an adjusted Base Assumption to be included in the amended and restated IAD;
  - (b) the difference between the relevant Base Assumption as it existed before the amended and restated IAD and the relevant adjusted Base Assumption included in the amended and restated IAD shall be a Change;
  - (c) the Change provisions of paragraph 3.1 shall remain in force on the basis that (subject to any further application of this paragraph 4.9) any Change pursuant to paragraph 3.1 shall be assessed when the relevant actual position is known by reference to the adjusted Base Assumptions included in paragraph [ ] of the amended and restated IAD; and
  - (d) this process may be repeated on subsequent IAD Reviews.
- 4.10 Where the Franchisee is required to implement an Infrastructure Issues Action Programme or any revised Infrastructure Issues Action Programme and the relevant impacts of such implementation are not addressed in any Change pursuant to paragraphs 3.1 and 4.9 or otherwise then the requirement for the Franchisee to implement an Infrastructure Issues Action Programme (or the revision to that programme) shall be a Change and the provisions of paragraph 9 "Estimated Revisions" of Schedule 9.1 (Financial and Other Consequences of Change) shall apply where appropriate. If the implementation of an Infrastructure Issues Action Programme gives rise to any other Change (for example in consequence of a change to the Train Service Requirement) leading to there being more than one Qualifying Change it is agreed that Model Changes and Revised Inputs shall be established and applied to the Financial Model and Runs of the Financial Model shall be performed in a co-ordinated way to take proper account of relevant interdependencies.
- 4.11 Where the Secretary of State reasonably determines that the requirement to implement an Infrastructure Issues Action Programme is caused by any unreasonable action or inaction of the Franchisee or the Franchisee not acting in accordance with its obligations pursuant to clause 5.1 of the Franchise Agreement the Secretary of State shall have the right to require that:
- (a) where the Franchisee is wholly and exclusively responsible for such circumstances arising there is no Change; or

- (b) where the Franchisee is partly responsible for such circumstances arising, then if there is any Qualifying Change the impacts of relevant actions or inactions of the Franchisee, or its not acting in accordance with its obligations pursuant to clause 5.1 of the Franchise Agreement, shall not be taken into account in such Qualifying Change to the extent that to do so would be to compensate the Franchisee in relation to adverse impacts that it was responsible for.
- 4.12 The Franchisee and the Secretary of State acknowledge and agree that any revised Working Assumptions or Bidder Assumptions in an amended and restated IAD may include dates that fall outside of the Franchise Term or only fall within the Franchise Term if the Secretary of State exercises his rights pursuant to paragraph 2 of Schedule 18 (Additional Reporting Periods) to extend the Franchise Term by up to [13][26]<sup>87</sup> Reporting Periods. It is acknowledged that this will not lead to the Franchisee acquiring any liability arising after the end of the FranchiseTerm.
- 4.13 It is acknowledged that circumstances may arise on short notice with a short term impact between Infrastructure Review Dates which increase the likelihood of a Change occurring pursuant to paragraph 3.1 or which are otherwise related to the Working Assumptions or Bidder Assumptions and may lead to adverse impacts on the delivery of the Franchise Services. In such cases the parties will expeditiously discuss such circumstances and possible mitigations. The Secretary of State and the Franchisee may following such discussions agree mitigating actions and, where appropriate, related financial adjustments. Proper account shall be taken of any such mitigating actions and related financial adjustments in subsequent Infrastructure Issues Action Programmes and Changes pursuant to paragraphs 3.1, 4.9 or 4.10.
- 5. Use of rail industry compensation mechanisms and rights of the Secretary of State in relation to multiple or excessive compensation in relation to relevant losses**
- 5.1 The Secretary of State and the Franchisee acknowledge that railway industry procedures including Station Change and Network Change are designed to compensate train operators fairly in relation to rail infrastructure disruption and changes and agree that the Franchisee should pursue any relevant rights to obtain compensation in a reasonable way so that, where relevant, any Qualifying Change pursuant to this Schedule 9.4 (Specified Infrastructure Related Change) shall assume that the Franchisee has been or will be paid such compensation.
- 5.2 The Franchisee shall notify the Secretary of State as soon as reasonably practicable if it becomes aware of circumstances which mean that it has been, may have been or is likely to be compensated more than once or excessively in relation to the same adverse financial impact in connection with any matter pertaining to a Working Assumption or Bidder Assumption. For these purposes a compensation claim properly made under railway industry procedures including Station Change and Network Change shall not be regarded as excessive but without prejudice to the rights of the Secretary of State if the Franchisee has in consequence of such a claim received multiple compensation with regard to the same loss. Such notification shall identify the relevant circumstances and quantify the potential excess compensation. If requested by the Secretary of State the Franchisee shall provide such further information in relation to relevant circumstances as the Secretary of State may reasonably require.

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**Note: To be customised as applicable - 13 Reporting Periods – Northern; 26 Reporting Periods – TPE.**

- 5.3 Where the Secretary of State believes that the Franchisee has been or may be compensated more than once or excessively in relation to the same adverse financial impact in respect of any matter pertaining to any Working Assumption or Bidder Assumption the Secretary of State shall, except where the circumstances have been notified to the Secretary of State by the Franchisee pursuant to paragraph 5.1 above, identify the relevant circumstances and quantify the potential excess compensation. Where the circumstances have been notified to the Secretary of State by the Franchisee pursuant to paragraph 5.1 above, the Secretary of State shall confirm that he agrees with the Franchisee's view of the circumstances and the amount of the potential excess compensation or notify the Franchisee of any different view that he may have and his reasons for having such a different view.
- 5.4 The Franchisee shall be entitled to make representations to the Secretary of State in relation to any Secretary of State notification pursuant to paragraph 5.3 above. The parties shall discuss any representations made in good faith with the intention of agreeing whether or not there has been any excess compensation of the Franchisee and, if so, how much the relevant amount is. In the event that agreement cannot be reached within twenty Weekdays the Secretary of State shall have the right to reasonably determine whether there has been excess compensation and, if so, the amount of such excess compensation.
- 5.5 Where the amount of any excess compensation of the Franchisee is agreed or reasonably determined there shall be an adjustment to the Franchise Payment due in relation to the Reporting Period after that in which relevant agreement was reached or the Secretary of State made his determination or, where agreement or determination occurs after the end of the Franchise Period, by way of a direct payment from the Franchisee to the Secretary of State. Such adjustment shall be of an amount equal to the amount of excess compensation received by the Franchisee as agreed or reasonably determined by the Secretary of State and not otherwise repaid by the Franchisee.

## SCHEDULE 9.5

### Variations to the Franchise Agreement and Incentivising Beneficial Changes

1. **Variations to the Franchise Agreement and Incentivising Beneficial Changes**
- 1.1 The terms of the Franchise Agreement may be varied as follows but not otherwise:
  - (a) by the Secretary of State as contemplated where relevant in the Invitation to Tender in relation to:
    - (i) any aspect of the Franchise Services; and/or
    - (ii) any provision of the Franchise Agreement other than those provisions specified in paragraph 1.2,by service of a notice on the Franchisee referring to this paragraph 1.1(a) and setting out the variation to the terms of the Franchise Agreement;
  - (b) by the Secretary of State with regard to the Start Date and the Expiry Date pursuant to paragraph 1.10; and
  - (c) in relation to any other provision of the Franchise Agreement, by agreement in writing between the parties to that effect,(each a "**Variation**").
- 1.2 Without prejudice to the Secretary of State's rights under paragraph 1.1(a) and 1.1(b), the terms of each of:
  - (a) clause 4 (Term) of this Agreement (but without prejudice to the right of the Secretary of State to amend the Start Date and the Expiry Date to a later date pursuant to paragraph 1.10);
  - (b) Schedules 8 (Payments), 9 (Changes), 10 (Remedies, Termination and Expiry), 12 (Financial Obligations and Covenants), 14 (Preservation of Assets), 18 (Additional Reporting Periods) and Schedule 19 (Other Provisions); and
  - (c) the definitions set out at clause 2 (Definitions) of this Agreement insofar as such affect the respective rights and obligations of the Secretary of State and the Franchisee pursuant to the provisions referred to at (a) and (b) above,shall not be varied at any time other than in accordance with the terms of the Franchise Agreement or with the agreement of the parties.
- 1.3 The Secretary of State shall, to the extent reasonably practicable, allow the Franchisee a reasonable opportunity to make representations to the Secretary of State concerning any Variation to be made in accordance with paragraph 1.1(a), prior to making any such Variation.

- 1.4 The Secretary of State may:
- (a) issue, revise and withdraw from time to time procedures that he requires to be followed for the purposes of orderly consideration of Variations. This will include for the purpose of establishing in relation to any Change whether it is a Qualifying Change; and
  - (b) require the Franchisee to provide any information that the Secretary of State reasonably requires for this purpose (including in relation to prospective change to profit, costs and revenue as a consequence of proceeding with the Variation).
- 1.5 Procedures issued pursuant to paragraph 1.4 may provide for indicative iterations of Runs of the Financial Model in relation to one or more Changes that the Secretary of State is considering and may also provide for any number of Changes to be grouped together as a single Change for the purposes of agreeing or determining Revised Inputs and then performing a Run of the Financial Model.
- 1.6 Procedures issued pursuant to paragraph 1.4 shall have contractual effect between the parties in accordance with their terms.
- 1.7 The Franchisee may notify the Secretary of State of any proposal for a Variation by notice setting out the proposed method of implementing such Variation including:
- (a) the timescale for doing so;
  - (b) the effect (if any) on the timing of the performance of its other obligations under the Franchise Agreement;
  - (c) the impact of effecting the proposed Variation on the provision of the Franchise Services and the Franchisee's proposals as to how to minimise such impact; and
  - (d) the financial consequences of implementing the Variation proposed by the Franchisee in terms of the Revised Inputs that the Franchisee considers the Variation would require.
- 1.8 Where the Franchisee proposes a Variation in sufficient detail for it to be apparent that its implementation is likely to result in an increase in the overall profitability of the Franchisee through costs saving measures (a "**Protected Proposal**"), the Secretary of State may not proceed with the Protected Proposal or seek to implement the substance of it by proposing a Variation of his own without complying with the provisions of paragraph 5 of Appendix 2 (Agreement or Determination of Revised Inputs) to Schedule 9.1 (Financial and Other Consequences of Change).
- 1.9
- (a) The Franchisee and the Secretary of State acknowledge that the Franchisee may during the Franchise Term identify actions that could be taken by the Franchisee to achieve savings and improved financial performance and that such actions may if implemented give rise to a Change under the terms of this Agreement which, if it is a Qualifying Change, will give a financial benefit to the Secretary of State. It is further acknowledged that it is appropriate for the Franchisee to seek to identify



such actions for the purposes of improving the cost effective delivery of railway passenger services.

- (b) To incentivise the Franchisee to seek to identify such actions it is agreed that the Franchisee may approach the Secretary of State with a proposal to take an action that would constitute a Change on the basis that if such a Change occurred and was a Qualifying Change in agreeing or determining Revised Inputs the parties or the Secretary of State would affect such change (if any) to the amount attributable to profit as they agree or the Secretary of State reasonably determines:
  - (i) fairly rewards the Franchisee for proposing the Change; and
  - (ii) reasonably incentivises the Franchisee to propose further Changes that achieve savings and/or improved financial performance by sharing with the Franchisee a reasonable amount of the additional profit that is expected to arise from implementing the relevant Change.
- (c) The Secretary of State shall have an unfettered discretion as to whether or not to agree such a proposal but if he does so agree and a Qualifying Change in consequence occurs then in agreeing or determining Revised Inputs the provisions referred to in paragraph 1.9(b) above shall apply.

#### 1.10

- (a) The Secretary of State shall have the right on or before 1 March 2016 to serve notice on the Franchisee that the Start Date shall be a date later than 0200 on 1 April 2016. Such amended Start Date shall be 0200 on the first day of a Reporting Period and the latest such date that the Start Date can be amended to is 0200 on 1 October 2016. The Secretary of State may in such notice also require that the Expiry Date is amended to a later date such date being 0200 on the first day of a Reporting Period and the same number of Reporting Periods after the unamended Expiry Date as the number of Reporting Periods that the amended Start Date is after the unamended Start Date.
- (b) Where the Secretary of State exercises his rights pursuant to paragraph 1.10 (a) to amend the Start Date or the Expiry Date he shall be entitled to make such other amendments to the terms of this Franchise Agreement as are reasonably consequential upon such amendments.

## 2. **Capital Expenditure**

### **Capital Expenditure Threshold**

- 2.1 The Franchisee shall notify the Secretary of State promptly if it reasonably expects that a Change to which paragraph 1 relates would require it to incur, singly or in aggregate with other Changes from time to time, Capital Expenditure in excess of one per cent of its annual Turnover as disclosed by its latest available Annual Audited Accounts and, when so notified, the Secretary of State shall either:
  - (a) withdraw (or direct the Franchisee to withdraw) the Change;
  - (b) undertake to meet the excess through additional funding as and when such Capital Expenditure is incurred; or

- (c) direct the Franchisee to use all reasonable endeavours to borrow or otherwise raise the money required to fund any Change on commercial terms and at rates which are consistent with market conditions at the time, unless borrowing or otherwise raising such money would result in the Franchisee failing to comply with the financial covenants contained in Schedule 12 (Financial Obligations and Covenants).

### **Franchisee to Seek Finance**

2.2 If the Secretary of State elects to require the Franchisee to use all reasonable endeavours as described in paragraph 2.1(c) then the Franchisee shall:

- (a) seek finance from a representative range of lending institutions and other financial institutions including those which at that time provide finance to the Franchisee, the Guarantor or the Parent;
- (b) if it is unable to raise funding, provide the Secretary of State with all information the Secretary of State may reasonably require in relation to the efforts made by the Franchisee and the reasons for a failure to raise additional finance;
- (c) so far as it is able (having used all reasonable efforts to do so), the Franchisee shall provide to the Secretary of State letters from lenders and financiers it has approached for finance stating their reasons for refusing to provide it and if the Secretary of State so requires, arrange and attend meetings with them for the Secretary of State to discuss those reasons; and
- (d) if funding is not available, or is not available on terms that the Secretary of State considers to be commercial terms or at rates which are consistent with market conditions at that time the Secretary of State may:
  - (i) withdraw the Change; or
  - (ii) undertake to fund the Capital Expenditure as and when such Capital Expenditure is incurred.

### **Treatment of Borrowings in Revised Inputs**

2.3 In calculating the Revised Inputs for the purposes of any Change referred to in this paragraph 2, the Franchisee shall account for the Capital Expenditure in accordance with GAAP, taking into account the basis on which such Capital Expenditure has been financed.

### **Meaning of Capital Expenditure**

2.4 The expression "**Capital Expenditure**" when used in this Schedule 9.5 refers to the nature of the expenditure incurred by the Franchisee and, accordingly, does not include expenditure incurred under operating leases.

## **SCHEDULE 10**

### **Remedies, Termination and Expiry**

- Schedule 10.1: Remedial Plans and Remedial Agreements**
- Schedule 10.2: Termination and Expiry**
- Schedule 10.3: Events of Default and Termination Events**
- Schedule 10.4: Force Majeure**
- Schedule 10.5: Liability**

Final Draft - Subject to Contract

## SCHEDULE 10.1

### Remedial Plans and Remedial Agreements

#### 1. Remedies for Contraventions of the Franchise Agreement

- 1.1 If the Secretary of State is satisfied that the Franchisee is contravening or is likely to contravene any term of the Franchise Agreement he may serve a notice on the Franchisee requiring it to propose such steps as the Franchisee considers appropriate for the purpose of securing or facilitating compliance with the term in question (a "**Remedial Plan Notice**").

#### Contents of Remedial Plan Notices

- 1.2 Each Remedial Plan Notice shall specify the following:
- (a) the term or terms of the Franchise Agreement that the Secretary of State is satisfied that the Franchisee is contravening or is likely to contravene (each a "**Relevant Term**"); and
  - (b) the time period within which the Secretary of State requires the Franchisee to provide an appropriate plan for the purpose of facilitating or securing compliance with any Relevant Term (a "**Remedial Plan**").

#### Contents of Remedial Plans

- 1.3 If the Secretary of State issues a Remedial Plan Notice, the Franchisee shall submit a Remedial Plan to the Secretary of State within the period specified in such Remedial Plan Notice.
- 1.4 Each Remedial Plan shall set out:
- (a) the Relevant Term which has caused a Remedial Plan to be required;
  - (b) an explanation of the reasons for the contravention or likely contravention of the Relevant Term;
  - (c) the steps proposed for the purposes of securing or facilitating compliance with the Relevant Term; and
  - (d) the time period within which the Franchisee proposes to implement those steps.

#### Remedial Agreements

- 1.5 If the Secretary of State is satisfied that the matters referred to in paragraph 1.4(c) and (d) are appropriate (with or without further modification as the parties may agree) he may require the Franchisee to enter into a supplemental agreement (the "**Remedial Agreement**") with the Secretary of State to implement those matters.
- 1.6 It is a term of the Franchise Agreement that the Franchisee (at its own cost) complies with the Remedial Agreement in accordance with its terms.

### **Effect of Force Majeure Event**

- 1.7 Without prejudice to the operation of paragraph 3.2 of Schedule 10.4 (Force Majeure), the following provisions shall apply in relation to Force Majeure Events affecting performance of a Remedial Agreement:
- (a) the Franchisee shall give written notice to the Secretary of State promptly after it becomes aware (and in any event within 24 hours after becoming aware) of the occurrence or likely occurrence of a Force Majeure Event which will or is likely to affect the Franchisee's ability to comply with a Remedial Agreement within the period specified therein;
  - (b) each notice submitted in accordance with paragraph 1.7(a) shall state the extent or likely extent of the relevant Force Majeure Event and, in the case of a Force Majeure Event which has not occurred at such time, the reasons why the Franchisee considers it likely to occur;
  - (c) the Franchisee shall use, and shall continue to use, all reasonable endeavours to avoid or reduce the effect or likely effect of any Force Majeure Event on its ability to comply with any Remedial Agreement; and
  - (d) subject to the Franchisee having complied with its obligations under paragraphs 1.7(a) to 1.7(c) (inclusive) the Franchisee shall be entitled to a reasonable extension of the remedial period applicable to a Remedial Agreement in order to take account of the effect of a Force Majeure Event which has occurred on the Franchisee's ability to comply with any Remedial Agreement.

### **Occurrence of a Contravention**

- 1.8 Following the occurrence of a contravention of the Franchise Agreement, the Secretary of State may at his option (but shall not be obliged to) commence or increase the level and/or frequency of monitoring (whether by inspection, audit or otherwise) of the Franchisee's performance of any relevant obligations until such time as the Franchisee demonstrates, to the Secretary of State's reasonable satisfaction, that it is capable of performing and will perform such obligations as required by the Franchise Agreement.
- 1.9 The Franchisee shall co-operate fully with the Secretary of State in relation to the monitoring referred to in paragraph 1.8.
- 1.10 The results of such monitoring will be reviewed at each Franchise Performance Meeting held pursuant to Schedule 11 (Agreement Management Provisions).
- 1.11 The Franchisee shall compensate the Secretary of State for all reasonable costs incurred by the Secretary of State in carrying out such monitoring.

## SCHEDULE 10.2

### Termination and Expiry

#### 1. Termination Notices

1.1 The Secretary of State may, on and at any time after the occurrence of:

- (a) (subject to paragraphs 1.2 and 1.3) an Event of Default which:
  - (i) is unremedied or continuing; and
  - (ii) the Secretary of State considers to be material; or
- (b) a Termination Event specified in paragraph 3.1 of Schedule 10.3 (Events of Default and Termination Events) which is unremedied or continuing; or
- (c) a Termination Event specified in paragraph 3.2 of Schedule 10.3 (Events of Default and Termination Events),

terminate the Franchise Agreement by serving a Termination Notice on the Franchisee. The Franchise Agreement shall terminate with effect from the date specified in any such Termination Notice.

1.2 The Secretary of State may not serve a Termination Notice in respect of an Event of Default in relation to which a Remedial Plan Notice has been issued until the period has expired within which the Franchisee is required to deliver to the Secretary of State the Remedial Plan specified in such Remedial Plan Notice.

1.3 The Secretary of State may not serve a Termination Notice in respect of an Event of Default for which the Franchisee is implementing a Remedial Agreement in accordance with its terms.

#### 2. Consequences of Termination or Expiry

2.1 Upon termination of the Franchise Agreement (whether through default or effluxion of time or otherwise) the obligations of the parties shall cease except for:

- (a) any obligations arising as a result of any antecedent contravention of the Franchise Agreement;
- (b) any obligations which are expressed to continue in accordance with the terms of the Franchise Agreement; and
- (c) any other obligations which give effect to such termination or to the consequences of such termination or which otherwise apply (expressly or impliedly) on or after such termination.

2.2 Nothing in this paragraph 2 shall prevent the Secretary of State from bringing an action against the Franchisee in connection with the termination of the Franchise Agreement prior to the expiry of the Franchise Term.

## SCHEDULE 10.3

### Events of Default and Termination Events

#### 1. Provisions Relating to Events of Default

##### Contravention

- 1.1 The occurrence of an Event of Default shall constitute a contravention of the Franchise Agreement by the Franchisee.

##### Notification of Event of Default

- 1.2 The Franchisee shall notify the Secretary of State as soon as reasonably practicable on, and in any event within 24 hours of, it becoming aware of the occurrence of an Event of Default or an event which is likely to result in the occurrence of an Event of Default. The Franchisee shall take such action or steps as the Secretary of State may require to remedy any Event of Default or potential Event of Default.

##### Consequences of Event of Default

- 1.3 On the occurrence of an Event of Default, the provisions of Schedule 10.1 (Remedial Plans and Remedial Agreements) shall apply.

#### 2. Events of Default

Each of the following is an Event of Default:

##### Insolvency

###### 2.1

- (a) **Administration:** Any step being taken by any person with a view to the appointment of an administrator to the Franchisee, the Parent, any Bond Provider or the Guarantor;
- (b) **Insolvency:** Any of the Franchisee, the Parent, any Bond Provider or the Guarantor stopping or suspending or threatening to stop or suspend payment of all or, in the reasonable opinion of the Secretary of State, a material part of (or of a particular type of) its debts, or being unable to pay its debts, or being deemed unable to pay its debts under Section 123(1) or (2) of the Insolvency Act 1986 except that in the interpretation of this paragraph the words "it is proved to the satisfaction of the court that" in sub-section (1)(e) and sub-section (2) of Section 123 shall be deemed to be deleted;
- (c) **Arrangements with Creditors:** The directors of the Franchisee, the Parent, any Bond Provider or the Guarantor making any proposal under Section 1 of the Insolvency Act 1986, or any of the Franchisee, the Parent, any Bond Provider or the Guarantor proposing or making any agreement for the deferral, rescheduling or other readjustment (or proposing or making a general assignment or an arrangement or composition with or for the benefit of creditors) of all or, in the reasonable opinion of the Secretary of State, a material part of (or of a

particular type of) its debts, or a moratorium being agreed or declared in respect of or affecting all or, in the reasonable opinion of the Secretary of State, a material part of (or of a particular type of) its debts;

- (d) **Security Enforceable:** Any expropriation, attachment, sequestration, execution or other enforcement action or other similar process affecting any property of the Franchisee or the whole or a substantial part of the assets or undertaking of the Franchisee, the Parent, any Bond Provider or the Guarantor, including the appointment of a receiver, administrative receiver, manager or similar person to enforce that security;
- (e) **Stopping Business/Winding-Up:** Any step being taken by the Franchisee, the Parent, any Bond Provider or Guarantor with a view to its winding-up or any person presenting a winding-up petition or any of the Franchisee, the Parent, any Bond Provider or Guarantor ceasing or threatening to cease to carry on all or, in the reasonable opinion of the Secretary of State, a material part of its business, except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by the Secretary of State before that step is taken;
- (f) **Railway Administration Order:** A railway administration order being made in relation to the Franchisee under Sections 60 to 62 of the Act; and
- (g) **Analogous Events:** Any event occurring which, under the Law of any relevant jurisdiction, has an analogous or equivalent effect to any of the events listed in this paragraph 2.1,

subject, in the case of any relevant event occurring in relation to a Bond Provider where no such other Event of Default has occurred and is unremedied or continuing at such time, to a period of 20 Weekdays having elapsed in order to allow the Franchisee to replace the relevant Bond Provider.

### **Non-payment**

- 2.2 The Franchisee failing to pay to the Secretary of State any amount due under the Franchise Agreement within 28 days of the due date for such payment.

### **Change of Control**

- 2.3 Otherwise than in accordance with a prior consent of the Secretary of State given under paragraph 4 of this Schedule 10.3, a change occurring in the identity of any one person, or two or more persons acting by agreement, who may Control the Franchisee on and from the date of the Franchise Agreement and during the Franchise Term, which shall include a person, or two or more persons acting by agreement, ceasing to Control the Franchisee at any time during the Franchise Term, whether or not any other person Controls the Franchisee at the same time (any such change a "**Change of Control**") and for the purposes of this paragraph 2.3, two or more persons shall be deemed to be acting by agreement in relation to the Franchisee if, assuming the Franchisee was a target company as defined in the Companies Act 2006, such persons would be under an obligation to disclose an interest in shares in such company by virtue of an agreement between such persons.



## **Revocation of Licence**

- 2.4 Revocation of any Licence required to be held by the Franchisee in order to comply with its obligations under the Franchise Agreement.

## **Safety Certificate and Safety Authorisation**

- 2.5 The Safety Certificate and/or Safety Authorisation of the Franchisee being withdrawn or terminated.

## **Passenger Service Performance**

- 2.6 Except in respect of any Reporting Period falling within a No Breach Reporting Period, the Franchisee's performance in relation to any Benchmark exceeds (that is, is equal to or worse than) the Default Performance Level for that Benchmark for:
- (a) any three consecutive Reporting Periods;
  - (b) any four Reporting Periods within a period of 13 consecutive Reporting Periods; or
  - (c) any five Reporting Periods within a period of 26 consecutive Reporting Periods.

## **Remedial Agreements and Enforcement Orders**

2.7

- (a) Non-compliance by the Franchisee with a Remedial Agreement, where such non-compliance is reasonably considered by the Secretary of State to be material.
- (b) Non-compliance by the Franchisee with:
  - (i) a provisional order;
  - (ii) a final order;
  - (iii) a penalty; or
  - (iv) any other order made relating to contravention of either a relevant condition or requirement (as defined in Section 55 of the Act) or another order,in each case made by the Secretary of State under the Act.
- (c) Non-compliance by the Franchisee with any enforcement notice issued to it by the Secretary of State pursuant to Section 120 of the Act.

## **Financial Ratios**

- 2.8 Breach by the Franchisee of either or both of the Financial Ratios specified in paragraph 2 of Schedule 12 (Financial Obligations and Covenants).

## **Breach of Law**

### 2.9

- (a) It becoming unlawful for the Franchisee to provide all or, in the reasonable opinion of the Secretary of State, a material part of the Passenger Services or to operate all or, in the reasonable opinion of the Secretary of State, a material number of the Stations or Depots (except to the extent not required so to do under the Franchise Agreement).
- (b) The Franchisee or any of the directors or senior managers of the Franchisee being convicted of manslaughter, fraud or any other indictable criminal offence in each case relating directly to the provision and operation of the Franchise Services.
- (c) The Franchisee being, in the reasonable opinion of the Secretary of State, in material non-compliance with a prohibition or enforcement order (or the equivalent thereof) issued by the ORR pursuant to its safety functions. If the Franchisee makes an appeal against such prohibition or enforcement order (or such equivalent thereof) in accordance with its terms, no Event of Default shall have occurred under this paragraph 2.9(c) until such appeal has been determined to be unsuccessful.

## **Contravention of Other Obligations**

### 2.10 The occurrence of the following:

- (a) the Franchisee contravening to an extent which is reasonably considered by the Secretary of State to be material any one or more of its obligations under the Franchise Agreement (other than such non-performance or non-compliance as may constitute an Event of Default under the provisions of this Schedule 10.3 other than this paragraph 2.10);
- (b) the service by the Secretary of State on the Franchisee of a written notice specifying:
  - (i) such contravention; and
  - (ii) to the extent the contravention is capable of being remedied, the reasonable period within which the Franchisee is required to so remedy; and
- (c) the Franchisee contravening such obligation or obligations again to an extent which is reasonably considered by the Secretary of State to be material or permitting the contravention to continue or, if the contravention is capable of remedy, failing to remedy such contravention within such period as the Secretary of State has specified in the notice served pursuant to paragraph 2.10(b)(ii).

## **Non-membership of Inter-Operator Schemes**

### 2.11 The Franchisee ceasing to be a member of, or ceasing to participate in or to be party to, any of the Inter-Operator Schemes, or having its membership or participation therein suspended.

## **Bonds**

### 2.12

- (a) Any Performance Bond or Season Ticket Bond ceasing to be a legal, valid and binding obligation on the relevant Bond Provider (other than in accordance with its terms) or it otherwise becoming unlawful or impossible for any Bond Provider to perform its obligations thereunder;
- (b) A failure by the Franchisee to procure the provision to the Secretary of State of a Performance Bond (or Performance Bonds provided pursuant to paragraph 4.8 of Schedule 12 (Financial Obligations and Covenants)) which individually or in aggregate fulfil the requirements of Schedule 12 (Financial Obligations and Covenants); or
- (c) A failure by the Franchisee to procure the provision to the Secretary of State of a Season Ticket Bond which fulfils the requirements of Schedule 12 (Financial Obligations and Covenants).

## **Key Contracts**

2.13 Termination of any Key Contract, or the failure by the Franchisee to take all reasonable steps to enter into an appropriate replacement contract prior to the scheduled expiry date of any Key Contract, except where requested by the Secretary of State or to the extent that the Franchisee has demonstrated to the reasonable satisfaction of the Secretary of State that for the duration of the Franchise Term:

- (a) it is no longer necessary for it to be party to such Key Contract; or
- (b) it has made adequate alternative arrangements in order to be able to continue to provide and operate the Franchise Services.

## **Funding Deed**

2.14 A failure by the Franchisee or the Guarantor to comply with their respective obligations under the Funding Deed.

### **3. Termination Events**

The Secretary of State may terminate the Franchise Agreement in accordance with Schedule 10.2 (Termination and Expiry) if:

3.1 any Force Majeure Event continues with the effect of preventing the Franchisee from delivering, wholly or mainly, the Passenger Services for more than six consecutive months; or

### 3.2

- (a) the warranty given by the Franchisee pursuant to paragraph 6.1 of Schedule 12 (Financial Obligations and Covenants) is materially untrue; or
- (b) the Franchisee commits a material breach of its obligation to notify the Secretary of State of any Occasion of Tax Non-Compliance in respect of any Affected Party (as defined in paragraph 6.3 of Schedule 12) as

required by paragraph 6.2(a) of Schedule 12 (Financial Obligations and Covenants); or

- (c) the Franchisee fails to provide details of proposed mitigating factors as required by paragraph 6.2(b) of Schedule 12 (Financial Obligations and Covenants) which in the reasonable opinion of the Secretary of State, are acceptable,

each a "**Termination Event**".

#### 4. **Facilitation Fee**

- 4.1 The Franchisee may, at any time, apply in writing to the Secretary of State for his consent to a Change of Control (as such term is defined pursuant to paragraph 2.3).
- 4.2 The Secretary of State may require the Franchisee to pay a fee in consideration of the grant of such consent (the "**Facilitation Fee**").
- 4.3 The Secretary of State may require the Franchisee to pay an additional fee in respect of the staff, professional and other costs incurred by the Secretary of State in connection with the Franchisee's application (the "**Administration Fee**"). The Administration Fee shall be payable whether or not the Secretary of State consents to the proposed Change of Control.
- 4.4 On or after submitting such application to the Secretary of State, the Franchisee will provide, and will procure that the seller and the buyer provide, the Secretary of State with such documentation and information as the Secretary of State may require to assess such application and the amount of the Facilitation Fee. Without limiting paragraphs 4.9 or 4.10, it shall be deemed to be reasonable for the Secretary of State to delay or withhold consent to the Change of Control where any such documentation is not provided.
- 4.5 The Facilitation Fee shall be a sum equal to the greater of:
  - (a) one million pounds sterling (£1,000,000); or
  - (b) where the Estimated Profit Stream is greater than the Bid Profit Stream 5% of the difference between the Bid Profit Stream and the Estimated Profit Stream.
- 4.6 The Administration Fee shall be determined by the Secretary of State on the basis of:
  - (a) the aggregate time spent by officials within the Secretary of State's Department on matters relating to such application;
  - (b) the Secretary of State's hourly scale rates for such officials, as varied from time to time; and
  - (c) the aggregate costs and disbursements, including where applicable VAT and professional costs, incurred by the Secretary of State in connection with such application.
- 4.7 Any determination by the Secretary of State for the purposes of paragraphs 4.5 or 4.6 shall in the absence of manifest error be final and binding as between the

Secretary of State and the Franchisee (but without prejudice to the requirement of the Secretary of State to reasonably determine the Estimated Profit Stream).

- 4.8 Any consent by the Secretary of State to a Change of Control may be given subject to such conditions as the Secretary of State sees fit and the Franchisee shall, as applicable, comply with, and/or procure that the seller and/or the buyer comply with, any such conditions.
- 4.9 The Secretary of State shall have absolute discretion as to the grant of consent to any Change of Control and may accordingly refuse such consent for any reason he sees fit.
- 4.10 The Secretary of State shall have no liability whatever to the Franchisee in respect of any refusal of consent to a Change of Control, any delay in providing such consent, or any condition of such consent.

## SCHEDULE 10.4

### Force Majeure

#### 1. Force Majeure Events

The following events shall constitute Force Majeure Events, subject to the conditions specified in paragraph 2 being satisfied:

- (a) the Franchisee or any of its agents or subcontractors is prevented or restricted by Network Rail (including by virtue of the implementation of any Contingency Plan) from gaining access to any section or part of track (including any track running into, through or out of a station). For the purposes of this paragraph 1:
  - (i) references to a party being prevented or restricted from gaining access to any section or part of track shall mean that such party is not permitted to operate any trains on the relevant section or part of track, or is only permitted to operate a reduced number of trains from that which it was scheduled to operate;
  - (ii) the period of such prevention or restriction shall be deemed to commence with effect from the first occasion on which the Franchisee is prevented or restricted from operating a train on such section or part of track;
  - (iii) references in paragraphs 1(a)(i) and (ii) to the operation of trains include scheduled empty rolling stock vehicle movements; and
  - (iv) Contingency Plan means a contingency plan (as defined in the Railway Operational Code or where the Railway Operational Code ceases to exist such other replacement document of a similar or equivalent nature which contains a definition of contingency plan similar to that contained in the Railway Operational Code) implemented by and at the instigation of Network Rail, or such other contingency or recovery plan as the Secretary of State may agree from time to time;
- (b) the Franchisee or any of its agents or subcontractors is prevented or restricted by Network Rail or any Facility Owner (other than a Facility Owner which is an Affiliate of the Franchisee) from entering or leaving:
  - (i) any station or part thereof (excluding any prevention or restriction from gaining access to any section or part of track running into, through or out of a station); or
  - (ii) any depot or part thereof (including the movement of trains on tracks within any depot but excluding any prevention or restriction from gaining access to any track outside such depot running into or out of that depot);

- (c) any of the following events occurs:
- (i) a programme of Mandatory Modifications commences;
  - (ii) any Rolling Stock Units are damaged by fire, vandalism, sabotage or a collision and are beyond repair or beyond economic repair; or
  - (iii) a government authority prevents the operation of Rolling Stock Units on the grounds of safety,

and, in each case, the greater of two Rolling Stock Units and ten per cent of all rolling stock vehicles used by the Franchisee in the provision of the Passenger Services in relation to any Service Group are unavailable for use in the provision of the Passenger Services as a result of the occurrence of such event;

- (d) the Franchisee prevents or restricts the operation of any train on safety grounds provided that:
- (i) the Franchisee has, either before or as soon as reasonably practicable after initiating such prevention or restriction, sought the confirmation of the ORR in exercise of its safety functions, or any relevant other body with statutory responsibility for safety in the circumstances, of the necessity of such prevention or restriction; and
  - (ii) if and to the extent that the ORR, or other relevant body with statutory responsibility for safety in the circumstances, in exercise of its safety functions indicates that such prevention or restriction is not necessary, then no Force Majeure Event under this paragraph 1(d) shall continue in respect of that restriction or prevention after the receipt of such indication from the ORR or other relevant body;
- (e) act of God, war damage, enemy action, terrorism or suspected terrorism, riot, civil commotion or rebellion (together "**Emergency Events**") or the act of any government instrumentality (including the ORR but excluding the Secretary of State) in so far as the act of government instrumentality directly relates to any of the Emergency Events, provided that there shall be no Force Majeure Event under this paragraph 1(e) by reason of:
- (i) the suicide or attempted suicide of any person that does not constitute an act of terrorism;
  - (ii) the activities of the police, fire service, ambulance service or other equivalent emergency service that are not in response to acts of terrorism or suspected terrorism; or
  - (iii) an act of God which results in the Franchisee or its agents or subcontractors being prevented or restricted by Network Rail from gaining access to any relevant section or part of track; and
- (f) any strike or other Industrial Action by any or all of the employees of the Franchisee or any or all of the employees of:

- (i) Network Rail;
- (ii) the operator of any other railway facility; or
- (iii) any person with whom the Franchisee has a contract or arrangement for the lending, seconding, hiring, contracting out or supervision by that person of train drivers, conductors, other train crew or station or depot staff used by the Franchisee in the provision of the Franchise Services,

or of the agents or sub-contractors of any such person listed in paragraphs 1(f)(i) to (iii) and for the purposes of this paragraph Industrial Action shall include any concerted action taken in connection with the employment of such employees (whether or not that action involves any breach of such employees' conditions of employment, and including any action taken in furtherance of a dispute, or with a view to improving the terms of employment of the relevant employees or by way of support for any other person) subject always, in the case of any unofficial Industrial Action, to the Franchisee being able to demonstrate the occurrence of such unofficial Industrial Action to the reasonable satisfaction of the Secretary of State.

## 2. **Conditions to Force Majeure Events**

2.1 The occurrence, and continuing existence of a Force Majeure Event shall be subject to satisfaction of the following conditions:

- (a) in relation to an event occurring under paragraph 1(a), that event has continued for more than 12 consecutive hours;
- (b) the Franchisee notifies the Secretary of State within two Weekdays of it becoming aware or, if circumstances dictate, as soon as reasonably practicable thereafter, of:
  - (i) the occurrence or likely occurrence of the relevant event; and
  - (ii) the effect or the anticipated effect of such event on the Franchisee's performance of the Passenger Services;
- (c) at the same time as the Franchisee serves notification on the Secretary of State under paragraph 2.1(b), it informs the Secretary of State of the steps taken and/or proposed to be taken by the Franchisee to prevent the occurrence of, and/or to mitigate and minimise the effects of, the relevant event and to restore the provision of the Passenger Services;
- (d) the relevant event did not occur as a result of:
  - (i) any act or omission to act by the Franchisee or its agents or subcontractors, save that in respect of the occurrence of Industrial Action in accordance with paragraph 1(f), the provisions of paragraph 2.2 apply; or
  - (ii) the Franchisee's own contravention of, or default under, the Franchise Agreement, any Access Agreement, Rolling Stock Related Contract, Property Lease or any other agreement;



- (e) the Franchisee used and continues to use all reasonable endeavours to avert or prevent the occurrence of the relevant event and/or to mitigate and minimise the effects of such event on its performance of the Passenger Services and to restore the provision of the Passenger Services as soon as reasonably practicable after the onset of the occurrence of such event; and
- (f) the Franchisee shall, to the extent reasonably so requested by the Secretary of State, exercise its rights and remedies under any relevant agreement to prevent the occurrence or recurrence of any such event and to obtain appropriate redress and/or compensation from any relevant person.

2.2 Where:

- (a) Industrial Action in accordance with paragraph 1(f) occurs as a result of an act or omission to act by the Franchisee or its agents or subcontractors;
  - (b) the Secretary of State reasonably believes that it was reasonable for the Franchisee, its agents or subcontractors (as the case may be) so to act or omit to act; and
  - (c) the other conditions specified in paragraph 2.1 have been satisfied,
- such occurrence shall be a Force Majeure Event.

3. **Consequences of Force Majeure Events**

**On Obligations**

- 3.1 The Franchisee shall not be responsible for any failure to perform any of its obligations under the Franchise Agreement, nor shall there be any contravention of the Franchise Agreement if and to the extent that such failure is caused by any Force Majeure Event.
- 3.2 If any Force Majeure Event continues, with the effect of preventing the Franchisee from delivering, wholly or mainly, the Passenger Services for more than six consecutive months, it shall be a Termination Event in accordance with paragraph 3.1 of Schedule 10.3 (Events of Default and Termination Events).

3.3 **Business Continuity**

**First BCP**

- (a) Within 1 month following the Start Date the Franchisee shall produce and provide to the Secretary of State a written Business Continuity Plan in respect of the Franchise Services and the people, facilities and assets used to provide them, that is adequate to minimise the effect of and deal promptly and efficiently with any Disaster and which will as a minimum:
  - (i) reflect the degree of skill, care, foresight and prudence which can reasonably be expected from a highly experienced and competent operator of railway passenger services;

- (ii) use what the industry would (at the relevant time) regard as the best generally accepted processes, techniques and materials; and
- (iii) comply with all Laws.

**Obligation to Maintain the BCP**

- (b) The Franchisee shall, at all times, maintain and comply with the Business Continuity Plan, and ensure that it is, at all times, able to implement the Business Continuity Plan immediately upon an event occurring which the Business Continuity Plan is expressed to cover, or reasonably can be expected to cover.
- (c) The Franchisee shall update the Business Continuity Plan at least once during each Franchisee Year.
- (d) The Franchisee will, on request, provide a copy of the Business Continuity Plan to the Secretary of State and will provide to the Secretary of State any other information that the Secretary of State may reasonably require in relation thereto.
- (e) Nothing in this paragraph 3 will relieve the Franchisee from its obligations under this Franchise Agreement to create, implement and operate the Business Continuity Plan. Accordingly, if a Force Majeure Event affecting the Franchisee occurs which is an event or circumstance that is within the scope of the Business Continuity Plan, or would have been had the Franchisee and/or Business Continuity Plan complied with this paragraph 3, then paragraph 3.1 will only apply to that Force Majeure Event to the extent that the impacts of that Force Majeure Event would have arisen even if the Business Continuity Plan had complied with paragraph 3 and had been fully and properly implemented and operated in accordance with paragraph 3 and the terms of the Business Continuity Plan in respect of that Force Majeure Event.

**On Payments**

- 3.4 Following the occurrence of a Force Majeure Event, the payment of Franchise Payments shall continue unaffected.

## SCHEDULE 10.5

### Liability

#### 1. Exclusion of Liability

##### Liability with respect to Passengers and Third Parties

- 1.1 The Franchisee hereby acknowledges that the Secretary of State will not be responsible for the actions of the Franchisee or any Affiliate of the Franchisee and that, except as expressly provided in the Franchise Agreement, the Franchisee shall provide and operate the Franchise Services at its own cost and risk without recourse to the Secretary of State or government funds or guarantees.
- 1.2 The Franchisee, on demand, shall hold the Secretary of State fully protected and indemnified in respect of all losses, liabilities, costs, charges, expenses, actions, proceedings, claims or demands incurred by or made on the Secretary of State in connection with any death, personal injury, loss or damage suffered by passengers or by any third party using or affected by the Franchise Services which is caused or contributed to by the Franchisee, any Affiliate of the Franchisee, or any employee, agent, contractor or sub-contractor of the Franchisee or of any Affiliate of the Franchisee.

##### Liability of the Secretary of State

- 1.3 Neither the Secretary of State nor any of his officers, agents or employees shall in any circumstances be liable to the Franchisee for any loss or damage caused by the negligent exercise of any powers reserved to the Secretary of State under the Franchise Agreement, except to the extent that such negligence also constitutes a contravention of an obligation of the Secretary of State under the Franchise Agreement. The Franchisee may not recover from the Secretary of State or any of his officers, agents, or employees any amount in respect of loss of profit or consequential loss.

#### 2. Review or Monitoring by the Secretary of State

- 2.1 The Secretary of State may for his own purposes (whether under the Franchise Agreement or under any other arrangement or otherwise and whether before or after the date of the Franchise Agreement) monitor or review any proposals, plans or projects (or any aspect thereof) of the Franchisee under the Franchise Agreement, but no review, enquiry, comment, statement, report or undertaking, made or given by or on behalf of the Secretary of State during such review or monitoring (and no failure to undertake, make or give any review, enquiry, comment or statement) shall operate to exclude or relieve either party from or reduce or otherwise affect the obligations of such party under the Franchise Agreement.
- 2.2 The exercise by or on behalf of the Secretary of State of (or, as the case may be, any failure to exercise) any of his functions, rights or obligations in respect of any review or monitoring process shall not in any way impose any liability, express or implied, on the Secretary of State to any other party save to the extent that the exercise (or failure to exercise) of any of such functions, rights or obligations results in a contravention by the Secretary of State of an express provision of the Franchise Agreement and the Secretary of State does not make or give any representation or warranty, either express or implied, as to whether any proposal,

plan or project will enable either party to comply with its obligations under the Franchise Agreement.

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## **SCHEDULE 11**

### **Agreement Management Provisions**

**1. Not Used**

**2. Identification of Key Personnel and Provision of Organisation Chart**

2.1 The Franchisee shall identify and provide to the Secretary of State a schedule of Key Personnel who shall be employed by the Franchisee in the performance of the Franchise Agreement. This shall include but not be limited to the following persons:

- (a) a managing director whose role will include the overall management of the operation of the Franchise Services;
- (b) a train service delivery manager, whose role will include responsibility for ensuring compliance by the Franchisee with Schedule 7.1 (Performance Benchmarks);
- (c) a safety manager, whose role will include responsibility for ensuring that the Franchisee complies with its legal obligations in relation to the Franchise Services including the Safety Certificate;
- (d) a finance manager, whose role will include responsibility in relation to the Financial Model;
- (e) a passenger safety and security director, whose role will include overseeing, at a strategic level, the Franchisee's interface with the Secretary of State in relation to Sections 119 to 121 (inclusive) of the Act and co-ordinating relevant activities (including crime reduction and/or intervention activities) on behalf of the Franchisee in connection with the Franchisee's compliance with relevant instructions issued by the Secretary of State under Section 119 of the Act from time to time;
- (f) a Community Rail Partnership engagement manager with sufficient status to secure effective co-operation from all relevant parts of the Franchisee and also from other relevant industry parties including, but not limited to, Network Rail, whose role shall include responsibility for communication between the Franchisee and the Community Rail Partnerships and for embedding the Community Rail objectives set out in the Secretary of State's then current published Community Rail Development Strategy into the Franchisee's obligations under this Franchise Agreement; and
- (g) a manager of the NEE Business Unit (as such term is defined in paragraph 16 of Schedule 6.2 (Northern Franchise Specific Provisions)) whose role will include responsibility for ensuring compliance with the requirements of paragraph 16 of Schedule 6.2.

2.2 On or before the Start Date the Franchisee shall provide to the Secretary of State an organisation chart detailing the responsibilities and reporting lines of each of the Key Personnel and shall update such chart (and provide a copy to the Secretary of State promptly thereafter) as and when any changes occur.

3. **Not Used**

4. **Franchise Performance Meetings**

4.1

- (a) The parties shall hold a Franchise Performance Meeting at least once in every Reporting Period (or such other interval as the Secretary of State may notify to the Franchisee in writing) at a time and location notified to the Franchisee by the Secretary of State.
- (b) The Franchisee shall ensure that:
  - (i) each of its representatives at all Franchise Performance Meetings have full power and authority delegated to them by the Franchisee to act and to make binding decisions on behalf of the Franchisee and shall include such directors and/or senior managers of the Franchisee as the Secretary of State may require; and
  - (ii) representatives of the Parent (which shall include such directors and/or senior managers of the Parent as the Secretary of State may require) attend every quarterly Franchise Performance Meeting.

4.2 The Franchisee shall prepare and present such reports to each Franchise Performance Meeting as the Secretary of State may reasonably request. The Franchisee's obligations under this paragraph 4.4 are subject to the Franchisee receiving at least 28 days' notice of the requirement to prepare and present any such report.

4.3 No comment or failure to comment nor any agreement or approval, implicit or explicit by the Secretary of State at such meetings will relieve the Franchisee of any of its obligations under the Franchise Agreement.

4A. **Periodic Update Reports**

4A.1 In addition to the obligation at paragraph 4.4 above, the Franchisee shall (in accordance with the requirements of paragraph 6.1 of Part 2 (Miscellaneous Provisions) to Schedule 6.1 (Committed Obligations and Related Provisions)) prepare and submit to the Secretary of State a periodic report in each Reporting Period containing such information as the Secretary of State may reasonably specify on or after commencement of this Agreement or from time to time in accordance with clause 4A.2 below for the previous quarter, or such other period as may be reasonably required and disaggregated to the extent that the Secretary of State shall require.

4A.2 The Franchisee's obligations under this paragraph 4A are subject to the Franchisee receiving at least 28 days' notice of:

- (a) the requirement to prepare any such report; and
- (b) any amendments required to the contents of such report.

**5. Right of Assessment or Inspection**

- 5.1 The Franchisee shall, if requested by the Secretary of State, allow the Secretary of State and his representatives and advisers:
- (a) to inspect and copy any records referred to in Schedule 13 (Information and Industry Initiatives) and the Secretary of State may verify any such records; and
  - (b) to inspect and copy at any reasonable time any books, records and any other material kept by or on behalf of the Franchisee and/or its auditors and any assets (including the Franchise Assets) used by the Franchisee in connection with the Franchise Services.
- 5.2 The Franchisee shall make available to the Secretary of State, his representatives and advisers the information referred to in paragraph 5.1 and grant or procure the grant of such access (including to or from third parties) as the Secretary of State, his representatives and advisers shall reasonably require in connection therewith. The obligation of the Franchisee under this paragraph 5.2 shall include an obligation on the Franchisee to grant or procure the grant of such access to premises (including third party premises) where the information referred to in paragraph 5.1 is kept by or on behalf of the Franchisee.
- 5.3 The Secretary of State, his representatives and advisers shall be permitted to take photographs, film or make a video recording, or make any other kind of record of any such inspection.
- 5.4 If any inspection reveals that information previously supplied to the Secretary of State was, in the reasonable opinion of the Secretary of State, inaccurate in any material respect or if such inspection reveals any other contravention of the Franchisee's obligations under the Franchise Agreement which the Secretary of State considers to be material, the costs of any such inspection shall be borne by the Franchisee.

## **SCHEDULE 12**

### **Financial Obligations and Covenants**

**Schedule 12: Financial Obligations and Covenants**

**Appendix 1 to Schedule 12: Form of Performance Bond**

**Appendix 2 to Schedule 12: Form of Season Ticket Bond**

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## SCHEDULE 12

### Financial Obligations and Covenants

#### 1. Obligations

Except to the extent that the Secretary of State may otherwise agree from time to time, the Franchisee shall not:

- (a) incur any liability or financial indebtedness except in the ordinary course of providing and operating the Franchise Services;
- (b) make any loan or grant any credit, or have or permit to subsist any loan or any credit, to any person (other than the deposit of cash with a Bank as permitted under paragraph 1(d) or to an employee in the ordinary course of its business);
- (c) create or permit to subsist any Security Interest over any of its assets or property or give any guarantee or indemnity to or for the benefit of any person or otherwise assume liability or become obliged (actually or contingently) in respect of any obligation of any other person, in each case other than in the ordinary course of the business of providing and operating the Franchise Services; or
- (d) create or acquire any subsidiary or make or have any investment in any other entity, except for the deposit of cash with a Bank.

#### 2. Financial Ratios

##### 2.1 The Franchisee covenants that as at the end of each Reporting Period during the Franchise Term:

- (a) the ratio of its Modified Revenue to its Actual Operating Costs during the Preceding 13 Reporting Periods of the Franchise Term (or, prior to the end of the thirteenth such Reporting Period, during all preceding Reporting Periods) will equal or exceed the ratio of 1.050:1; and
- (b) the ratio of its Forecast Modified Revenue to its Forecast Operating Costs for the next 13 Reporting Periods (or, where there are less than 13 Reporting Periods remaining in the Franchise Term, for all such remaining Reporting Periods) will equal or exceed the ratio of 1.050:1; and

for the purposes of this paragraph 2 **Preceding 13 Reporting Periods** means the Reporting Period just ended and the preceding 12 Reporting Periods of the Franchise Term.

##### 2.2 If:

- (a) in respect of any Reporting Period, the Franchisee fails pursuant to paragraph 3.3(b) of Schedule 13 (Information and Industry Initiatives) to provide a statement of calculation of performance against the covenants set out in paragraph 2.1(b) for each of the next 13 Reporting Periods (or, where there are less than 13 Reporting Periods remaining in the Franchise Term, for all such remaining Reporting Periods) following any such Reporting Period; or

- (b) the Secretary of State reasonably considers that any particular item of Forecast Modified Revenue or Forecast Operating Cost used for the purposes of determining the Franchisee's performance against the covenants set out in paragraph 2.1(b) has not been accounted for on a reasonable basis (including where the accounting treatment looks to the form rather than the substance),

then the Secretary of State may:

- (i) in the circumstances referred to in paragraph 2.2(a) above reasonably determine the ratio of the Forecast Modified Revenue and Forecast Operating Cost on the basis of information available to him; or
- (ii) in the circumstances referred to in paragraph 2.2(b) above require any such particular item of Forecast Modified Revenue or Forecast Operating Cost to be adjusted in a manner which is fair and reasonable and, so far as reasonably determinable, on the basis on which such particular item of Forecast Modified Revenue or Forecast Operating Cost should have been accounted for by the Franchisee as reasonably determined by the Secretary of State,

in either case after having exercised his rights under paragraph 3.13 of Schedule 13 (Information and Industry Initiatives) to the extent that he considers appropriate in the circumstances for the purpose of making any such reasonable determination.

### 3. **Breach of Financial Ratios**

3.1 The Franchisee shall not during any Lock-up Period, do any of the following without the Secretary of State's consent:

- (a) declare or pay any dividend (equity or preference) or make any other distribution including surrendering any taxable losses to any of its Affiliates or pay any of its Affiliates in respect of taxable losses that they wish to surrender to the Franchisee, without the prior written consent of the Secretary of State;
- (b) pay management charges to any of its Affiliates in excess of those specified in the Initial Business Plan; or
- (c) make payment under any intra-group borrowings,

provided that, during the Lock-up Period, the Franchisee may repay any borrowing and/or make any payment in respect of interest accrued on such borrowing, in each case relating to the Agreed Funding Commitment in accordance with the Funding Plan (each as defined in the Funding Deed).

3.2 "**Lock-up Period**" means any period from the time when either of the ratios referred to in paragraphs 2.1(a) and 2.1(b) falls below the ratio of 1.070:1 until the time at which the Secretary of State is satisfied that the relevant ratio is again above the ratio of 1.070:1.

3.3 Failure by the Franchisee at any time to comply with either of the ratios referred to in paragraph 2.1 shall be an Event of Default under paragraph 2.9 of Schedule 10.3 (Events of Default and Termination Events).

#### 4. **Performance Bond**

4.1 The Franchisee shall procure that there shall be a valid and effective Performance Bond in place with effect from the date of the Franchise Agreement, and the Franchisee shall procure that there shall be a valid and effective Performance Bond in place

- (a) throughout the Franchise Period; and
- (b) for a period that is the later of the date:
  - (i) falling one month after the determination of the Purchase Price (as defined in any Supplemental Agreement) under the Supplemental Agreement; and
  - (ii) that is seven Reporting Periods after the end of the Franchise Period.

The provisions of this paragraph 4.1 shall survive the termination of the Franchise Agreement.

4.2 Each Performance Bond shall:

- (a) be substantially in the form of Appendix 1 (Form of Performance Bond) to this Schedule 12;
- (b) be issued by a Bond Provider;
- (c) in the case of the Initial Performance Bond, have a value of £15,000,000 (pounds sterling fifteen million), and in the case of any Replacement Performance Bond, have a value equal to the amount determined under paragraph 4.4; and
- (d) have a minimum duration of three years.

#### **Provision of Replacement Performance Bond**

4.3

- (a) The Franchisee may replace the then current Performance Bond at any time.
- (b) The Franchisee shall replace each Performance Bond at least six months prior to its scheduled expiry with a Replacement Performance Bond.
- (c) If at any time the Secretary of State reasonably considers the Bond Provider under the then current Performance Bond to be unacceptable, the Secretary of State may require the Franchisee within 20 Weekdays to procure the execution and delivery of a new Performance Bond by a Bond Provider acceptable to the Secretary of State.

## Amount of Replacement Performance Bond

4.4 The value of any Replacement Performance Bond shall be as follows:

- (a) in relation to the first Replacement Performance Bond, an amount which is £15,000,000 (pounds sterling fifteen million)  $\times$  RPI; and
- (b) in relation to each subsequent Replacement Performance Bond an amount which is the amount of the Replacement Performance Bond that it is replacing  $\times$  RPI,

and, for the purpose of this paragraph 4.4, RPI shall be the quotient of the Retail Prices Index for the month for which the Retail Prices Index has most recently been determined on the date on which the Franchisee is to replace the Performance Bond divided by the Retail Prices Index for the month in which the Performance Bond that is being replaced was required to be delivered to the Secretary of State.

## Demands under the Performance Bond

4.5

- (a) The Performance Bond shall be on terms that it is payable without further enquiry by the Bond Provider to the Secretary of State in full in London on first written demand by the Secretary of State on the Bond Provider, certifying as to any one or more of the following:
  - (i) that the Franchise Agreement has:
    - (A) either terminated or expired and, in either case, in circumstances where there are liabilities or obligations outstanding from the Franchisee to the Secretary of State; and/or
    - (B) terminated solely as a consequence of the occurrence of one or more Events of Default or a Termination Event of a type described in paragraph 3.2 of Schedule 10.3 (Event of Default and Termination Events) or pursuant to clause 4.2(b) or 4.3(b) of the Conditions Precedent Agreement in circumstances where the Secretary of State has incurred or expects to incur additional costs in connection with early termination of the Franchise;
  - (ii) that a railway administration order has been made in relation to the Franchisee pursuant to Sections 60 to 62 of the Act;
  - (iii) the occurrence of an Event of Default:
    - (A) under paragraph 2.12(a) of Schedule 10.3 (Events of Default and Termination Events) in relation to the Performance Bond; or
    - (B) under paragraph 2.12(b) of Schedule 10.3 (Events of Default and Termination Events),

whether or not the Franchise Agreement is, or is to be, terminated as a result thereof;

- (iv) that the Franchisee has failed to perform or comply with its obligations under any Supplemental Agreement;
  - (v) that the Franchisee has failed to provide a replacement Performance Bond complying with this paragraph 4 at least six months prior to the scheduled expiry of the existing Performance Bond; or
  - (vi) the Franchisee has failed to procure the execution and delivery of a new Performance Bond by a Bond Provider acceptable to the Secretary of State when required to do so in accordance with paragraph 4.3(c).
- (b) If the Secretary of State makes a demand under the Performance Bond, he shall, within a reasonable period, account to the Franchisee for the proceeds of such Performance Bond less the amount of the losses, liabilities, costs or expenses which, in the reasonable opinion of the Secretary of State, the Secretary of State or a Successor Operator has incurred or suffered or may be reasonably likely to incur or suffer including as a result of:
- (i) early termination of the Franchise Agreement; and/or
  - (ii) any failure by the Franchisee to perform or comply with any of its obligations to the Secretary of State under the Franchise Agreement or to a Successor Operator under the Supplemental Agreement.
- (c) Nothing in paragraph (b) shall oblige the Secretary of State to account to the Franchisee for the proceeds of such Performance Bond in the circumstances described in paragraphs 4.5(a)(iii), (v) or (vi) until such time as the Franchisee has procured a replacement Performance Bond which complies with the requirements of paragraph 4.

#### **Characteristics of Performance Bond Provider**

- 4.6 In determining whether a Bond Provider under any replacement Performance Bond is acceptable, the Secretary of State may exercise his discretion and shall not be obliged to accept a Bond Provider accepted under any previous Performance Bond.
- 4.7 The Franchisee shall provide such information relating to any Bond Provider or proposed Bond Provider as the Secretary of State may require from time to time.

#### **Provision of more than one Performance Bond**

- 4.8 The Franchisee shall be permitted subject to the prior consent of the Secretary of State (such consent not to be unreasonably withheld or delayed) to meet its obligations to provide a valid and effective Performance Bond by providing up to three valid and effective Performance Bonds, the aggregate value of which at all times is equal to the value determined under paragraph 4.4. With the exception of the value of each individual Performance Bond the provisions of the Franchise Agreement in relation to the Performance Bond shall be deemed to apply separately in relation to each such Performance Bond. Where more than one Performance Bond is provided the Secretary of State shall have a discretion as to

whether to make a demand under some or all of such Performance Bonds and the extent to which he accounts for the proceeds of each such Performance Bond in accordance with the provisions of paragraph 4.5(b).

## 5. **Season Ticket Bond**

### **Provision of Season Ticket Bond**

5.1 The Franchisee shall procure that, for each Franchisee Year throughout the Franchise Term and during the relevant call period specified in clauses 4 and 5 of the Season Ticket Bond, there shall be in place a valid and effective Season Ticket Bond substantially in the form of Appendix 2 (Form of Season Ticket Bond) to this Schedule 12.

### **Provision of Replacement Season Ticket Bond**

5.2 No later than one Reporting Period before the expiry of each Bond Year, the Franchisee shall provide to the Secretary of State (or procure that the Secretary of State receives) a Season Ticket Bond for the following Bond Year:

- (a) substantially in the form of Appendix 2 (Form of Season Ticket Bond) to this Schedule 12 (or in any other form acceptable to the Secretary of State in his discretion);
- (b) duly executed and delivered by a Bond Provider acceptable to the Secretary of State; and
- (c) in an amount determined in accordance with paragraph 5.3.

### **Amount of Season Ticket Bond**

5.3 The amount of any Season Ticket Bond shall vary for each Reporting Period during the Bond Year to which the Season Ticket Bond relates in accordance with the following formula:

$$STBA = STL \times \frac{((RPI \times 100) + k)}{100} \times Z$$

where:

STBA equals the amount of the Season Ticket Bond in the relevant Reporting Period;

STL equals, in respect of such Reporting Period:

- (a) the maximum amount which would be payable by the Franchisee in respect of Season Ticket Fares under and in accordance with a Supplemental Agreement and paragraph 3.3 of Schedule 15.4 (Provisions Applying on and after Termination) and the rights and liabilities of the Franchisee relating to an obligation of carriage under the terms of any Season Ticket Fares which were transferred under a Transfer Scheme relating to that Supplemental Agreement to a Successor Operator at that time; and
- (b) the Stored Credit Balance which would be held by the Franchisee

if the Franchise Agreement were to terminate on any day during the Reporting Period (the "**Relevant Reporting Period**") falling 13 Reporting Periods before such Reporting Period,

provided that for these purposes only:

- (i) Season Ticket Fares shall mean any Season Ticket Fare which expires more than seven days after it first comes into effect;
- (ii) the Start Date shall be assumed, where relevant, to have occurred before the commencement of the Relevant Reporting Period; and
- (iii) if STL cannot reasonably be determined at the time at which the Franchisee is required under paragraph 5.4 to provide its estimate of the amount of the relevant Season Ticket Bond (including because the Relevant Reporting Period has not yet occurred), the Relevant Reporting Period shall be the Reporting Period falling 26 Reporting Periods before the Reporting Period in the relevant Bond Year

RPI equals the quotient of the Retail Prices Index for the month for which the Retail Prices Index has most recently been determined at the time the Franchisee is required under paragraph 5.4 to provide its estimate of the amount of the relevant Season Ticket Bond divided by the Retail Prices Index for the month falling 12 months before such month;

k has the value attributed to it in Schedule 5 (Fares) for the Fare Year in which the Reporting Period in the relevant Bond Year falls; and

Z equals +1 or, if the Relevant Reporting Period falls 26 Reporting Periods before such Reporting Period, an amount equal to:

$$\frac{(RPI \times 100) + k}{100}$$

where RPI and k are determined for the 12 months and the Fare Year preceding the 12 months and the Fare Year for which RPI and k are respectively determined above.

- 5.4 The Franchisee shall supply to the Secretary of State, not later than three Reporting Periods before the end of each Bond Year, its estimate of the amount of the Season Ticket Bond for each Reporting Period during the following Bond Year and shall supply such details as the Secretary of State may request in connection therewith.
- 5.5 The Franchisee and the Secretary of State shall endeavour to agree the amount of such Season Ticket Bond by no later than two Reporting Periods before the end of each Bond Year. If the parties are unable to agree the amount of the Season Ticket Bond in respect of any Reporting Period during the following Bond Year, the matter shall be resolved in accordance with the Dispute Resolution Rules.
- 5.6 If the amount of the Season Ticket Bond for each Reporting Period during a Bond Year has not been agreed two Reporting Periods before the end of the preceding Bond Year, then, until the amount is agreed or determined in accordance with the

Dispute Resolution Rules, the amount thereof shall be the amount determined by the Secretary of State.

- 5.7 The Secretary of State and the Franchisee may agree to increase or reduce the amount covered or required to be covered under a Season Ticket Bond from time to time.

#### **Demands under the Season Ticket Bond**

5.8

- (a) The Season Ticket Bond shall be on terms that it is payable without further enquiry by the Bond Provider to the Secretary of State in full in London on first written demand by the Secretary of State on the Bond Provider, certifying as to any one or more of the following:
- (i) that the Franchise Agreement has terminated or expired;
  - (ii) that a railway administration order has been made in relation to the Franchisee pursuant to Sections 60 to 62 of the Act; or
  - (iii) that an Event of Default:
    - (A) under paragraph 2.12(a) of Schedule 10.3 (Events of Default and Termination Events) in relation to the Season Ticket Bond; or
    - (B) under paragraph 2.12(c) of Schedule 10.3 (Events of Default and Termination Events),has occurred (whether or not the Franchise Agreement is, or is to be, terminated as a result thereof).
- (b) If the Secretary of State makes a demand under the Season Ticket Bond, he shall account to the Franchisee for the proceeds of such Season Ticket Bond remaining following settlement of all liabilities or obligations of the Franchisee in respect of any Season Ticket Fares and/or Stored Credit Balance that may be transferred or is transferred whether under a Transfer Scheme (or otherwise) to a Successor Operator.

#### **Characteristics of Season Ticket Bond Provider**

- 5.9 In determining whether a Bond Provider under any replacement Season Ticket Bond is acceptable, the Secretary of State may exercise his discretion and shall not be obliged to accept a Bond Provider accepted under any previous Season Ticket Bond.
- 5.10 The Franchisee shall provide such information relating to any Bond Provider or proposed Bond Provider as the Secretary of State may require from time to time.
- 5.11 The Secretary of State agrees that, subject to receipt of a Season Ticket Bond in an amount determined in accordance with paragraph 5.3 in respect of any Bond Year, he shall release the relevant Bond Provider from any liability under the Season Ticket Bond provided in relation to the preceding Bond Year on the expiry of such Bond Year, provided that no Event of Default has occurred and is unremedied or continuing.



## Meaning of Reporting Period

- 5.12 References in this paragraph 5 to a Reporting Period shall be construed, where the Franchisee so requests and the Secretary of State consents (such consent not to be unreasonably withheld), to be references to each consecutive seven-day period (or such other period as may be agreed) during such Reporting Period. The Franchisee may only make such a request in respect of a maximum of two Reporting Periods in each Bond Year and only where the amount of the Season Ticket Bond over any such period would, in the reasonable opinion of the Franchisee, differ materially if determined by reference to such seven-day periods.

## 6. TAX COMPLIANCE

- 6.1 The Franchisee represents and warrants that as at the Start Date, it has notified the Secretary of State in writing of any Occasions of Tax Non-Compliance where the Franchisee (including where the Franchisee is an unincorporated joint venture or consortium, the members of that unincorporated joint venture or consortium) is the Affected Party (as defined in paragraph 6.3 below) or any litigation that it is involved in that is in connection with any Occasions of Tax Non-Compliance where the Franchisee (including where the Franchisee is a joint venture or consortium, the members of that joint venture or consortium) is the Affected Party.

- 6.2 If, at any point during the Franchise Term, an Occasion of Tax Non-Compliance occurs in relation to any Affected Party, the Franchisee shall:

- (a) notify the Secretary of State in writing of such fact within 5 Weekdays of its occurrence; and
- (b) promptly provide to the Secretary of State:
  - (i) details of the steps which the Affected Party is taking to address the Occasion of Tax Non-Compliance and to prevent the same from recurring, together with any mitigating factors that it considers relevant; and
  - (ii) such other information in relation to the Occasion of Tax Non-Compliance as the Secretary of State may reasonably require.

- 6.3 For the purposes of this paragraph 6 (Tax Compliance), the following defined terms shall have the following meanings:

**"DOTAS"**

means the Disclosure of Tax Avoidance Schemes rules which require a promoter of tax schemes to tell HM Revenue & Customs of any specified notifiable arrangements or proposals and to provide prescribed information on those arrangements or proposals within set time limits as contained in Part 7 of the Finance Act 2004 and in secondary legislation made under vires contained in Part 7 of the Finance Act 2004 and as extended to National Insurance Contributions by the National Insurance Contributions (Application of Part 7 of the Finance Act 2004) Regulations 2012, SI 2012/1868 made under s.132A Social Security Administration Act 1992;

**“General Anti-Abuse Rule”**

means:

- (a) the legislation in Part 5 of the Finance Act 2013; and
- (b) any future legislation introduced into parliament to counteract tax advantages arising from abusive arrangements to avoid national insurance contributions;

**“Halifax Abuse Principle”**

means the principle explained in the CJEU Case C-255/02 Halifax and others; and

**“Occasion of Tax Non-Compliance”**

means, in respect of the Franchisee (including where Franchisee is an unincorporated joint venture or consortium, the members of that unincorporated joint venture or consortium) or the Franchisee (such party being the **“Affected Party”**):

- (a) any tax return of the Affected Party submitted to a Relevant Tax Authority on or after 1 October 2012 is found on or after 1 April 2013 to be incorrect as a result of:
  - (i) a Relevant Tax Authority successfully challenging the Affected Party under the General Anti-Abuse Rule or the Halifax Abuse Principle or under any tax rules or legislation that have an effect equivalent or similar to the General Anti-Abuse Rule or the Halifax Abuse Principle;
  - (ii) the failure of an avoidance scheme which the Affected Party was involved in, and which was, or should have been, notified to a Relevant Tax Authority under the DOTAS or any equivalent or similar regime; and/or
- (b) any tax return of the Affected Party submitted to a Relevant Tax Authority on or after 1 October 2012 gives rise, on or after 1 April 2013, to a criminal conviction in any jurisdiction for tax related offences which is not spent at the Start Date or to a civil penalty for fraud or evasion;

**“Relevant Tax Authority”**

means HM Revenue & Customs, or, if applicable, a tax authority in the jurisdiction in which the Affected Party is established.

**APPENDIX 1 TO SCHEDULE 12**

**Form of Performance Bond**

**[DOCUMENT "PB" - PERFORMANCE BOND]**

Dated

20[•]

[BOND PROVIDER]

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Performance Bond

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*Secretary of State for Transport  
33 Horseferry Road  
London SW1P 4DR*

To: Secretary of State for Transport  
33 Horseferry Road  
London  
SW1P 4DR  
(the Secretary of State)

Whereas:

We are informed that you have entered into a franchise agreement dated [\_\_\_\_\_] (the "**Franchise Agreement**") with [name of Franchisee] (the "**Franchisee**"). Pursuant to the Franchise Agreement the Franchisee will provide certain railway passenger services.

We are further informed that the Franchise Agreement requires that the Secretary of State receives a duly executed performance bond in the amount of [*To be populated for the duration of the Bond in accordance with 4.4*] (the "**Bond Value**") to secure the performance by the Franchisee of and its compliance with their respective obligations under the Franchise Agreement and any Supplemental Agreement.

Accordingly:

We hereby unconditionally and irrevocably undertake to pay to you in full in London, immediately upon receipt of your first written demand on us in the form set out in the Schedule and, without further enquiry, the sum specified therein. Such written demand shall state:

- (a) the Call Event (as defined in clause 2 hereof) that has occurred; and
- (b) the date of occurrence of such Call Event.

You may call on us for the whole or part of the amount of our liability hereunder and you may make any number of calls on us up to a maximum aggregate amount of the Bond Value. All sums payable hereunder shall be paid free of any restriction or condition and free and clear of and (except to the extent required by law) without any deduction or withholding, whether for or on account of tax, by way of set-off or otherwise.

1. The undertaking given by us above shall operate provided that:

- (a) our maximum liability shall be limited to a sum or sums not exceeding in the aggregate the amount of the Bond Value or such lesser amount as you may notify us of from time to time in writing, separately from any demand, shall constitute the Bond Value of this Bond; and
- (b) notwithstanding anything contained herein, our liability hereunder shall expire on the earlier of:
  - (i) the date falling six months after the date on which any railway administration order is made in relation to the Franchisee pursuant to Sections 60 to 62 of the Railways Act 1993; and
  - (ii) the later of:
    - (A) the date falling one month after the determination of the Purchase Price (as defined in any

Supplemental Agreement) under each relevant Supplemental Agreement; and

(B) the date falling seven Reporting Periods after the end of the Franchise Period; and

(C) the end of the Franchise Term; and

(iii) [●]<sup>88</sup>,

except in respect of any written demand for payment complying with all the requirements hereof which is received by us on or before such date for either the Bond Value, or for such lesser amount which, when aggregated with any previous demands, amounts to the Bond Value or less, after which date this undertaking shall be void whether returned to us or not.

2. Call Event means, in this Bond, any of:

(a) the termination or expiry of the Franchise Agreement in circumstances where there are liabilities or obligations outstanding from the Franchisee to the Secretary of State;

(b) the termination of the Franchise Agreement solely as a consequence of the occurrence of one or more Events of Default or a Termination Event of a type described in paragraph 3.2 of Schedule 10.3 (Event of Default and Termination Events) or pursuant to clause 4.2(b) or 4.3(b) of the Conditions Precedent Agreement in circumstances where the Secretary of State has incurred or expects to incur additional costs in connection with early termination of the Northern franchise;

(c) the making of a railway administration order in relation to the Franchisee pursuant to Sections 60 to 62 of the Railways Act 1993;

(d) the occurrence of an Event of Default under the Franchise Agreement in respect of:

(i) paragraph 2.12(a) of Schedule 10.3 (Events of Default and Termination Events) of the Franchise Agreement in relation to the Performance Bond; or

(ii) paragraph 2.12(b) of Schedule 10.3 (Events of Default and Termination Events) of the Franchise Agreement,

whether or not the Franchise Agreement is, or is to be, terminated as a result thereof;

(e) the failure by the Franchisee to perform or comply with its obligations under any Supplemental Agreement;

(f) the failure by the Franchisee to provide the Secretary of State with a replacement Performance Bond which complies with paragraph 4 of Schedule 12 (Financial Obligations and Covenants) of the Franchise

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<sup>88</sup> Insert date that is date at least three years after the date of the Bond.

Agreement at least six months prior the scheduled expiry of the existing Performance Bond; or

- (g) the failure by the Franchisee to procure the execution and delivery of a new Performance Bond by a Bond Provider in favour of and acceptable to the Secretary of State when required to do so in accordance with paragraph 4.3(c) of Schedule 12 (Financial Obligations and Covenants) of the Franchise Agreement.

3. This undertaking is made to you, your successors and your assigns.
4. This undertaking shall not be discharged or released by time, indulgence, waiver, alteration or release of, or in respect to, the obligations of the Franchisee under the Franchise Agreement or any Supplemental Agreement or any other circumstances that might operate as a release of a guarantor at law or in equity.
5. You may make demand or give notice to us under this Bond in writing by hand or facsimile transmission to us as follows:  
  
Address: [Bond Provider's address]  
  
Facsimile Number: [Bond Provider's fax number]
6. References in this Bond to the Franchise Agreement and the Supplemental Agreement are to the Franchise Agreement and any Supplemental Agreement as amended from time to time.
7. Where used in this Bond, capitalised terms have the same meanings as in the Franchise Agreement.
8. This Bond shall be governed by and construed in accordance with the laws of England and Wales.

Executed as a deed this [day and month] of [year].

## SCHEDULE TO THE PERFORMANCE BOND

### SPECIMEN DEMAND NOTICE

To: [name and address of Bond Provider]  
[date of demand notice]

We refer to the performance bond issued by you on [date of Bond] (the "**Performance Bond**") in connection with the franchise agreement (the "**Franchise Agreement**") entered into between the Secretary of State for Transport (the "**Secretary of State**") and [name of "**Franchisee**"] (the "**Franchisee**") on [Franchise Agreement signature date].

We hereby notify you that the following Call Event (as defined in the Performance Bond) occurred on [date of occurrence of Call Event]: [delete as appropriate].

[The Franchise Agreement has [terminated/expired] on [date of termination/expiry] in circumstances where there are liabilities or obligations outstanding from the Franchisee to the Secretary of State.]

[The Franchise Agreement has terminated solely as a consequence of the occurrence of one or more Events of Default on [date of termination] in circumstances where the Secretary of State has incurred or expects to incur additional costs in connection with the termination of the [name of franchise] franchise.]

[A railway administration order has been made in relation to the Franchisee pursuant to Sections 60 to 62 of the Railways Act 1993.]

[That an Event of Default under the Franchise Agreement has occurred under:

[(a) paragraph 2.12(a) of Schedule 10.3 (Events of Default and Termination Events) of the Franchise Agreement in relation to the Performance Bond; or]

[(b) paragraph 2.12(b) of Schedule 10.3 (Events of Default and Termination Events) of the Franchise Agreement.]]

[The Franchise Agreement has terminated pursuant to clause 4.2(b) or 4.3(b) of the Conditions Precedent Agreement in circumstances where the Secretary of State has incurred or expects to incur additional costs in connection with early termination of the [name of franchise] franchise.]

[The Franchisee has failed to perform or comply with its obligations under any Supplemental Agreement.]

[The Franchisee has failed to provide a replacement Performance Bond (as described in the Franchise Agreement) complying with paragraph 4 of Schedule 12 (Financial Obligations and Covenants) of the Franchise Agreement at least six months prior to the scheduled expiry of the existing Performance Bond.]

[The Franchisee has failed to procure the execution and delivery of a new Performance Bond by a Bond Provider acceptable to the Secretary of State when required to do so in accordance with paragraph 4.3(c) of Schedule 12 (Financial Obligations and Covenants) of the Franchise Agreement.]

We hereby demand immediate payment from you of [specify alternative amount if not Bond Value] or the Bond Value, whichever is smaller.

Please arrange for immediate payment of the relevant amount as follows:

[account details to which Bond monies to be paid into]

Where used in this Notice, capitalised terms have the same meanings as in the Franchise Agreement.

For and on behalf of

Secretary of State for Transport

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**APPENDIX 2 TO SCHEDULE 12**

**Form of Season Ticket Bond**

**DOCUMENT "STB" - SEASON TICKET BOND**

Dated

20[•]

[BOND PROVIDER]

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Season Ticket Bond

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*Secretary of State for Transport  
33 Horseferry Road  
London SW1P 4DR*

To: Secretary of State for Transport  
33 Horseferry Road  
London  
SW1P 4DR  
(the "**Secretary of State**")

Whereas:

We are informed that you have entered into a franchise agreement dated [\_\_\_\_\_] (the "**Franchise Agreement**") with [name of Franchisee] (the "**Franchisee**") under which the Franchisee will provide certain railway passenger services.

We are further informed that the Franchise Agreement requires that the Secretary of State receives a duly executed season ticket bond to secure the performance by the Franchisee of and its compliance with its obligations under the Franchise Agreement and any Supplemental Agreement.

Accordingly:

We hereby unconditionally and irrevocably undertake to pay to you in full in London, immediately upon receipt of your first written demand on us in the form set out in Schedule 1 (Specimen Demand Notice) and, without further enquiry, the sum specified therein. Such written demand shall state:

- (a) the Call Event (as defined in clause 2) that has occurred; and
- (b) the date of occurrence of such Call Event.

You may call on us for the whole or part of the amount of our liability hereunder and you may make any number of calls on us up to a maximum aggregate amount of the Bond Value (as defined in clause 3). All sums payable hereunder shall be paid free and clear of any restriction or condition and free and (except to the extent required by law) without any deduction or withholding, whether for or on account of tax, by way of set-off or otherwise.

1. The undertaking given by us above shall operate provided that:

- (a) our maximum liability shall be limited to a sum or sums not exceeding in the aggregate the amount of the Bond Value on the date of occurrence of the Call Event stated in your written demand on us; and
- (b) you may only call on us (whether on one or more occasions) in relation to one Call Event, such Call Event to be determined by reference to the first written demand which is received by us in the form set out in Schedule 1 (Specimen Demand Notice).

2. Call Event means, in this Bond, any of:

- (a) the termination or expiry of the Franchise Agreement;
- (b) the making of a railway administration order in relation to the Franchisee pursuant to Sections 60 to 62 of the Railways Act 1993; or
- (c) the occurrence of an Event of Default under paragraph 2.12(a) (in relation to a Season Ticket Bond) or paragraph 2.12(c) of Schedule 10.3 (Events of Default and Termination Events) of the Franchise Agreement

(whether or not the Franchise Agreement is, or is to be, terminated as a result thereof).

3. Bond Value shall mean, in respect of any date, the amount specified in Schedule 2 (Bond Value) as being the value of this Bond for such date (provided that for these purposes the date of occurrence of the Call Event specified in clause 2(c) shall be deemed to be the last date for which a Bond Value is assigned under Schedule 2 (Bond Value) of this Bond).
4. Notwithstanding anything contained herein, but subject to clause 5, our liability hereunder in respect of any Call Event shall expire no later than the end of the Franchise Term and:
  - (a) in relation to a Call Event specified in clauses 2(a) and (b), at noon (London time) on the date falling three business days after the date of occurrence of such Call Event (business day being a day on which banks are open for business in the City of London); and
  - (b) in relation to any other Call Event, on the day falling one month after the last date for which a Bond Value is assigned under Schedule 2 (Bond Value) of this Bond unless you notify us in writing prior to the relevant expiry time that the relevant Call Event has occurred (whether or not you call on us at the same time under this Bond).
5. If you do notify us under clause 4 our liability shall expire on:
  - (a) if the Call Event in respect of which you may call on us under this Bond is the termination of the Franchise Agreement, the date falling one month after the determination of the Purchase Price (as defined in the Supplemental Agreement) under each relevant Supplemental Agreement;
  - (b) if the Call Event in respect of which you may call on us under this Bond is the making of a railway administration order in relation to the Franchisee pursuant to Sections 60 to 62 of the Railways Act 1993, the date falling three months after the making of such railway administration order; or
  - (c) if the Call Event in respect of which you may call on us under this Bond is the occurrence of an Event of Default under paragraph 2.12(a) (in relation to a Season Ticket Bond) or paragraph 2.12(c) of Schedule 10.3 (Events of Default and Termination Events) of the Franchise Agreement (whether or not the Franchise Agreement is, or is to be, terminated as a result thereof), the date falling one month after your notification to us under clause 4,except, in each case, in respect of any written demand for payment complying with all the requirements hereof which is received by us on or before the relevant date, after which date this undertaking shall be void whether returned to us or not.
6. This undertaking is made to you, your successors and your assigns.
7. This undertaking shall not be discharged or released by time, indulgence, waiver, alteration or release of, or in respect to, the obligations of the Franchisee under the Franchise Agreement or any Supplemental Agreement or any other circumstances that might operate as a release of a guarantor at law or in equity.

8. You may make demand or give notice to us under this Bond in writing by hand or facsimile transmission to us as follows:

Address: [Bond Provider's address]

Facsimile Number: [Bond Provider's fax number]

9. References in this Bond to the Franchise Agreement and the Supplemental Agreement are to the Franchise Agreement and the Supplemental Agreement as amended from time to time and terms defined therein shall have the same meaning in this Bond.
10. Where used in this Bond, capitalised terms have the same meanings as in the Franchise Agreement.
11. This Bond shall be governed by and construed in accordance with the laws of England and Wales.

Executed as a deed this [day and month] of [year].

## SCHEDULE 1 TO THE SEASON TICKET BOND

### SPECIMEN DEMAND NOTICE

To: [Name and address of Bond Provider]  
[date of demand notice]

We refer to the season ticket bond issued by you on [date of Bond] (the "**Season Ticket Bond**") in connection with the franchise agreement (the "**Franchise Agreement**") entered into between the Secretary of State for Transport (the "**Secretary of State**") and [name of Franchisee] (the "**Franchisee**") on [Franchise Agreement signature date].

We hereby notify you that the following Call Event (as defined in the Season Ticket Bond) occurred on [date of occurrence of Call Event]: [delete as appropriate].

[The Franchise Agreement [terminated][expired] on [date of [termination][expiry]].

[A railway administration order has been made in relation to the Franchisee pursuant to Sections 60 to 62 of the Railways Act 1993.]

[An Event of Default occurred under paragraph 2.12(a) (in relation to a Season Ticket Bond) or paragraph 2.12(c) of Schedule 10.3 (Events of Default and Termination Events) of the Franchise Agreement.]

We hereby demand immediate payment from you of [specify alternative amount if not Bond Value] or the Bond Value, whichever is smaller.

Please arrange for immediate payment of the relevant amount as follows:

[account details to which Bond monies to be paid into]

Where used in this Notice, capitalised terms have the same meanings as in the Franchise Agreement.

For and on behalf of

Secretary of State for Transport

**SCHEDULE 2 TO THE SEASON TICKET BOND**

**BOND VALUE**

<b>Call Event occurring in Reporting Period</b>	<b>Bond Value</b>
<b>1</b>	
<b>2</b>	
<b>3</b>	
<b>4</b>	
<b>5</b>	
<b>6</b>	
<b>7</b>	
<b>8</b>	
<b>9</b>	
<b>10</b>	
<b>11</b>	
<b>12</b>	
<b>13</b>	

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## **SCHEDULE 13**

### **Information and Industry Initiatives**

**Schedule 13: Information and Industry Initiatives**

**Appendix 1 to Schedule 13: Environmental Impact Monitoring Dataset**

**Appendix 2 to Schedule 13: Key Assets**

**Appendix 3 to Schedule 13: Operational Information**

## SCHEDULE 13

### Information and Industry Initiatives

#### 1. General Information

##### Corporate Information

1.1 The Franchisee shall provide the following information to the Secretary of State on the Start Date and shall notify the Secretary of State of any change to such information within 21 days of such change:

- (a) its name;
- (b) its business address and registered office;
- (c) its directors and company secretary;
- (d) its auditors;
- (e) its trading name or names; and
- (f) to the best of the Franchisee's knowledge and belief, having made due and diligent enquiry, the identity of all persons holding, separately or acting by agreement, directly or indirectly, the right to cast more than 20 per cent of the votes at general meetings of the Franchisee.

1.2 The Franchisee shall inform the Secretary of State of any material change or proposed material change in its business (including the employment or the termination of employment of any Key Personnel, the termination of any Key Contract and any litigation or other dispute which may have a material effect on its business) and any material change in or restructuring of the capitalisation or financing of the Franchisee, the Parent or the Guarantor.<sup>89</sup>

##### **Operational and Performance-related Information to be provided by the Franchisee**

1.3 The Franchisee shall provide to the Secretary of State the information specified in the Appendices to this Schedule 13 at the times specified therein.

1.4 The Appendices to this Schedule 13 shall be interpreted in accordance with any guidance issued by the Secretary of State from time to time for that purpose.

##### **Maintenance of Records**

1.5 The Franchisee shall maintain true, up to date and complete records of all of the information required to be provided by the Franchisee under the Franchise Agreement.

1.6 Each record required to be maintained by the Franchisee in accordance with this Schedule 13 shall be held for a period of six years following the date on which such record was required to be created.

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<sup>89</sup> Where the immediate parent of the Franchisee is a joint venture company, DfT may customise provisions such that it applies to the Franchisee, such immediate parent of the Franchisee and the ultimate parents.



1.7 References to records in this Schedule 13 shall include records maintained under any Previous Franchise Agreement to the extent that such records relate to services equivalent to the Franchise Services and the Franchisee has access to them (which it shall use all reasonable endeavours to secure).

1.8 The Franchisee shall not be responsible for any records maintained under any Previous Franchise Agreement, as referred to in paragraph 1.7, being true, complete and up to date. As soon as reasonably practicable after becoming aware that any such records are not true, complete and up to date, the Franchisee shall take all reasonable steps to remedy any such deficiency, and shall thereafter maintain such records in accordance with paragraph 1.5.

### **Information to the Passengers' Council and Local Authorities**

1.9 The Franchisee shall comply with any reasonable requests and guidance issued by the Secretary of State from time to time in respect of the provision of information to and co-operation and consultation with the Passengers' Council and Local Authorities.

## **2. Business Plans**

### **Initial Business Plan**

2.1 Within three months of the Start Date, the Franchisee shall deliver to the Secretary of State its Initial Business Plan, describing its planned activities for each Franchisee Year during the Franchise Term, which shall include:

- (a) a description as to how the Franchisee will be able to meet its obligations under the Franchise Agreement for the Franchise Term, supported by operational plans demonstrating this;
- (b) details of any investments proposed to be made or procured by the Franchisee in relation to the Franchise Services during the Franchise Term;
- (c) a summary of the Franchisee's plans for marketing and developing the Franchise Services; and
- (d) a profit and loss forecast, cash flow forecast and forecast balance sheet for each of the first 13 Reporting Periods following the Start Date, together with a list of assumptions on the basis of which each such forecast has been prepared.

2.2 Not used.

### **Annual Business Plans**

2.3 The Franchisee shall, at all times during the Franchise Term, provide to the Secretary of State any annual business plan (in written or electronic form) that it provides to its Parent (or any other document or documents which individually or collectively can reasonably be considered to be an annual business plan) in relation to a Franchisee Year (other than the first Franchisee Year) and which describes the Franchisee's planned activities for such Franchisee Year or describes the manner in which the Franchisee will meet its obligations under the Franchise Agreement in respect of that Franchisee Year (the "**Annual Business Plan**"). Any such Annual Business Plan shall be provided to the Secretary of State within one month of submission of same to the Parent. Where the Franchisee does not

produce an annual business plan it shall notify the Secretary of State of all the periodic plans that it does produce and:

- (a) the Secretary of State shall be entitled to copies of such periodic plans as he shall reasonably determine; and
- (b) any such periodic plans shall be deemed to be Annual Business Plans for the purposes of this paragraph 2.3.

2.4 The Franchisee shall, at the same time as it submits the Annual Business Plan to the Secretary of State in accordance with paragraph 2.3 (or to the extent that no Annual Business Plan is submitted to the Parent in any Franchisee Year, not more than three Reporting Periods and not less than one Reporting Period prior to the start of each Franchisee Year), provide to the Secretary of State:

- (a) a revised profit and loss forecast, cash flow forecast and forecast balance sheet for each of the 13 Reporting Periods in the relevant Franchisee Year and each subsequent Franchisee Year of the Franchise Term; and
- (b) an annual improvement plan providing:
  - (i) details of any new technologies, processes, developments and/or proposals which could improve the provision of the Franchise Services, reduce the cost of providing the Franchise Services or enable the Franchise Services to be provided more efficiently;
  - (ii) an analysis of the impact of any technologies, processes, developments and/or proposals that are proposed in relation to the Franchise Services, including analyses of the costs of and timescale for effecting such changes and the impact on the provision of the Franchise Services;
  - (iii) details of those technologies, processes, developments and/or proposals which the Franchisee proposes to implement during the relevant Franchisee Year; and
  - (iv) an analysis of the technologies, processes, developments and/or proposals which the Franchisee implemented in the previous Franchisee Year including details of any cost reductions and/or efficiency gains arising from the same and a reconciliation to the annual improvement plan for that previous Franchisee Year.

2.5 Not used.

2.6 The Franchisee shall not be relieved of any of its obligations under the Franchise Agreement as a result of any comment or failure to comment by the Secretary of State on any Business Plan or any agreement with or approval, implicit or explicit, of any Business Plan by the Secretary of State at any time.

2.7 The Secretary of State may at any time require the Franchisee to produce a Business Action Plan in respect of any aspect of the Business Plan. Such Business Action Plan may include steps relating to:

- (a) timetable and service pattern development;

- (b) Station facility improvement;
- (c) performance management improvement;
- (d) customer service improvement; and
- (e) improvements in the quality of service delivery or the efficiency of delivery of the Franchise Services.

2.8 The Franchisee shall comply with any guidance issued by the Secretary of State about how and with whom any consultation on the content of a Business Action Plan is to take place.

2.9 Any proposal in a Business Action Plan shall only be implemented if and to the extent that the Secretary of State decides it is appropriate to do so and subject to any conditions which he may impose.

### 3. **Financial And Operational Information**

#### **Accounting Records**

3.1 The Franchisee shall prepare and at all times during the Franchise Term maintain true, up to date and complete accounting records as are required to be kept under Section 386 of the Companies Act 2006. Such records shall be prepared on a consistent basis for each Reporting Period.

#### **Reporting Period Financial Information**

3.2 The Franchisee shall deliver to the Secretary of State, within two weeks of the end of each Reporting Period:

- (a) Management Accounts for such Reporting Period, setting out a cashflow statement, profit and loss account and balance sheet for that Reporting Period and cumulatively for the Franchisee Year to date;
- (b) written confirmation that the Management Accounts, to the best of the knowledge, information and belief of the board of directors of the Franchisee, contain a true and accurate reflection of the current assets and liabilities of the Franchisee (including contingent assets or liabilities and known business risks and opportunities) and, to the extent that they do not, identify in a written report relevant issues in reasonable detail and provide such further information that the Secretary of State shall reasonably require in relation; and
- (c) in circumstances where the Franchisee was in a Lock-up Period during such Reporting Period, written confirmation from a statutory director of the Franchisee that the Franchisee has complied with the restrictions applicable during a Lock-up Period pursuant to paragraph 3 of Schedule 12 (Financial Obligations and Covenants).

3.3 The Management Accounts shall also set out:

- (a) sufficient information to enable the Secretary of State to calculate Actual Operating Costs and Modified Revenue on a cumulative basis for the previous thirteen Reporting Periods;
- (b) the ratio of the Franchisee's:

- (i) Total Modified Revenue to its Total Actual Operating Costs; and
- (ii) Total Forecast Modified Revenue to its Total Forecast Operating Costs,

together with supporting information showing how the Franchisee has calculated such ratios including a breakdown of the Modified Revenue, Forecast Modified Revenue, Actual Operating Cost and Forecast Operating Costs for each of the Reporting Periods used for the purposes of the calculation of the ratios pursuant to this paragraph 3.3(b);

- (c) a comparison of the Franchisee's performance during such period against the forecast provided by the Franchisee in the then current Business Plan;
- (d) a comparison of the Franchisee's cumulative performance during the Franchisee Year in which such period occurs against the forecast referred to in paragraph 3.3(c);
- (e) a detailed statement and explanation of any material difference between such Management Accounts and the forecast referred to in paragraph 3.3(c);
- (f) where the level of financial performance reported in the Management Accounts is, in the reasonable opinion of the Secretary of State, materially worse than forecast by the Franchisee in its current Business Plan, the Secretary of State may require the Franchisee to prepare and submit to him, as soon as reasonably practicable, a Financial Action Plan to ensure that the level of financial performance forecast in its current Business Plan for the remainder of the currency of that Business Plan is achieved and the Franchisee shall use all reasonable endeavours to implement such Financial Action Plan; and
- (g) a detailed statement and explanation of any Agreed Funding Commitment and PCS Advances (each as defined in the Funding Deed) provided during such Reporting Period and any repayments made during such Reporting Period in respect of (i) previously provided Agreed Funding Commitments as against the Funding Plan (as defined in the Funding Deed) and (ii) PCS Advances.

#### **Quarterly Financial Information**

3.4 Within four weeks after the end of the third, sixth, ninth and twelfth Reporting Periods in each Franchisee Year, the Franchisee shall deliver to the Secretary of State the following information:

- (a) an updated version of the profit and loss forecast, cash flow forecast and forecast balance sheet provided in accordance with paragraph 2.1(d), for each of the following 13 Reporting Periods; and
- (b) a statement of calculation demonstrating the Franchisee's performance against each of the financial covenants in paragraph 2 of Schedule 12 (Financial Obligations and Covenants) at the beginning of each Reporting Period and a forecast of performance against such covenants for each of the following 13 Reporting Periods.

- 3.5 Where any Reporting Period falls partly within one Franchisee Year and partly within another, the results for each section of such Reporting Period falling either side of such Franchisee Year end shall be prepared on an accruals basis for each such section of such Reporting Period.

### **Annual Financial Information**

- 3.6 Within three weeks of the end of each Franchisee Year, the Franchisee shall deliver to the Secretary of State its Annual Management Accounts for that Franchisee Year.

- 3.7 The Franchisee shall deliver to the Secretary of State:

- (a) in respect of any Franchisee Year other than the final Franchisee Year, its Annual Financial Statements for that Franchisee Year within three Reporting Periods of the end of that Franchisee Year; and
- (b) in respect of the final Franchisee Year, its Annual Financial Statements for the period from the start of that Franchisee Year to the end of the Franchise Period within three Reporting Periods of the end of the Franchise Period,

each together with a reconciliation to the Management Accounts for the same period.

- 3.8 Not used.

- 3.9 Within four Reporting Periods after the end of each Franchisee Year, the Franchisee shall deliver to the Secretary of State the following information:

- (a) certified true copies of its annual report and Annual Audited Accounts for that Franchisee Year, together with copies of all related directors' and auditors' reports;
- (b) a reconciliation to the Management Accounts for the same period;
- (c) a statement from the Franchisee's auditors confirming compliance with the financial covenants in paragraph 2 of Schedule 12 (Financial Obligations and Covenants); and
- (d) a statement from the Franchisee (signed by a statutory director of the Franchisee) confirming compliance with the reporting requirements of paragraph 3.3(g).

### **Accounting Standards and Practices**

- 3.10 Each set of Management Accounts and Annual Management Accounts shall:

- (a) be in the formats set out in the document in the agreed terms marked FF or in such other format as the Secretary of State may reasonably specify from time to time;
- (b) be prepared consistently in accordance with the Franchisee's normal accounting policies, details of which shall be supplied on request to the Secretary of State; and

- (c) identify to the reasonable satisfaction of the Secretary of State, any changes in such accounting policies from those policies that were applied in preparing each of the profit and loss account, the cashflow projection and the balance sheet contained in the Financial Model Placed in Escrow on the date of the Franchise Agreement.

3.11 Each set of Annual Financial Statements and Annual Audited Accounts shall:

- (a) be prepared and audited in accordance with GAAP, consistently applied and in accordance with the Companies Act 2006; and
- (b) give a true and fair view of:
  - (i) the state of affairs, profits and financial condition of the Franchisee for the period covered by such accounts; and
  - (ii) the amount of its total revenue (being all revenue whatsoever from any source obtained from any commercial or non-commercial activity or undertaking of the Franchisee, such revenue to be disaggregated by reference to revenue derived by the Franchisee from the sale of tickets, income received from Network Rail pursuant to Schedule 4 and Schedule 8 to the Track Access Agreement and other income (including car park revenue) or to such other level of disaggregation as may be notified to the Franchisee by the Secretary of State from time to time) derived by the Franchisee in respect of that Franchisee Year.

#### **Parent and Guarantor Accounts**

3.12 The Franchisee shall, upon the request of the Secretary of State, promptly deliver to, or procure delivery to, the Secretary of State, certified true copies of the annual reports and audited accounts of the Guarantor and the Parent, together with copies of all related directors' and auditors' reports. If any of the Guarantor or the Parent is domiciled outside England and Wales, the equivalent documents in the jurisdiction of residence of the Parent or the Guarantor (as applicable) shall be delivered to the Secretary of State.

#### **Secretary of State Audit of calculations provided pursuant to paragraph 3.3(b) of Schedule 13**

3.13 Without prejudice to paragraph 2.2 of Schedule 12 (Financial Obligations and Covenants) or to any other rights of the Secretary of State under the Franchise Agreement, the Secretary of State and his representatives shall be permitted to inspect at any time the books, records and any other material kept by or on behalf of the Franchisee in order to check or audit any item contained in or relating to the Management Accounts in so far as they relate to the statement of calculations required by paragraph 3.3(b) of this Schedule 13 and any other matter in connection with the Franchisee's obligations under paragraph 2 of Schedule 12 (Financial Obligations and Covenants).

3.14 The Franchisee shall make available to the Secretary of State and his representatives such information and grant such access or procure the grant of such access (including to or from third parties) as they shall reasonably require in connection with any audit to be carried out pursuant to paragraph 3.13. If any audit carried out pursuant to paragraph 3.13 reveals, in the reasonable opinion of

the Secretary of State, any material inaccuracy in the Management Accounts (but only in so far as such accounts relate to the statement of calculations required by paragraph 3.3(b)) then the Secretary of State may exercise its rights as described in paragraphs 2.2 (i) or 2.2(ii) of Schedule 12 (Financial Obligations and Covenants) and the Franchisee shall pay all reasonable costs of any such audit as a monitoring cost pursuant to paragraph 1.11 of Schedule 10.1 (Remedial Plans and Remedial Agreements).

#### 4. **Safety Information**

##### **Safety**

- 4.1 The Franchisee shall co-operate with any request from any relevant competent authority for provision of information and/or preparation and submission of reports detailing or identifying compliance with safety obligations set out in the Safety Regulations including any breaches of the Safety Regulations.
- 4.2 The Franchisee shall notify the Secretary of State as soon as practicable of the receipt and contents of any formal notification relating to safety or any improvement or prohibition notice received from ORR. Immediately upon receipt of such notification or notice, the Franchisee shall provide the Secretary of State with a copy of such notification or notice.
- 4.3 The Franchisee shall participate in industry groups and committees addressing the domestic and European safety agenda of the Railway Group.

#### 5. **Further Information**

##### 5.1 The Franchisee shall:

- (a) deliver to the Secretary of State, or procure the delivery to the Secretary of State of, such information, records or documents as he may request within such period as he may reasonably require and which relate to or are connected with the Franchisee's performance of the Franchise Agreement; and
- (b) procure that each Affiliate of the Franchisee complies with paragraph 5.1(a) in respect of any information, records or documents that relate to its dealings with the Franchisee in connection with the Franchisee's performance of its obligations under the Franchise Agreement.

##### 5.2 The information referred to in paragraph 5.1(a) shall include:

- (a) any agreement, contract or arrangement to which the Franchisee is a party in connection with any rolling stock vehicles used in the operation of the Passenger Services;
- (b) in so far as the Franchisee has or is able to obtain the same, any other agreement contract or arrangement which may be associated with the procurement, leasing, financing or maintenance of any such rolling stock vehicles;
- (c) any agreement for the manufacture or supply of any rolling stock vehicles; or
- (d) any arrangements for the securitisation of any lease granted in respect of such rolling stock vehicles.

- 5.3 The Secretary of State may require the Franchisee to provide:
- (a) the information required to be provided under this Schedule 13 more frequently than set out in this Schedule 13;
  - (b) the information required to be provided under this Schedule 13, or, in the Secretary of State's discretion, more detailed financial information, at any time in connection with the re-letting of the Franchise; and
  - (c) such unaudited accounts under such accounting policies as may be prescribed by the Secretary of State, acting reasonably, from time to time.

## 6. **Contraventions of the Franchise Agreement**

- 6.1 The Franchisee shall notify the Secretary of State, so far as possible before it may occur and in any event as soon as reasonably practicable thereafter, of any contravention by the Franchisee of any provision of the Franchise Agreement. This includes where the Franchisee is under an obligation to use all reasonable endeavours to achieve a particular result by a particular time, where such result is not achieved by such time.
- 6.2 The Franchisee shall deliver to the Secretary of State, or procure the delivery to the Secretary of State of, such information, records or documents as the Secretary of State may request within such period as the Secretary of State may reasonably require for the purpose of determining the existence, likelihood, nature or scope of any contravention of, Event of Default or Termination Event under, the Franchise Agreement.

## 7. **Information from Third Parties**

- 7.1 The Franchisee shall, if the Secretary of State so requests, use all reasonable endeavours to ensure that the Secretary of State has direct access to any information, data or records relating to the Franchisee which is or are maintained by third parties and to which the Secretary of State is entitled to have access, or of which the Secretary of State is entitled to receive a copy under the Franchise Agreement.
- 7.2 The Franchisee shall, if the Secretary of State so requests, procure the provision by RSP to the Secretary of State of such information, data and records as the Franchisee is entitled to receive under the Ticketing and Settlement Agreement, in such form as the Secretary of State may specify from time to time.
- 7.3 The obligations of the Franchisee under this Schedule 13 to provide information to the Secretary of State shall not apply if the Secretary of State notifies the Franchisee that he has received the relevant information directly from any other person (including Network Rail or RSP). The Franchisee shall, if the Secretary of State so requests, confirm or validate any such information which is received from any such other person.
- 7.4 The Franchisee shall promptly advise the Secretary of State of any changes that are to be made to its systems or processes or the systems and processes of the RSP that will, in the reasonable opinion of the Franchisee and the Franchisee, materially affect the continuity of any of the records that are provided pursuant to this Schedule 13. Any such advice shall include an assessment of the materiality of the relevant change.



## 8. **Compatibility of Information**

- 8.1 All financial, operational or other information, and any data and records required to be provided to the Secretary of State under the Franchise Agreement shall be provided, if so requested by the Secretary of State, in a form compatible with the Secretary of State's electronic data and records systems on the Start Date, as modified from time to time in accordance with paragraph 9.
- 8.2 The Franchisee shall ensure that the interconnection of such systems or the provision of such information, data and records to the Secretary of State under the Franchise Agreement will not result in any infringement of any third party Intellectual Property Rights to which its systems or such information, data or records may be subject.

## 9. **Development of Industry Systems**

The Franchisee shall fully and effectively co-operate, in a manner consistent with it being a responsible Train Operator of the Franchise, with Network Rail, the Secretary of State, ORR and all other relevant railway industry bodies and organisations in relation to the development of anything that can reasonably be considered to be a railway industry system including systems in relation to the attribution of train delay, the allocation of revenue and the collection and dissemination of industry wide information.

## 10. **Co-operation with Various Schemes**

The Franchisee shall co-operate (in good faith) with the Secretary of State, the relevant Local Authority and/or any other affected railway industry parties in the development and the implementation of initiatives relating to its participation in Integrated Transport Schemes, multi-modal fares schemes, Traveline and Transport Direct (the "**Industry Schemes**"), where such Industry Schemes relate to the Franchise.

## 11. **Cooperation With Network Rail And Alliancing**

### 11.1 The Franchisee shall:

- (a) use all reasonable endeavours to work with Network Rail to identify ways in which cooperation between the Franchisee and Network Rail can be enhanced, costs can be reduced and closer working and alignment of incentives can improve value for money within the parameters of this Agreement; and
- (b) use all reasonable endeavours to enter into an alliance agreement with Network Rail as soon as reasonably practicable following the Start Date and in any event by no later than the date that is 2 years from the Start Date. The alliance agreement to be entered into by the Franchisee pursuant to this paragraph 11.1(b) shall be of the type that will not require the Franchisee's obligations under the Franchise Agreement to be varied in any way and shall include ways in which Network Rail and the Franchisee can work together to:
- (i) deliver safety improvements;
- (ii) deliver improvements in operational performance of the Passenger Services (including improvements to service quality); and

- (iii) develop joint initiatives and projects that deliver value for money for the railway.

11.2 Where the Franchisee considers pursuant to its obligations under paragraph 11.1 above that it is appropriate to enter into an alliance agreement with Network Rail that would require its obligations under this Agreement to be varied (an **Alliance Agreement**) it may make a proposal for the Secretary of State to consider. The Franchisee agrees that any such proposal (unless otherwise agreed by the Secretary of State) shall:

- (a) be for the purposes of improved delivery of some or all of the following:
  - (i) the efficient and cost effective operation of some or all of the network over which the Passenger Services operate;
  - (ii) the efficient and cost effective maintenance of some or all of the network over which the Passenger Services operate;
  - (iii) the efficient and cost effective renewal of some or all of the network over which the Passenger Services operate;
  - (iv) the efficient and cost effective delivery of some or all enhancement projects on the network over which the Passenger Services operate; and
  - (v) such other infrastructure enhancement projects as may be agreed by the Franchisee and Network Rail and approved by the Secretary of State during the Franchise Term;
- (b) be on terms which are commercially fair and reasonable so that:
  - (i) the incentives of the Franchisee and Network Rail are more effectively aligned in a way that gives a reasonable expectation that the matters subject to the alliance will be delivered in a more efficient and effective way;
  - (ii) the financial and operational risk of the Franchisee arising out of the operation of the Franchise is not unreasonably increased (including through the agreement of appropriate limitations of liability); and
  - (iii) the Secretary of State has rights to require the termination of the Alliance Agreement in appropriate circumstances including so that the term of the alliance is aligned with the Franchise Term and liabilities do not accrue to any Successor Operator.

11.3 The Franchisee shall provide such information, updates and reports on the progress of its negotiation with Network Rail as the Secretary of State shall reasonably require and meet with the Secretary of State to discuss the progress of the negotiations when reasonably requested to do so.

11.4 On reaching agreement in principle with Network Rail on the terms of an Alliance Agreement the Franchisee shall present the draft Alliance Agreement to the Secretary of State for approval and shall not enter into any such agreement without the prior written consent of the Secretary of State (which he shall have an unfettered discretion to withhold).

- 11.5 The Franchisee agrees that any approval of an Alliance Agreement shall (without prejudice to the unfettered discretion of the Secretary of State to refuse to consent to such an alliance) be conditional upon:
- (a) the Secretary of State being satisfied that such Alliance Agreement is consistent with the provisions of paragraph 11.2(b) above;
  - (b) the Franchisee agreeing to a fair and reasonable allocation of the gain from such alliance being passed to the Secretary of State (whether through profit share or otherwise) consistent with the role of the Secretary of State in funding the railway network; and
  - (c) the Franchisee entering into a deed of amendment to the Franchise Agreement in a form reasonably determined by the Secretary of State.

## 12. **Sustainable Construction**

For construction projects (including building refurbishment or fit out):

- (a) which are either being funded by the Franchisee or in respect of which the Franchisee has design responsibility; and
- (b) in respect of which the total capital cost exceeds £250,000 (indexed by the Retail Prices Index in the same way as variable costs are indexed in Schedule 8.2 (Annual Franchise Payments)),

the Franchisee shall use reasonable endeavours to achieve at least an "excellent" rating from an accredited assessor using Building Research establishment environmental assessment methodology (or an equivalent recognised standard) at both the design stage and the post-construction stage unless the Secretary of State (acting reasonably) agrees that the relevant project is not of a suitable scale or type to be so assessed and the Franchisee shall provide to the Secretary of State such information in relation to any construction project as the Secretary of State may reasonably request.

## 13. **Environmental Management and Sustainability Accreditation**

The Franchisee shall, by no later than the date which is 18 months after the Start Date, attain and, at all times thereafter, maintain accreditation pursuant to ISO14001 and ISO50001 or equivalent standards.

## 14. **Not Used**

## 15. **Small and Medium-sized Enterprises**

- 15.1 The Franchisee shall at all times keep accurate and complete records of its use of and interaction with SMEs in delivering the Franchise Services.
- 15.2 By no later than 31 January in each year (and within one month of the end of the Franchise Period) the Franchisee shall deliver to the Secretary of State a breakdown of the number of SMEs used by the Franchisee in providing the Franchise Services during the calendar year (or part thereof) which ended on the immediately preceding 31 December or at the end of the Franchise Period (as applicable).

## 16. Apprenticeships

16.1 The Franchisee shall at all times keep accurate and complete records of the training and apprenticeships offered by the Franchisee and/or its immediate UK-based supply chain in delivering the Franchise Services.

16.2 By no later than 31 January in each year (and within one month of the end of the Franchise Period) the Franchisee shall deliver to the Secretary of State a breakdown of the number of training and apprenticeships offered by the Franchisee and/or its supply chain in providing the Franchise Services during the calendar year (or part thereof) which ended on the immediately preceding 31 December or at the end of the Franchise Period (as applicable).

## 17. Environmental impact monitoring, data collection and contractual targets

17.1 The Franchisee shall, by no later than 3 months after the Start Date, provide a report to the Secretary of State setting out:

- (a) which measures included in the Dataset the Franchisee is unable to provide, despite using reasonable endeavours to do so ("**Excluded Data**");
- (b) for each item of Excluded Data, the technical, operational or commercial reason why the Franchisee is unable to provide the Excluded Data; and
- (c) a plan ("**Environmental Data Implementation Plan**") detailing, in relation to each item of Excluded Data, the actions which the Franchisee would need to take in order to be able to provide such Excluded Data, the Franchisee's best estimate of the cost of taking such action and the date by which, if such actions were taken, the Franchisee would be able to begin providing such Excluded Data to the Secretary of State.

The Dataset, excluding any measures which the Secretary of State agrees, acting reasonably, that the Franchisee is, despite using reasonable endeavours, unable to provide, shall be referred to as the "**Initial Dataset**".

17.2 The Secretary of State may require:

- (a) the Franchisee to implement the Environmental Data Implementation Plan in whole or in part; and/or
- (b) the Franchisee to take such other actions as, in the reasonable opinion of the Secretary of State, would enable the Franchisee to provide any item of Excluded Data,

following which the relevant item of Excluded Data will form part of the Initial Dataset.

17.3 Where the Franchisee is:

- (a) undertaking works, whether at a station or depot or in respect of rolling stock;
- (b) procuring rolling stock; or
- (c) taking any other action which could enable the Franchisee to provide any items of Excluded Data in a cost effective manner,

the Franchisee will use reasonable endeavours to do so in a manner which would enable the Franchisee to provide any relevant item of Excluded Data (and any item of Excluded Data which the Franchisee becomes able to provide as a result will, with effect from the date on which the Franchisee becomes able to provide the same, form part of the Initial Dataset).

- 17.4 With effect from the Start Date, unless not reasonably practicable in which case with effect from the date which is 3 months after the Start Date, the Franchisee shall measure and collect that data included on the Initial Dataset so as to allow the Secretary of State and the Franchisee to understand the current environmental performance of the Franchise and any potential for improvement in terms of environmental impact.
- 17.5 The Franchisee may, in its discretion, measure and collect additional data provided that the minimum required Initial Dataset is adhered to and the Franchisee will co-operate with the Secretary of State to seek to identify improvements in the efficiency and/or cost effectiveness of the collection of the data in the Dataset.
- 17.6 The Franchisee shall ensure that the form of measurement of the Initial Dataset enables it to report a consolidated periodic or annual usage figure to the Secretary of State as specified for each measure in Appendix 1 to Schedule 13.
- 17.7 The Franchisee shall submit to the Secretary of State a report setting out the result of the data collection required by this paragraph 17 within three months following the end of each Franchisee Year.
- 17.8 The Franchisee shall procure a suitably qualified independent body (such independent body to be appointed only with the prior written approval of the Secretary of State) to undertake an annual independent audit of the data provided and the collection methodology in respect of each Franchisee Year.
- 17.9 The Franchisee shall procure that the independent audit report contains:
- (a) a retrospective assessment (covering the Franchisee Year to which the audit relates) of the Franchisee's data collection methodology and level of data granularity carried out in accordance with this paragraph 17;
  - (b) a verification of the accuracy of past data submissions made in accordance with paragraph 17.7 above; and
  - (c) an assessment of the Franchisee's proposed data collection methodology and level of data granularity for the following Franchisee Year's data collection.

In each case where the independent audit report states that there are errors or concerns with any of the items described in paragraphs 17.9(a) to 17.9(c) above, the Franchisee shall procure that the independent auditor specifies whether these are material or minor errors or concerns.

- 17.10 The Franchisee shall submit a copy of the independent audit report covering the relevant Franchisee Year to the Secretary of State at the same time as the report is submitted in accordance with paragraph 17.7 above.
- 17.11 Where the independent audit report highlights errors or concerns with any of the items described in paragraphs 17.9(a) to 17.9(c) above, the Franchisee shall:

- (a) in the case of minor errors within past data which are capable of rectification without significant resource or significant expenditure, rectify those flaws and resubmit the relevant report to the Secretary of State as soon as reasonably practicable following submission of the independent audit report so that there is a complete and accurate record of the data in question;
- (b) in the case of material errors within past data which are capable of rectification, rectify those flaws and resubmit the relevant report to the Secretary of State as soon as reasonably practicable following submission of the independent audit report so that there is a complete and accurate record of the data in question; and
- (c) in the case of concerns in relation to the Franchisee's proposed data collection methodology and level of data granularity for the forthcoming Franchisee Year's data collection, make such changes to that proposed methodology so as to address those concerns.

### **Environmental Impact Improvement Targets**

17.12 The following targets shall apply for the purpose of this paragraph 17. For the purpose of paragraphs 17.1 and 17.4, the data required in order to measure the Franchisee's performance against these targets is acknowledged to be data which it is reasonable for the Franchisee to measure and collect from the Start Date:

- (a) Traction carbon emissions: the target is a reduction of 25% in kg CO<sub>2</sub>e per vehicle km against the 2014 baseline figure of 1.24kg CO<sub>2</sub>e per vehicle km over the Franchise Term, such reduction to be achieved in accordance with the annual trajectory set out in the Sustainable Development Plan agreed or determined in accordance with paragraph 18.3 (Sustainability), which will contain a target for each Franchisee Year for this purpose;
- (b) Non-traction energy use: a reduction of 2.5% year on year so that:
  - (i) the target for the first Franchisee Year is a reduction in kilowatt hours (kWh) of 2.5% against the 2014 baseline figure of 45,740,698 kWh and
  - (ii) the target for each subsequent Franchisee Year is a reduction in kilowatt hours (kWh) of 2.5% against the preceding Franchisee Year;
- (c) Mains water use: a reduction in mains water use year on year, so that:-
  - (i) usage during the first Franchisee Year is less than the 2014 baseline of 350,748m<sup>3</sup>; and
  - (ii) usage in each subsequent Franchisee Year is less than in the preceding Franchisee Year; and
- (d) Waste: from the end of the second Franchisee Year, the Franchisee must send zero waste to landfill and must recycle or prepare for re-use, 90% of waste (by weight) per Franchisee Year.

## **Performance against environmental impact improvement targets and remedial actions**

- 17.13 For each Franchisee Year the Secretary of State shall determine the Franchisee's performance against each target in paragraph 17.12 by comparing:
- (a) **for traction carbon emissions:** the Franchisee's performance (as submitted to the Secretary of State pursuant to 17.7 or (where it applies) paragraph 17.11) against the target for the relevant Franchisee Year, in accordance with the annual trajectory specified in the Sustainable Development Plan;
  - (b) **for both non-traction energy use and mains water use:** the Franchisee's performance (as submitted to the Secretary of State pursuant to 17.7 or (where it applies) paragraph 17.11) against the annual targets set out in paragraphs 17.12(b) and (c); and
  - (c) **for waste:** the Franchisee's performance (as submitted to the Secretary of State pursuant to 17.7 or (where it applies) paragraph 17.11) against the target set out in paragraph 17.12(d).
- 17.14 For the purposes of undertaking the comparison pursuant to paragraph 17.13, the results referred to in paragraphs 17.13(a), 17.13(b) or 17.13(c) (as the case may be) shall be rounded up to one decimal place with the midpoint (that is, 4.45) rounded upwards (that is, 4.5).
- 17.15 As soon as reasonably practicable following the Start Date, the Franchisee must produce an implementation plan which, in the opinion of the Secretary of State, is capable of achieving each target in paragraph 17.12 until the end of the Franchise Term. This includes, for the purpose of paragraph 17.13(a) the Franchisee Year targets provided for in the annual trajectory contained in the Sustainable Development Plan. The Franchisee shall use all reasonable endeavours to implement that plan.
- 17.16 In the event that a target set out in 17.12 is not met in any Franchisee Year, the Franchisee must as soon as reasonably practicable produce a revised implementation plan, which, in the reasonable opinion of the Secretary of State, is capable of achieving the targets. The Franchisee shall use all reasonable endeavours to implement that plan.
- 17.17 Without limiting paragraph 17.17, the Franchisee shall review its then current implementation plan and produce a revised implementation plan by the end of the fifth Franchisee Year which, in the opinion of the Secretary of State, is capable of achieving each target in paragraph 17.12 until the end of the Franchise Term. The Franchisee shall use all reasonable endeavours to implement that plan.
- 17.18 The Franchisee shall publish (in such format as the Secretary of State may reasonably require) details of its performance against the targets set out in paragraph 17.12 in widely accessible forms including, as a minimum, publishing them on its website and in each Customer Report.
18. **Sustainability**
- 18.1 The Franchisee shall at all times comply with the Sustainable Development Strategy.

- 18.2 By no later than six months following the Start Date, the Franchisee shall consult with the Rail Safety and Standards Board, and such other Stakeholders as agreed between the Secretary of State and the Franchisee (or, in the absence of agreement, such Stakeholders as the Secretary of State shall determine) on the Initial Sustainable Development Plan in order to finalise (i) the key priority sustainable development areas specified in the Initial Sustainable Development Plan and (ii) the targets associated with such key priority sustainable development areas.
- 18.3 The Franchisee shall revise the Initial Sustainable Development Plan to reflect such consultation and the Franchisee shall propose and agree a final version of the sustainable development plan with the Rail Safety and Standards Board and the Secretary of State by not later than 12 months after the Start Date. Such agreed plan shall be the Sustainable Development Plan for the purposes of the Franchise Agreement, provided that in the absence of agreement between the parties the Sustainable Development Plan shall be the plan determined by the Secretary of State (acting reasonably).
- 18.4 The Franchisee shall 1 year after the Sustainable Development Plan is agreed in accordance with paragraph 18.3 above, and annually thereafter, provide to the Secretary of State a report showing:
- (a) progress against the targets in key priority sustainable development areas;
  - (b) progress on development of staff to ensure they have the skills and knowledge required to deliver a sustainable franchise;
  - (c) proposed revisions to the Sustainable Development Plan (such revisions to include those revisions reflecting feedback and advice from stakeholders, and which have been consulted on with Rail Safety and Standards Board).
- 18.5 Subject to the Secretary of State consenting to such amendments to the Sustainable Development Plan, such revised Sustainable Development Plan shall be the Sustainable Development Plan for the purposes of the Franchise Agreement.
- 18.6 On request by the Secretary of State, the Franchisee shall publish (in such form as the Secretary of State may reasonably determine):
- (a) all or any part of its Sustainable Development Strategy; and/or
  - (b) all or any of the information described in paragraphs 18.4(a), (b) and/or (c).
- 18.7 **Rail Industry Sustainable Development Principles**

The Franchisee will have regard to the Rail Industry Sustainable Development Principles in the management and operation of the Franchise Services. For this purpose the Rail Industry Sustainable Development Principles are those published by Rail Safety and Standards Board in February 2009 as varied from time to time.



## 19. **Innovation Account**

19.1 The Franchisee shall:

- (a) by no later than the date falling one year after the Start Date provide to the Secretary of State its Innovation Implementation Plan in accordance with the Innovation Guidelines; and
- (b) at all times comply with its Innovation Strategy.

### **Establishment of Account**

19.2 Not later than seven days following the start of:

- (c) each Innovation Year the Franchisee shall deposit an amount equal to 1% of its Estimated Turnover for that Innovation Year (the "**Annual Innovation Account Contribution**") into the Innovation Account; and
- (d) the first Innovation Year, the Franchisee shall enter into a charge with the Secretary of State on the same terms as the document in the agreed terms IAC.

19.3 Not later than three months after the end of each Franchisee Year during the Innovation Period, the Franchisee, shall where the Annual Innovation Account Contribution for a Franchisee Year was lower than 1% of the Turnover for that Franchisee Year, deposit into the Innovation Account an amount equal to the difference between:

- (a) the Annual Innovation Account Contribution for that Franchisee Year; and
- (b) 1% of the Turnover for that Franchisee Year.

19.4 Where the Annual Innovation Account Contribution for a Franchisee Year was higher than 1% of the Turnover for that Franchisee Year ("**Excess Amount**") then the Secretary of State shall reimburse to the Franchisee, by way of adjustment to Franchise Payments, the Excess Amount.

19.5 The Innovation Account shall be an interest bearing account.

### **Proposals during the Innovation Period**

19.6 At any time during the Innovation Period, the Franchisee may make proposals to the Innovation Board in relation to initiatives, works or proposals to implement any aspect of its Innovation Implementation Plan or any other initiatives, works or proposals which fall within the aims specified in the Innovation Guidelines (each an "**Innovation Scheme**").

19.7 In relation to each Innovation Scheme proposed by the Franchisee pursuant to 19.6, the Franchisee shall provide to the Innovation Board (with a copy to the Secretary of State):

- (a) details of the new ideas that the Innovation Scheme will exploit and how such Innovation Scheme will be new to the company, organisation, industry or sector and whether it applies to products, services, business processes, models, marketing or enabling technologies and demonstrate

- how the Innovation Scheme falls within the aims specified in the Innovation Guidelines; and
- (b) details of how the Innovation Scheme will be implemented, in sufficient detail to allow the Innovation Board to evaluate the same, including:
    - (i) a timetable for the implementation of that Innovation Scheme, setting out the proposed commencement and completion date of such Innovation Scheme and other key dates and Innovation Milestones; and
    - (ii) details of the Projected Innovation Cost and the proposed milestone upon satisfaction of which withdrawals from the Innovation Account would be required; and
  - (c) such other information as may be required to enable the Innovation Board to review an Innovation Scheme in accordance with the Innovation Guidelines.
- 19.8 The Franchisee shall provide the Innovation Board and/or the Secretary of State with;
- (a) details of all Background Intellectual Property and the proposed use of the Background Intellectual Property in connection with any Innovation Scheme proposed by the Franchisee pursuant to paragraph 19.6; and
  - (b) such further information in relation to any Innovation Scheme proposed by the Franchisee pursuant to paragraph 19.6 as the Innovation Board and/or the Secretary of State may reasonably require.
- 19.9 The Franchisee grants (and shall procure that each of its Collaborators grants) to the Secretary of State an irrevocable, royalty-free, perpetual, transferable, worldwide, non-exclusive licence (including the right to grant sub-licences) to use or otherwise exploit the Background Intellectual Property referred to in paragraph 19.8(a) for the purpose of exploiting the Innovation Intellectual Property.
- 19.10 In calculating the Projected Innovation Cost (and the Actual Innovation Cost), the Franchisee shall not include the cost of any management time or employee time, save to the extent that additional personnel are employed or to be employed by the Franchisee solely in connection with the implementation of the Innovation Scheme.
- 19.11 An Innovation Scheme proposed by the Franchisee pursuant to paragraph 19.6 shall not be an Approved Innovation Scheme until:
- (a) the Innovation Board has notified the Secretary of State in writing that:
    - (i) the Innovation Scheme meets the requirements of the Innovation Guidelines; and
    - (ii) it approves the Innovation Scheme, subject to the further approval of the Secretary of State; and
  - (b) the Secretary of State has notified the Franchisee in writing that the Franchisee may implement the Innovation Scheme. Without limitation, the Secretary of State may withhold its approval to any Proposed Innovation Scheme:

- (i) which has not been identified in the Innovation Implementation Plan;
- (ii) which does not, in the Secretary of State's opinion, exploit new ideas and/or is not new to the company, organisation, industry or sector;
- (iii) where the Projected Innovation Cost for the Proposed Innovation Scheme, when considered in aggregate with (i) the Projected Innovation Cost (where the Actual Innovation Cost for an Approved Innovation Scheme is not known at the relevant time) and/or (ii) the Actual Innovation Cost, in each case for any other Approved Innovation Schemes would be greater than the Account Balance at the relevant time or the projected Account Balance at the time when a withdrawal from the Innovation Account would be required;
- (iv) in relation to which the Secretary of State believes the Projected Innovation Cost to be too high or disproportionate to the benefits accruing from the Innovation Scheme;
- (v) which the Franchisee is otherwise funded to undertake; and/or
- (vi) which in the opinion of the Secretary of State, amounts to actions or steps which the Franchisee is otherwise obliged to take or which any competent train operator would other than for the requirement to innovate in this Schedule 13 take in relation to the operation of the Franchise.

19.12 Approved Innovation Schemes shall be included as Committed Obligations in Schedule 6.1 (Committed Obligations and Related Provisions).

**Withdrawals from the Innovation Account**

19.13 The Franchisee may only withdraw amounts from the Innovation Account in the following circumstances:

- (a) on the achievement of milestones agreed with the Secretary of State in respect of any Approved Innovation Scheme and for the amounts agreed with the Secretary of State, and following the provision of evidence satisfactory to the Secretary of State that such milestones shall have been satisfied;
- (b) to transfer the Innovation Period Underspend to the Secretary of State as may be required pursuant to paragraph 19.22; or
- (c) at the request of the Secretary of State and in the amount and to the account directed by the Secretary of State in order to pay costs to a third party group providing advisory, project management and/or administration services in respect of the matters described in this paragraph 19 to the Secretary of State and/or the Innovation Board, provided that such costs, in relation to any Innovation Year, shall not exceed an amount equal to 3% of the Annual Innovation Account Contribution in respect of that Innovation Year.

## **Intellectual Property**

- 19.14 All Innovation Intellectual Property shall be owned by the Franchisee or its Collaborators.
- 19.15 The Franchisee grants (and shall procure that each of its Collaborators grants) to the Secretary of State an irrevocable, royalty-free, perpetual, transferable, worldwide, non-exclusive licence (including the right to grant sub-licences) to use or otherwise exploit the Innovation Intellectual Property for any purpose.
- 19.16 The Franchisee shall:
- (a) maintain an accurate and up to date register of all Innovation Intellectual Property in such format as the Secretary of State may reasonably specify and shall provide copies of such register to the Secretary of State and the Innovation Board upon request and at least annually in any event; and
  - (b) upon request and at the Franchisee's cost, provide assistance to the Secretary of State in relation to the protection, enforcement and defence of the Innovation Intellectual Property including the taking of any steps on behalf of the Secretary of State which the Secretary of State may specify.
- 19.16A Notwithstanding the scope of the licences granted to the Secretary of State in paragraphs 19.9 and 19.15, the Secretary of State may accept a lesser licence where the Innovation Board recommends that to the Secretary of State in respect of a specific Innovation Scheme or generally from time to time. As a minimum, the Secretary of State would require that:
- (a) the licences granted to the Secretary of State in respect of the Background Intellectual Property and the Innovation Intellectual Property extend to all the Background Intellectual Property and the Innovation Intellectual Property, be irrevocable, royalty-free, perpetual, transferable, non-exclusive licence (including the right to grant sub-licences) but only for the purposes of allowing use by persons within the United Kingdom rail industry. The Secretary of State would only exercise his right to grant such a sub-licence to a person where the owners of the Background Intellectual Property and the Innovation Intellectual Property have failed to grant a fair, reasonable and non-discriminatory licence to that person for use within the United Kingdom rail industry; and
  - (b) the owners of the Background Intellectual Property and the Innovation Intellectual Property shall grant Licences for Permitted Use and the Secretary of State shall have the additional right to grant an irrevocable, royalty-free, perpetual, transferable, non-exclusive licence (including the right to grant sub-licences) in order to grant a Licence for Permitted Use in so far as the owners of the Background Intellectual Property and the Innovation Intellectual Property have failed to grant fair, reasonable and non-discriminatory Licences for Permitted Use.

## **Innovation Scheme Underspend**

- 19.17 Within 30 days of completion of each Approved Innovation Scheme, the Franchisee shall notify the Secretary of State of the Actual Innovation Cost.

19.18 Where, in respect of any Approved Innovation Scheme, withdrawals have been made from the Innovation Account based on the Projected Innovation Cost, any Innovation Scheme Underspend shall be deposited in the Innovation Account within 30 days of the Actual Innovation Cost being calculated and the Franchisee shall, on request by a Secretary of State provide such information as may be required to demonstrate that amounts withdrawn from the Innovation Account have been spent on the Approved Innovation Scheme.

19.19 In respect of each Innovation Year, at the end of that Innovation Year, the Secretary of State shall calculate the Indexation Sum and the Franchisee shall deposit such sum into the Innovation Account within 30 days.

#### **Overspend**

19.20 If the Actual Innovation Cost incurred by the Franchisee in relation to any Approved Innovation Scheme exceeds the Projected Innovation Cost notified to the Secretary of State pursuant to paragraph 19.7(b)(ii), the Franchisee shall not be entitled to withdraw such excess from the Innovation Account.

#### **Report**

19.21 Not later than three months after the end of each Innovation Year, the Franchisee shall:

- (a) submit a report to the Secretary of State which shall set out in respect of each Approved Innovation Scheme:
  - (i) all withdrawals from the Innovation Account made during each completed Innovation Year in relation to such Approved Innovation Scheme;
  - (ii) all anticipated withdrawals from the Innovation Account to be made in future years in respect of such Approved Innovation Scheme;
  - (iii) where an Approved Innovation Scheme was completed, the Actual Innovation Cost for such Approved Innovation Scheme and any Innovation Scheme Underspend; and
  - (iv) confirm the level of any Innovation Year Underspend, together with any other information which the Secretary of State may reasonably require in respect of any Approved Innovation Scheme and/or the Innovation Account.

#### **Innovation Period Underspend**

19.22 If at the end of the Innovation Period, subject to paragraph 19.23 there is an amount remaining in the Innovation Account which has not been committed to an Approved Innovation Scheme (the "**Innovation Period Underspend**"), the Secretary of State may require the Franchisee to pay all or part of the Innovation Period Underspend to the Secretary of State.

#### **Extension**

19.23 The Secretary of State, may, prior to 31 March 2019, extend the Innovation Period by notice in writing to the Franchisee and the definitions of "Innovation Period"

and "Innovation" shall be construed accordingly and any such extension shall be a Change.

## 20. Publication of data

### Performance Data

20.1 The Franchisee shall in accordance with paragraph 20.2 (and in such format as the Secretary of State may reasonably require) publish on the Franchisee's web site in relation to each Reporting Period during the Franchise Term the performance of the Franchisee by reference to:

- (a) the Short Formations Figures;
- (b) the Cancellations Figures;
- (c) PPM Figures;
- (d) Right Time Figures; and
- (e) CaSL Figures.

Such data shall be published by the Franchisee within 10 Weekdays of it becoming available to the Franchisee.

20.2 The Franchisee shall ensure that the data published by it pursuant to paragraph 20.1 shall in each case:

- (a) be shown in relation to all Passenger Services and also disaggregated by reference to Service Groups;
- (b) include details of:
  - (i) the number of Passenger Services operated by the Franchisee during each relevant Reporting Period which are late in arriving at their final scheduled destination in the Plan of the Day:
    - (A) by between thirty minutes and fifty nine minutes;
    - (B) by between sixty minutes and one hundred and nineteen minutes; and
    - (C) by one hundred and twenty minutes or more,

and the percentage that each such category of delayed Passenger Services represents of the total number of Passenger Services scheduled to be provided in the Plan of the Day during such Reporting Period;

- (ii) the number of Passenger Services formed with fewer vehicles than specified in the Train Plan during such Reporting Period and the percentage that this represents of all Passenger Services scheduled to be operated in that Reporting Period.

- 20.3 As part of each Customer Report to be provided by the Franchisee pursuant to paragraph 3.2 of Schedule 7.2, the Franchisee shall publish (in such format as the Secretary of State may reasonably require):
- (a) the mean average of the statistics required to be published pursuant to paragraph 20.1 in relation to each of the Short Formations Metric, Cancellations Benchmarks, PPM Figures, Right Time Figures and CaSL Figures for the Reporting Periods that have elapsed since the last Reporting Period reported on in the previous Customer Report or, in the case of the first Customer Report, since the Start Date;
  - (b) from the third Customer Report onwards a summary comparison of the mean average of the statistics provided pursuant to paragraph 20.3(a) as against the equivalent mean average statistics provided for the same Reporting Periods in the previous Franchisee Year;
  - (c) an update on the key activities undertaken by the Franchisee to improve its performance in relation to achieving and exceeding its targets in relation to the Cancellations Benchmarks, PPM Figures, Right Time Figures and CaSL Figures and minimising the number of Passenger Services recorded in the Short Formations Metric during the period referred to in paragraph 20.3(a); and
  - (d) a summary of the key activities planned to be undertaken by the Franchisee in the period in relation to which the next Customer Report will report to improve its performance in relation to achieving its targets in relation to and exceeding the Cancellations Benchmarks, PPM Figures, Right Time Figures and CaSL Figures and minimising the number of Passenger Services recorded in the Short Formations Metric.

#### **Complaints and Faults Handling Data**

- 20.4 As part of each Customer Report to be provided by the Franchisee pursuant to paragraph 3.2 of Schedule 7.2, the Franchisee shall publish (in such format as the Secretary of State may reasonably require) in relation to the Reporting Periods that have elapsed since the last Reporting Period reported on in the previous Customer Report or, in the case of the first Customer Report, since the Start Date:
- (a) a summary of the data published by the ORR from time to time in relation to the handling of passenger complaints regarding the Franchisee's operation of the Passenger Services;
  - (b) details of the number of faults notified to the Franchisee by passengers or station users through specified channels including the website of the Franchisee (each a "**Notified Fault**") in each case identifying the total numbers of Notified Faults (by reference to whether such Notified Faults relate to rolling stock or stations), with such numbers further disaggregated by Service Group and broken down into relevant sub-categories of Notified Fault;
  - (c) the mean average time taken by the Franchisee:
    - (i) to resolve Notified Faults; and
    - (ii) where Notified Faults are not resolved within 20 Weekdays, to provide feedback to applicable passengers and/or station

users on its progress in seeking resolution of such Notified Faults; and

- (d) from the third Customer Report onwards a summary comparison of:
- (i) the mean average number of Notified Faults notified to the Franchisee;
  - (ii) the mean average time taken by the Franchisee to resolve Notified Faults; and
  - (iii) the mean average time taken by the Franchisee, where Notified Faults have not been resolved within 20 Weekdays, to provide feedback to applicable passengers and/or station users on its progress in seeking resolution of such Notified Faults,

in each case in comparison with the relevant equivalent mean average statistics provided for the same Reporting Periods in the previous Franchisee Year.

### **Customer Service and Satisfaction Data**

20.5 As part of each Customer Report to be provided by the Franchisee pursuant to paragraph 3.2 of Schedule 7.2, the Franchisee shall publish (in such format as the Secretary of State may reasonably require) details of the Franchisee's:

- (a) level of adherence to scheduled ticket office opening hours at Stations (so that the Customer Report shows, as a percentage, the proportion of scheduled ticket office opening hours not delivered aggregated across all ticket offices at all Stations); and
- (b) performance by reference to such benchmarks as may be agreed between the Franchisee and the ORR as part of the Franchisee's Disabled People's Protection Policy in respect of the Passenger Assistance service operated by the Franchisee,

in each case in relation to the Reporting Periods that have elapsed since the last Reporting Period reported on in the previous Customer Report or, in the case of the first Customer Report, since the Start Date, along with (from the third Customer Report onwards) a comparison with the relevant statistics or results (as applicable) provided for the same Reporting Periods in the previous Franchisee Year.

20.6 Within 20 Weekdays of the publication of each National Rail Passenger Survey carried out by the Passengers' Council during the Franchise Term, the Franchisee shall publish on its web site (in such format as the Secretary of State may reasonably require) details of:

- (a) the scores achieved by the Franchisee in such National Rail Passenger Survey in respect of each NRPS Measure; and
- (b) the scores achieved by the Franchisee in such National Rail Passenger Survey in respect of passengers' "overall satisfaction".

20.7 The Franchisee shall ensure that the NRPS scores published by it pursuant to paragraph 20.6 are also recorded in the subsequent Customer Report which



relates to the Reporting Periods during which the applicable NRPS scores were achieved, along with:

- (a) from the third Customer Report onwards, a comparison with the NRPS scores achieved for the same Reporting Periods in the previous Franchisee Year accompanied by a supporting narrative describing the outcomes and implications of the results of such comparison exercise;
- (b) a comparison against the applicable NRPS Benchmarks for the Reporting Periods in question accompanied by a supporting narrative describing the outcomes and implications of the results of such comparison exercise;
- (c) details of any remedial work either:
  - (i) planned by the Franchisee to occur in the period in relation to which the next Customer Report will report to improve the Franchisee's performance in relation to achieving and exceeding the NRPS Benchmarks (for instance, the planned application of Additional Expenditure); or
  - (ii) undertaken by the Franchisee during the Reporting Periods that have elapsed since the last Reporting Period reported on in the previous Customer Report or, in the case of the first Customer Report, since the Start Date, for the purposes of improving the Franchisee's performance in relation to achieving and exceeding the NRPS Benchmarks (for instance, the planned application of Additional Expenditure); and
- (d) details of any other initiatives planned to be implemented by the Franchisee to improve passenger experience.

20.8 The Franchisee shall also ensure that a summary of the then current Customer Report is made available at all staffed Stations (in such format as the Secretary of State may reasonably require), and that such summary includes instructions to enable passengers to locate and obtain a full copy of the applicable Customer Report.

## APPENDIX 1 TO SCHEDULE 13

### Environmental Impact Monitoring Dataset

Environmental Impact Monitoring Dataset SUBJECT (UNIT)		GRANULARITY	REGULARITY
<b>TRACTION</b>	EC4T (kWh)	Breakdown per distinct fleet - metered	4-week period
	EC4T (kWh)	Breakdown per distinct fleet - unmetered	4-week period
	Gas-oil (litres)	Breakdown per distinct fleet	4-week period
<b>NONTRACTION</b>	Electricity (kWh)	Total	4-week period or monthly
	Gas (kWh)	Total	4-week period or monthly
	Gas-oil (litres)	Total	4-week period or monthly
<b>CARBON</b>	Scope 1 emissions (tonnes)	Total	Annual
	Scope 2 emissions (tonnes)	Total	Annual
	Embodied carbon in new infrastructure projects over £250,000	Total	Per project
<b>WATER</b>	Mains Water consumption (m <sup>3</sup> )	Total	Annual
	Water recycling initiatives	Narrative	Annual
<b>WASTE</b>	Waste generated (tonnes)	Total	Annual
	Waste recycled (tonnes)	Total	Annual
	Waste subject to other recovery (tonnes)	Total	Annual
	Waste to landfill (tonnes)	Total	Annual
	Hazardous waste	Total	Annual
<b>ENVIRONMENTAL MANAGEMENT SYSTEM</b>	Enforcement/information Notices	Total	Annual
	Environmental fines or prosecutions	Total	Annual
	Environmental incidents reported through EMS	Total	Annual
	Environmental training records % personnel briefed/trained	Total	Annual

## APPENDIX 2 TO SCHEDULE 13

### Key Assets

#### 1. Information About Assets Used In The Franchise

The Franchisee shall at all times during the Franchise Term maintain (and shall provide copies to the Secretary of State when requested to do so from time to time) records covering the following information:

- (a) for each Primary Franchise Asset or other asset which is the subject of, or operated under, a Key Contract:
  - (i) the progress and completion of all work described in the maintenance schedules and manuals;
  - (ii) all operating manuals (including any safety related regulations); and
  - (iii) all permits, licences, certificates or other documents required to operate such asset; and
- (b) a printed or electronic list of all assets owned by the Franchisee from time to time (excluding, unless otherwise requested by the Secretary of State, any office furniture and consumable items).

**APPENDIX 3 TO SCHEDULE 13**

**Operational Information**

**1. Information about the Performance of the Franchisee**

1.1 The Franchisee shall at all times during the Franchise Term maintain records in relation to its operational performance under the Franchise Agreement, covering the areas and the information described in this Appendix 3. Such information shall include details as to whether or not any curtailment, diversion, delay or failure to attain any connection is attributable, in the Franchisee's opinion, to either a Force Majeure Event or the implementation of a Service Recovery Plan.

1.2 The Franchisee shall, subject to paragraph 1.3, provide to the Secretary of State the information set out in the following tables at the frequency specified in the column of each such table headed "When information to be provided".

1.3 When so requested by the Secretary of State, the Franchisee shall, within such reasonable period as the Secretary of State may specify, make such information available for review by the Secretary of State by reference to:

- (a) such level of disaggregation (including by Route or Service Group) as is reasonably specified by the Secretary of State; and
- (b) any particular day, week or other longer period as is reasonably specified by the Secretary of State.

1.4 The following key shall apply to the table in this Appendix 3:

- A = Information to be provided on or before any Passenger Change Date;
- B = Information to be provided for every Reporting Period within 17 days of the last day of each Reporting Period; and
- C = Information to be provided annually within 10 days of the last day of each Franchisee Year.

**Table 1 Operational Information**

<b>Information to be provided</b>	<b>Information (format)</b>	<b>When information to be provided</b>
<b>Number of Passenger Services</b>		
Number of Passenger Services in the Timetable	[number]	B
Number of Passenger Services in the Enforcement Plan of the Day	[number]	B
<b>Number of Cancellations and Partial Cancellations</b>		

<b>Information to be provided</b>	<b>Information (format)</b>	<b>When information to be provided</b>
Number of Passenger Services in the Enforcement Plan of the Day which were the subject of a Cancellation	[number]	B
Number of Passenger Services in the Enforcement Plan of the Day which were the subject of a Partial Cancellation	[number]	B
Number of Passenger Services in the Enforcement Plan of the Day which were the subject of a Cancellation attributable to the Franchisee's implementation of a Service Recovery Plan	[number]	B
Number of Passenger Services in the Enforcement Plan of the Day which were the subject of a Partial Cancellation attributable to the Franchisee's implementation of a Service Recovery Plan	[number]	B
Number of Passenger Services in the Enforcement Plan of the Day which were the subject of a Network Rail Cancellation	[number]	B
Number of Passenger Services in the Enforcement Plan of the Day which were the subject of a Network Rail Partial Cancellation	[number]	B
Number of Passenger Services in the Enforcement Plan of the Day which were the subject of a Disputed Cancellation	[number]	B
Number of Passenger Services in the Enforcement Plan of the Day which were the subject of a Disputed Partial Cancellation	[number]	B
Number of Disputed Cancellations and Disputed Partial Cancellations for the 12 preceding Reporting Periods for which the attribution remains in dispute between Network Rail and the Franchisee	[minutes]	B
Number of Disputed Cancellations and Disputed Partial Cancellations from the 12 preceding Reporting Periods for which disputed attribution has been resolved or determined since the Franchisee's previous report pursuant to paragraph 2.1 of Schedule 7.1 (Performance Benchmarks) including whether each relevant Disputed Cancellation and/or Disputed Partial Cancellation was attributed to Network Rail or to the Franchisee	[minutes]	B

<b>Information to be provided</b>	<b>Information (format)</b>	<b>When information to be provided</b>
<p>Where there is a difference between the Timetable and the Plan of the Day on any day the following:</p> <p>(a) the fact of such difference (together with an annotation showing whether the difference was initiated by Network Rail or the Franchisee); and</p> <p>(b) the number of:</p> <p>(i) Passenger Services affected; and</p> <p>(ii) Cancellations or Partial Cancellations which would have arisen if the Timetable on that day had been the same as the Plan of the Day</p>	[number]	B
<p>Where there is a difference between the Plan of the Day and the Enforcement Plan of the Day on any day:</p> <p>(a) the fact of such difference;</p> <p>(b) the number of:</p> <p>(i) Passenger Services affected; and</p> <p>(ii) Cancellations or Partial Cancellations which would have arisen if the Plan of the Day had been the same as the Enforcement Plan of the Day</p>	[number]	B
<p>Number of Passenger Services in the Enforcement Plan of the Day which were the subject of a cancellation and which satisfied the conditions of the term Cancellation, except that such cancellations occurred for reasons attributable to the occurrence of a Force Majeure Event</p>	[number]	B
<p>Number of Passenger Services in the Enforcement Plan of the Day which were the subject of a partial cancellation and which satisfied the conditions of the term Partial Cancellation, except that such partial cancellations occurred for reasons attributable to the occurrence of a Force Majeure Event</p>	[number]	B

<b>Information to be provided</b>	<b>Information (format)</b>	<b>When information to be provided</b>
<b>Short Formation</b>		
Number of Short Formation Peak Passenger Services that have less than the required Passenger Carrying Capacity specified in the Train Plan	[number]	B
Number of Short Formation Peak Passenger Services that have less than the required Passenger Carrying Capacity specified in the Train Plan attributable to the Franchisee's implementation of a Service Recovery Plan	[number]	B
Number of Short Formation Peak Passenger Services that have less than the required Passenger Carrying Capacity specified in the Train Plan attributable to the occurrence of a Force Majeure Event	[number]	B
<b>Minutes Delay and Punctuality</b>		
Number of Minutes Delay attributable to the Franchisee	[minutes]	B
Number of Minutes Delay attributable to Network Rail;	[minutes]	B
Number of Minutes Delay attributable to any other Train Operator	[minutes]	B
Number of Minutes Delay for such Reporting Period for which the attribution is in dispute between Network Rail and the Franchisee	[minutes]	B
Number of Minutes Delay for the 12 preceding Reporting Periods for which the attribution remains in dispute between Network Rail and the Franchisee	[minutes]	B
Number of Minutes Delay from the 12 preceding Reporting Periods for which disputed attribution has been resolved or determined since the Franchisee's previous report pursuant to paragraph 2.9 of Schedule 7.1 (Performance Benchmarks) and the number of such Minutes Delay attributed to each of the Franchisee and Network Rail as a result of such resolution or determination	[minutes]	B
Number of Minutes Delay attributed to the occurrence of a Force Majeure Event	[minutes]	B

<b>Information to be provided</b>	<b>Information (format)</b>	<b>When information to be provided</b>
<b>Train Mileage</b>		
Aggregate Train Mileage scheduled in the Timetable	[mileage]	A
Aggregate Train Mileage operated	[mileage]	B
Aggregate Train Mileage operated using Driver Controlled Operation	[mileage]	B
Year to Date Loaded Train Miles	[mileage]	B

Final Draft - Subject to Contract



**APPENDIX 4 TO SCHEDULE 13**

**Estimated Turnover**

[Bidders to populate: Bidders to populate for first three Innovation Years in nominal terms]<sup>90</sup>

<b>Innovation Year</b>	<b>Estimated Turnover</b>
Franchisee Year 2	
Franchisee Year 3	
Franchisee Year 4	

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<sup>90</sup> Amount to be populated for each Innovation Year as follows: the sum of: 1) Farebox income and other income to be derived in each such innovation year; and (2) subsidy to be paid by the Secretary of State to the Franchisee in each such innovation year.

## **SCHEDULE 14**

### **Preservation of Assets**

- Schedule 14.1: Maintenance of Franchise**
- Schedule 14.2: Maintenance of Operating Assets**
- Schedule 14.3: Key Contracts**
  - Appendix: List of Key Contracts**
- Schedule 14.4: Designation of Franchise Assets**
  - Appendix: List of Primary Franchise Assets**
- Schedule 14.5: Dealings with Franchise Assets**

Final Draft - Subject to Contract

## **SCHEDULE 14.1**

### **Maintenance of Franchise**

#### **Maintenance as a going concern**

1. The Franchisee shall maintain and manage the business of providing the Franchise Services so that, to the greatest extent possible and practicable:
  - (a) the Franchisee is able to perform its obligations under the Franchise Agreement; and
  - (b) a Successor Operator would be able to take over the business of providing the Franchise Services immediately at any time.
2. The Franchisee's obligation under paragraph 1 shall include an obligation to ensure that any computer and information technology systems of the Franchisee shared in whole or in part with Affiliates or third parties can be operated by a Successor Operator as a stand alone system without continued reliance on such Affiliates or other third parties immediately from the date of termination of the Franchise Agreement without any reduction in functionality or any increase in maintenance or support costs to the Successor Operator (this obligation being without prejudice to any requirement for the Franchisee to obtain consent to such arrangements relating to sharing computer and information technology systems from the Secretary of State).
3. The Franchisee shall use all reasonable endeavours to ensure that such Successor Operator would have immediate access to all Franchise Employees and Primary Franchise Assets for such purpose.
4. The Franchisee shall maintain and manage the business of providing the Franchise Services on the basis that such business will be transferred, in the manner contemplated under the Franchise Agreement, as a going concern at the end of the Franchise Period to, and continued immediately thereafter by, a Successor Operator.
5. The Franchisee shall use all reasonable endeavours to ensure that an appropriate number of employees (having sufficient skills, qualifications and experience) will transfer by operation of Law to any Successor Operator following the expiry of the Franchise Period and in so doing shall plan for the recruitment and training of Franchise Employees to continue up until the end of the Franchise Term.
6. The Franchisee shall comply with all reasonable requirements of the Secretary of State to obtain or maintain the property and rights that a Successor Operator would require, or that it would be convenient for it to have, on the basis that the same will transfer by operation of Law to any Successor Operator following the expiry of the Franchise Period.

#### **Post-Franchise timetables**

7. Both prior to and following the selection of a Successor Operator (whether a franchisee or otherwise and whether or not subject to the satisfaction of any conditions), the Franchisee shall:

- (a) co-operate with, where a Successor Operator has been appointed, that Successor Operator, or where not, the Secretary of State; and
- (b) take such steps as may reasonably be requested by the Secretary of State,

so as to ensure the continuity of, and orderly handover of control over of the Franchise Services.

8. The steps that the Secretary of State may reasonably request the Franchisee to take pursuant to paragraph 7 include:

- (a) participating in any timetable development process that takes place during the Franchise Period, but which relates to any timetable period applying wholly or partly after the expiry of the Franchise Term ("**Successor Operator Timetable**"), including bidding for and securing any Successor Operator Timetable, whether or not:
  - (i) the Successor Operator has been identified; or
  - (ii) there is in place an Access Agreement relating to the period over which that Successor Operator Timetable is intended to be operated;
- (b) using reasonable endeavours to seek amendments to and/or extensions of Access Agreements which can be transferred to the Successor Operator on expiry of the Franchise Period;
- (c) assisting the Secretary of State or the Successor Operator (as the case may be) in the preparation and negotiation of any new Access Agreement relating to any Successor Operator Timetable; and/or
- (d) entering into that Access Agreement in order to secure the relevant priority bidding rights required by the Successor Operator to operate that Successor Operator Timetable, provided that the Franchisee shall not be required to enter into any such Access Agreement unless the Secretary of State has first provided to it confirmation in writing that he will include that Access Agreement in any Transfer Scheme pursuant to paragraph 3.1 of Schedule 15.4 (Provisions Applying on and after Termination).

## SCHEDULE 14.2

### Maintenance of Operating Assets

#### 1. **Operating Assets**

- 1.1 The Franchisee shall maintain, protect and preserve the assets (including any Intellectual Property Rights or intangible assets) employed in the performance of its obligations under the Franchise Agreement (the "**Operating Assets**") in good standing or good working order, subject to fair wear and tear.
- 1.2 The Franchisee shall carry out its obligations under paragraph 1.1 so that the Operating Assets may be transferred at the end of the Franchise Period to a Successor Operator and used by such Successor Operator in the provision or operation of similar services to the Franchise Services.
- 1.3 Where any Operating Asset is lost, destroyed or otherwise beyond repair, the Franchisee shall replace the Operating Asset with property, rights or liabilities in modern equivalent form to the Operating Asset to be replaced. The Franchisee shall at all times maintain an appropriate volume of Spares, and/or an appropriate level of access to Spares from a third party, to enable it to perform its obligations under the Franchise Agreement.
- 1.4 The Secretary of State may at any time require the Franchisee to provide to the Secretary of State a schedule specifying the condition of any asset or class of assets that he specifies for this purpose. Such schedule shall cover such aspects of asset condition as the Secretary of State may reasonably require. If the parties are unable to agree the content of such schedule of condition, either party may refer the dispute for resolution in accordance with the Dispute Resolution Rules. Until such dispute is resolved, the Franchisee shall comply with the Secretary of State's requirements in respect of such schedule of condition.
- 1.5 The Franchisee shall keep vested in it at all times during the Franchise Period all Franchise Assets designated as such pursuant to Schedule 14.4 (Designation of Franchise Assets) as it may require in order to comply with:
- (a) the Licences;
  - (b) any contracts of employment with Franchise Employees;
  - (c) any relevant Fares;
  - (d) any Key Contracts; and
  - (e) any applicable safety legislation regulations or safety standards and the Safety Certificate,

in order to ensure that the Secretary of State may designate such assets as Primary Franchise Assets.

#### 2. **Brand Licences And Branding**

##### **Brand Licences**

- 2.1 The Franchisee shall comply with its obligations under each of the Brand Licences.

## Branding

2.2 Subject to any applicable obligations or restrictions on the Franchisee (including the terms of the Rolling Stock Leases), the Franchisee may apply registered or unregistered trade marks (including company names, livery and other distinctive get-up) to any assets owned or used by it in the operation and provision of the Franchise Services.

- (a) Subject to paragraphs 2.2(c) and (g), the Franchisee may:
- (i) in respect of unregistered Marks, provide or procure the provision of an irrevocable undertaking to any relevant Successor Operator to the effect that neither it nor the owner of the Marks will enforce such rights as it may have or may in the future have in respect of such Marks against such Successor Operator and its successors; and
  - (ii) in respect of registered Marks, grant or procure the grant of an irrevocable licence to use such Marks to such Successor Operator and its successors.
- (b) Any such licence or undertaking under paragraph 2.2(a) shall be in such form as the Secretary of State shall reasonably require except that the terms of any such licence and, to the extent appropriate, any such undertaking shall accord with the provisions of paragraph 8.3 of Schedule 15.4 (Provisions Applying on and after Termination).
- (c) Subject to paragraph 2.2(g), to the extent that:
- (i) the Franchisee does not provide a relevant undertaking or licence in accordance with paragraph 2.2(a);
  - (ii) the Secretary of State considers the relevant Marks to be so distinctive or otherwise such that a Successor Operator could not reasonably be asked to use the relevant assets to which the Marks are applied; or
  - (iii) the Franchisee has not otherwise removed or covered such Marks in such a way as may be reasonably acceptable to the Secretary of State prior to the expiry of the Franchise Period,

then the Franchisee shall pay to the relevant Successor Operator such amount as may be agreed between the Franchisee and such Successor Operator, as being the reasonable cost (including any Value Added Tax for which credit is not available under Sections 25 and 26 of the Value Added Tax Act 1994) of covering such Marks or otherwise removing all indications of or reference to the Marks in a manner reasonably acceptable to the Secretary of State. Such amount shall not in any event exceed the cost to the Successor Operator of replacing such Marks with its own. If the Franchisee and the relevant Successor Operator fail to agree such cost within 28 days of the expiry of the Franchise Period, the Franchisee shall submit such dispute for resolution in accordance with such dispute resolution procedures as the Secretary of State may require.

- (d) The amount to be paid to a Successor Operator under paragraph 2.2(c) may include the reasonable cost of:
  - (i) removing or covering Marks from the exterior of any rolling stock vehicle;
  - (ii) removing or covering interior indications of the Marks including upholstery and carpets;
  - (iii) replacing or covering all station or other signs including bill boards; and
  - (iv) otherwise ensuring that such removal, covering or replacement is effected with all reasonable care and in such manner that the relevant assets may reasonably continue to be used by a Successor Operator in the provision of the Franchise Services.
- (e) The Franchisee shall, in addition to making a payment under paragraph 2.2(c) grant or procure the grant of a licence or undertaking complying with paragraphs 2.2(a) and (b) except that such licence shall only be for such period as may be agreed between the Franchisee and the Successor Operator as being reasonably required by the Successor Operator to remove the Marks from all relevant assets without causing excessive disruption to the operation of services similar to the Franchise Services provided by such Successor Operator. If such period cannot be agreed, the Franchisee shall submit such dispute for resolution in accordance with such dispute resolution procedures as the Secretary of State may require.
- (f) The Secretary of State shall determine at or around the end of the Franchise Period, and after consultation with the Franchisee, the maximum liability of the Franchisee under paragraph 2.2(c) and the maximum length of licence or undertaking under paragraph 2.2(e).
- (g) The provisions of paragraphs 2.2(a) to (f) shall not apply to the extent that the relevant asset is not to be used by a Successor Operator in the provision of services similar to the Franchise Services. The Secretary of State shall notify the Franchisee as soon as he becomes aware of whether or not any such asset is to be so used.

### **Non-designation of New Brands**

- 2.3 The Secretary of State agrees not to designate as a Primary Franchise Asset any registered or unregistered trade mark which is developed by the Franchisee.

## **SCHEDULE 14.3**

### **Key Contracts**

#### **1. Key Contracts**

1.1 The provisions of this Schedule 14.3 apply to all contracts designated as Key Contracts from time to time.

1.2 The Key Contracts as at the date of the Franchise Agreement are set out in the Appendix (List of Key Contracts) to this Schedule 14.3. The Franchisee shall, in respect of any category of agreement, contract, licence or other arrangement which, by virtue of the provisions of this paragraph 1.2, is a Key Contract and to which the Franchisee, as at date of the Franchise Agreement, is not already a party:

- (a) inform the Secretary of State from time to time of any such agreement, contract, licence or other arrangement which it may be intending to enter into; and
- (b) the provisions of paragraph 5.1 shall apply in respect of any such agreement, contract, licence or other arrangement.

1.3 Without prejudice to the provisions of paragraphs 2, 3 and 4 of this Schedule 14.3, the Appendix (List of Key Contracts) to this Schedule 14.3 shall be amended as considered necessary from time to time to take account of any:

- (a) designation by the Secretary of State of any actual or prospective agreement, contract, licence or other arrangement or any category of agreement, contract, licence or other arrangement, to which or under which the Franchisee is (or may become) a party or a beneficiary pursuant to paragraph 2 of this Schedule 14.3; or
- (b) de-designation by the Secretary of State of any Key Contract pursuant to paragraph 3 of this Schedule 14.3; or
- (c) re-designation by the Secretary of State pursuant to paragraph 4 of this Schedule 14.3.

#### **2. Designation of Key Contracts**

2.1 Where the Secretary of State considers that it is reasonably necessary for securing the continued provision of the Franchise Services or the provision of services similar to the Franchise Services by a Successor Operator in accordance with the Franchise Agreement, he may make a designation pursuant to paragraph 2.2.

2.2 The Secretary of State may at any time, by serving notice on the Franchisee, designate as a Key Contract:

- (a) any actual or prospective agreement, contract, licence or other arrangement; and/or
- (b) any category of agreement, contract, licence or other arrangement, to which or under which the Franchisee is (or may become) a party or a beneficiary,



with effect from the date specified in such notice.

- 2.3 Key Contracts may include any agreement, contract, licence or other arrangement whether in written, oral or other form, whether formal or informal and whether with an Affiliate of the Franchisee or any other person and may include any arrangement for the storage of assets (including electronic systems or Computer Systems) or accommodation of employees.

3. **De-Designation of Key Contracts**

The Secretary of State may at any time, by serving a notice on the Franchisee, de-designate any Key Contract from continuing to be a Key Contract with effect from the date specified in such notice.

4. **Re-Designation of Key Contracts**

The Secretary of State may at any time, by serving notice on the Franchisee, re-designate as a Key Contract anything which has ceased to be designated as a Key Contract in accordance with paragraph 3 with effect from the date specified in such notice.

5. **Direct Agreements**

- 5.1 Unless the Secretary of State otherwise agrees, or unless directed to do so by the ORR, the Franchisee shall not enter into any prospective Key Contract unless the counterparty to that prospective Key Contract:

- (a) is a Train Operator; or
- (b) has entered into a Direct Agreement with the Secretary of State in respect of that prospective Key Contract, providing on a basis acceptable to the Secretary of State, amongst other things, for the continued provision of the Passenger Services and/or the continued operation of the Stations and Depots in the event of:
  - (i) breach, termination or expiry of such Key Contract;
  - (ii) termination or expiry of the Franchise Agreement; or
  - (iii) the making of a railway administration order in respect of the Franchisee.

- 5.2 Where the Secretary of State designates or re-designates as a Key Contract:

- (a) any agreement, contract, licence or other arrangement to which the Franchisee is already a party; or
- (b) any category of agreement, contract, licence or other arrangement where the Franchisee is already a party to a contract, licence or other arrangement which, by virtue of the Secretary of State's designation or re-designation, is classified in such category,

the Franchisee shall use all reasonable endeavours to assist the Secretary of State in entering into a Direct Agreement as envisaged by paragraph 5.1(b).

- 5.3 The Franchisee shall pay to the Secretary of State an amount equal to any losses, costs, liabilities, charges or expenses which may be suffered or incurred by the

Secretary of State under the provisions of any Direct Agreement and which may be notified to the Franchisee as a result of, or in connection with:

- (a) any breach by the Franchisee of the terms of the Key Contract to which the relevant Direct Agreement relates; or
- (b) any unsuccessful claim being brought by the Franchisee against the counterparty of any such Key Contract in relation to the termination of such Key Contract.

#### 6. **Emergencies**

Where any emergency may arise in connection with the provision and operation of the Franchise Services, the Franchisee:

- (a) may enter into on a short-term basis such contracts, licences or other arrangements as it considers necessary or appropriate to deal with the emergency;
- (b) need not procure that the relevant counterparty enters into a Direct Agreement in respect of such contracts or use all reasonable endeavours to assist the Secretary of State in entering into the same;
- (c) shall promptly inform the Secretary of State of any such emergency and contracts, licences or other arrangements which it proposes to enter into; and
- (d) shall take such action in relation to such emergency, contracts, licences or other arrangements as the Secretary of State may request.

#### 7. **No Amendment**

The Franchisee shall not without the prior consent of the Secretary of State (which shall not be unreasonably withheld) vary, or purport to vary, the terms or conditions of any Key Contract at any time, unless directed to do so by the ORR.

#### 8. **Replacement of Key Contracts**

The Franchisee shall, prior to the scheduled expiry date of any Key Contract (or, if earlier, such other date on which it is reasonably likely that such Key Contract will terminate), take all reasonable steps to enter into an appropriate replacement contract (whether with the counterparty to the existing Key Contract or not) and shall comply with the reasonable instructions of the Secretary of State in relation to such replacement contract.

#### 9. **Termination of Key Contracts**

The Franchisee shall, to the extent so requested by the Secretary of State, exercise its right to terminate any Key Contract on the Expiry Date.

## APPENDIX TO SCHEDULE 14.3

### List of Key Contracts

The following items have as at the date of the Franchise Agreement been agreed between the parties to be Key Contracts:

1. any Access Agreement to which the Franchisee is a party other than in its capacity as a Facility Owner;
2. any Property Lease and all side agreements relating to such relevant Property Lease;
3. any Rolling Stock Related Contract including the Rolling Stock Leases listed in Table 1 and Table 2 of Schedule 1.7 (The Train Fleet);
4. any contract for the maintenance and renewal works at Stations including any:
  - 4.1 framework delivery contracts for the provision of building and civil engineering works, mechanical and electrical works at Stations; and
  - 4.2 side agreements with Network Rail relating to maintenance and renewal works at Stations;
5. any contract or arrangement for the lending, seconding, hiring, contracting out, supervision, training, assessment, or accommodation by another Train Operator of any train drivers, conductors or other train crew used by the Franchisee in the provision of the Passenger Services;
6. any contract or arrangement for the subcontracting or delegation to another Train Operator of the provision of any of the Passenger Services (whether or not the consent of the Secretary of State is required to such subcontracting or delegation under paragraph 1 of Schedule 2.3 (Third Party Delivery of Passenger Services and Other Franchisees));
7. any contract or arrangement with a Train Operator (other than an Access Agreement) for the provision to the Franchisee of train dispatch, performance or supervision of platform duties, security activities, evacuation procedures, advice or assistance to customers, assistance to disabled customers, operation of customer information systems, cash management or ticket issuing systems administration;
8. any contract or arrangement with a Train Operator for the provision of breakdown or recovery, and track call services to assist in the provision of the Passenger Services;
9. any contract or arrangement for the supply of spare parts or Spares;
10. any contract or arrangement for the maintenance of track and other related infrastructure;
11. any licences of Marks to the Franchisee;
12. any licence of any CRM System or Yield Management System;

13. any contract or arrangement for the provision or lending of Computer Systems (other than the CRM System and Yield Management System) used by the Franchisee for the delivery of the Franchise Services;
14. the lease for the 94 Parkeon Ticket Vending Machines located at various stations dated [●] and entered into between the Train Operator under the Previous Franchise Agreement and GE Capital Equipment Finance Ltd (as such lease was transferred to the Franchisee pursuant to the Start Date Transfer Scheme); and
15. the agreement for the supply and maintenance of self service ticket issuing system dated [●] and entered into between the Train Operator under the Previous Franchise Agreement and [●] (as such agreement was transferred to the Franchisee pursuant to the Start Date Transfer Scheme).

## **SCHEDULE 14.4**

### **Designation of Franchise Assets**

#### **1. Franchise Assets**

- 1.1 Subject to paragraph 1.2, all property, rights and liabilities of the Franchisee from time to time during the Franchise Period shall be designated as Franchise Assets and shall constitute Franchise Assets for the purposes of Section 27(11) of the Act.
- 1.2 The rights and liabilities of the Franchisee in respect of the following items shall not be designated as Franchise Assets and shall not constitute franchise assets for the purposes of Section 27(11) of the Act:
- (a) any contracts of employment;
  - (b) the Franchise Agreement and any Transfer Scheme or Supplemental Agreement;
  - (c) the Ticketing and Settlement Agreement;
  - (d) any sums placed on deposit with a bank or other financial institution;
  - (e) such other property, rights and liabilities as the Franchisee and the Secretary of State may agree from time to time or as the Secretary of State may de-designate as Franchise Assets under paragraph 10.2; and
  - (f) any Rolling Stock Leases.

#### **2. Primary Franchise Assets and Investment Assets**

- 2.1 The following property, rights and liabilities shall (to the extent that they constitute Franchise Assets) be designated as Primary Franchise Assets with effect from the following dates:
- (a) the property, rights and liabilities listed as such in Part 1 of the table in the Appendix (List of Primary Franchise Assets) to this Schedule 14.4 (which constitute Primary Franchise Assets agreed between the parties as at the date of the Franchise Agreement), on the Start Date;
  - (b) any additional property, rights and liabilities designated under paragraph 3 during the Franchise Period, on the date of such designation;
  - (c) any property or right which is vested in the Franchisee and used for the purpose of maintaining, replacing, repairing or renewing any property designated as Primary Franchise Assets and which forms or replaces part or all of such designated property on completion of such maintenance, replacement, repair or renewal, on the date of its use for such purpose;
  - (d) the rights and liabilities of the Franchisee under any Key Contract designated under paragraph 5, on the date of such designation;

- (e) the rights and liabilities of the Franchisee in respect of the terms of any Fare or Discount Card designated under paragraph 6, on the date of such designation;
- (f) any CRM Data and/or Yield Management Data and, to the extent that any CRM System and/or Yield Management System is the property of the Franchisee, such CRM System and/or Yield Management System on the later of the Start Date and:
  - (i) in relation to CRM Data or Yield Management Data, the date on which such CRM Data or Yield Management Data (as applicable) is collected; or
  - (ii) in relation to any such CRM System or Yield Management System, the date on which such CRM System or Yield Management System is created,

save, in relation to CRM Data and Yield Management Data, any data in respect of which the Data Subject has not consented to such data being disclosed and Processed by any Successor Operator and/or the Secretary of State;
- (g) any licence of any CRM System and/or Yield Management System, on the date of such licence;
- (h) an RV Asset on the date in which such RV Asset is brought into operational use as specified in the applicable Certification of Completion; and
- (i) any information on Actual Passenger Demand, on the date such information is supplied to the Secretary of State pursuant to paragraph 1.1 of Schedule 1.5 (Information about Passengers).

## 2.2 Investment Assets

- (a) On each Investment Asset Request Date the Franchisee shall provide to the Secretary of State a list of all Franchise Assets acquired since the Start Date (in the case of the first such list) or the previous Investment Asset Request Date (in the case of subsequent lists) which it wishes the Secretary of State to designate as Investment Assets. Such list shall clearly identify each relevant Franchise Asset, its purpose, specification, usual location, acquisition price, any ongoing charge payable by the Franchisee in relation to the Franchise Asset and any other asset upon which the operation of the Franchise Asset is dependent. The Franchisee shall provide such additional information as the Secretary of State shall reasonably request in relation to any such Franchise Asset.
- (b) The Franchisee shall not be permitted to nominate as Investment Assets without the prior written consent of the Secretary of State (which the Secretary of State shall have an unfettered discretion as to whether or not to give) Franchise Assets which:
  - (i) individually have an acquisition cost exceeding £2,000,000 (two million pounds);
  - (ii) when aggregated with the Franchise Assets already designated as Investment Assets in a Franchisee Year have

- an aggregate acquisition cost exceeding £5,000,000 (five million pounds) (apportioned proportionately where a Franchisee Year is less than 13 Reporting Periods;
- (iii) when aggregated with Franchise Assets already designated as Investment Assets during the Franchise Term have an aggregate acquisition cost exceeding £15,000,000 (fifteen million pounds); or
  - (iv) are already designated as Primary Franchise Assets (including for the avoidance of doubt an RV Asset).
- (c) The Secretary of State shall designate any Franchise Asset nominated by the Franchisee as an Investment Asset within three months of the Investment Asset Request Date unless he serves notice on the Franchisee of designation of such Franchise Asset as a Primary Franchise Asset in accordance with paragraph 3 of this Schedule 14.4 or if in his reasonable opinion such Franchise Asset:
- (i) is an information technology or computer system which is of a specification which, in the reasonable opinion of the Secretary of State, materially limits its utility to a Successor Operator including because it is constructed to a bespoke specification of or otherwise intended to work with the systems of the Parent or any company of which the Parent has Control; or
  - (ii) has had branding applied to it which renders it unsuitable for continued use by a Successor Operator; or
  - (iii) is not reasonably appropriate for the purposes of delivering the Franchise Services in a reasonable, proper and cost effective manner.
- (d) The Franchisee acknowledges the definition of Franchise Assets and agrees not to put forward for designation as an Investment Asset any asset not falling within such definition including, without limitation, accounting entries and assets in which the Franchisee does not have title.
- (e) On the final Investment Asset Request Date the Franchisee shall in addition to the list referred to in paragraph 2.2(a) also provide an additional list in two parts confirming:
- (i) in part 1 of such additional list which Investment Assets that have already been designated as such should be designated as Primary Franchise Assets and not be capable of de-designation as such without the prior agreement of the Franchisee and which Investment Assets should not be capable of being designated as Primary Franchise Assets without the prior agreement of the Franchisee and the Secretary of State; and
  - (ii) in part 2 of such additional list which Franchise Assets which the Franchisee is proposing should be designated as Investment Assets should be designated as Primary Franchise Assets and not be capable of de-designation as

such without the prior agreement of the Franchisee and which should not be capable of being designated as Primary Franchise Assets without the prior agreement of the Franchisee and the Secretary of State in both cases only if such Franchise Assets are designated as Investment Assets in accordance with paragraphs 2.2(a) to 2.2(c).

- (f) The Secretary of State shall comply with the requirement of the Franchisee set out in the list referred to in paragraph 2(e)(i) above. The Secretary of State shall comply with the requirements of the Franchisee in the list referred to in paragraph 2(e)(ii) above in relation to any Franchise Assets on such list which are actually designated by the Secretary of State as Investment Assets in accordance with paragraphs 2.2(a) to 2.2(c) but not otherwise. This paragraph is without prejudice to the other rights of the Secretary of State to designate Franchise Assets as Primary Franchise Assets.

**3. Designation of Additional Primary Franchise Assets**

Subject to paragraph 2.2(f) the Secretary of State may at any time and from time to time during the Franchise Period, by serving notice on the Franchisee, designate any or all of the Franchise Assets as Primary Franchise Assets. Such designation shall take effect from the delivery of such notice and may refer to all or certain categories of property, rights or liabilities. Any such notice shall specify the reasons for such designation. On or before designation of any Franchise Asset as a Primary Franchise Asset, the Secretary of State may agree not to subsequently de-designate such Primary Franchise Asset without the prior written consent of the Franchisee. If the Secretary of State so agrees, the notice designating the relevant Franchise Asset as a Primary Franchise Asset shall state that the Secretary of State shall not de-designate such Primary Franchise Asset without the prior written consent of the Franchisee.

**4. Designation during last 12 Months of Franchise Period**

If the Secretary of State designates a Franchise Asset as a Primary Franchise Asset under paragraph 3 at any time during the last 12 months of the Franchise Period then, within 28 days of such designation, the Secretary of State may de-designate such Primary Franchise Asset by serving notice on the Franchisee provided that, in relation to any Primary Franchise Asset in respect of which the Secretary of State agreed pursuant to paragraph 3 that he would not de designate without the prior written consent of the Franchisee, such consent has been obtained. Such de-designation shall take effect upon delivery of such notice.

**5. Designation of Key Contracts as Primary Franchise Assets**

The Secretary of State shall, subject to paragraphs 1.2(b) and 7, be entitled to designate any Key Contract as a Primary Franchise Asset at any time during the Franchise Period by serving notice on the Franchisee. Such designation shall take effect from delivery of such notice.

**6. Designation of Fares and Discount Cards**

The Secretary of State may designate any Fare or Discount Card as a Primary Franchise Asset at any time during the Franchise Period by serving a notice on the Franchisee. Such designation shall take effect from delivery of such notice.



## 7. **Rights and Liabilities**

The Secretary of State, in designating the rights and liabilities of the Franchisee (whether under a particular contract or other arrangement) as a Primary Franchise Asset may, in his discretion, elect to designate some but not all of the rights and liabilities under a particular contract or other arrangement, or to designate only those rights and liabilities arising after or otherwise relating to a period after a particular time (including the period after the expiry of the Franchise Period) or to those relating only to the Franchise Services or a particular part thereof.

## 8. **Disputes over Designation**

8.1 The Franchisee may object in writing to the Secretary of State to any designation pursuant to paragraph 3 or 4.

8.2 Such objection may be made solely on the grounds that the designation of the relevant property, rights or liabilities specified in the objection is not, in the Franchisee's opinion, reasonably necessary to secure the continued provision of the Franchise Services by a Successor Operator on the expiry of the Franchise Period on a basis reasonably acceptable to the Secretary of State or to facilitate the transfer to such Successor Operator of the provision of the Franchise Services at such time.

8.3 Any such objection may only be made within 28 days of a designation made more than 12 months prior to the end of the Franchise Period or 14 days of a designation made during the last 12 months of the Franchise Period.

8.4 The Secretary of State shall respond to any such objection as soon as reasonably practicable and shall take account of any representations made by the Franchisee regarding the use of the relevant Primary Franchise Asset otherwise than in the provision and operation of the Franchise Services.

8.5 If the Franchisee's objection cannot be resolved by agreement within a period of 14 days from the date of submission of that objection, the Franchisee may refer the dispute for resolution in accordance with the Dispute Resolution Rules.

8.6 Any body duly appointed to resolve such dispute shall determine whether or not the designation of the relevant property, rights or liabilities was reasonably necessary for securing that the Franchise Services may continue to be provided by a Successor Operator on the expiry of the Franchise Period on a basis reasonably acceptable to the Secretary of State or otherwise facilitating the transfer of the provision of the Franchise Services at such time, and accordingly whether or not they should cease to be so designated.

8.7 If any dispute as to any designation pursuant to paragraph 3 remains outstanding on the expiry of the Franchise Period, then such dispute shall be deemed to cease immediately before the expiry of the Franchise Period and the relevant Franchise Assets shall continue to be designated as Primary Franchise Assets on and after the expiry of the Franchise Period.

## 9. **Provision of Information to the Secretary of State**

9.1 The Franchisee shall provide such information as the Secretary of State may reasonably require in order to satisfy the Secretary of State that any Franchise Assets which are to be designated as Primary Franchise Assets after the Start Date under this Schedule 14.4 will at the time of such designation be vested in the

Franchisee. Such information may include details of any Security Interests over such property, rights and liabilities.

- 9.2 The Franchisee shall further provide such information as to the property, rights and liabilities of the Franchisee as the Secretary of State may reasonably require in connection with the designation of Primary Franchise Assets. Such information shall be supplied to the Secretary of State within such timescale as the Secretary of State may reasonably require.

## 10. **De-Designation of Franchise Assets and Primary Franchise Assets**

- 10.1 The Secretary of State and the Franchisee may agree in writing at any time during the Franchise Period that a Franchise Asset shall cease to be so designated as a Franchise Asset or that a Primary Franchise Asset shall cease to be so designated as a Primary Franchise Asset, and the relevant Franchise Asset or Primary Franchise Asset (as the case may be) shall cease to be designated upon such agreement coming into effect.

- 10.2 The Secretary of State may in addition at any time during the Franchise Period, by serving notice on the Franchisee, cause a Franchise Asset which is not a Primary Franchise Asset to cease to be so designated as a Franchise Asset. Such Franchise Asset shall cease to be so designated on the date specified in such notice.

- 10.3 The Secretary of State may in addition, at any time during the Franchise Period, by serving notice on the Franchisee, cause a particular Primary Franchise Asset to cease to be designated as such provided that, in relation to any Primary Franchise Asset in respect of which the Secretary of State agreed pursuant to paragraph 3 that he would not de designate without the prior written consent of the Franchisee, such consent has been obtained. Such Primary Franchise Asset shall cease to be so designated on the date specified in such notice. Such right may be exercised, in respect of any rights and liabilities in respect of a Fare or Discount Card, at any time and, in respect of any other Primary Franchise Asset, no later than one year prior to the expiry of the Franchise Term.

## 11. **Amendment of the Appendix to this Schedule 14.4**

The table in part 1 of the Appendix (List of Primary Franchise Assets) to this Schedule 14.4 shall be amended as the Secretary of State considers necessary or desirable from time to time to take account of designation and de-designation of Primary Franchise Assets pursuant to this Schedule 14.4.

## 12. **Spares**

The obligation of the Franchisee to maintain, preserve and protect the Operating Assets (as such term is defined in paragraph 1.1 of Schedule 14.2 (Maintenance of Operating Assets)) under Schedule 14.2 shall, in respect of Spares, include the obligation to replace any Spare which has been designated as a Primary Franchise Asset, which subsequent to its designation ceases to be part of the stock of Spares available to the Franchisee for use in the provision of the Franchise Services, with an equivalent Spare of equal or better quality than the Spare so replaced.

## 13. **Provisions relating to RV Assets**

- 13.1 The provisions of paragraphs 3, 4, 7, 8 and 10 to 12 (inclusive) shall not apply in respect of any RV Asset.

### **De-Designation of RV Assets as Primary Franchise Assets**

- 13.2 The Secretary of State may, at any time during the Franchise Period, by serving notice on the Franchisee cause a particular RV Asset designated as a Primary Franchise Asset pursuant to paragraph 2.1(h) to cease to be designated as such on the occurrence of any of the following:
- (a) such RV Asset is lost, destroyed or otherwise beyond repair after the date upon which it is designated as a Primary Franchise Asset pursuant to paragraph 1.2(h) and such RV Asset is not replaced; or
  - (b) the Secretary of State and the Franchisee agree in writing at any time during the Franchise Period that such RV Asset shall cease to be so designated as a Primary Franchise Asset; or
  - (c) for an RV Asset that is a Network Rail Fixture Asset the applicable Station Access Conditions or Depot Access Conditions are amended at any time after the date of designation of such RV Asset such that the Franchisee ceases to be responsible under the applicable Station Access Conditions or Depot Access Conditions (as the case may be) for the maintenance, repair and renewal of such RV Asset.

Such RV Asset shall cease to be designated as a Primary Franchise Asset with effect from the date specified in any notice served by the Secretary of State pursuant to this paragraph 13.2 and the table in Part 2 of the Appendix to this Schedule 14.4 shall be deemed to be amended and thereafter shall be amended to take account of any such de-designation.

### **Process for issue of a Certificate of Completion for RV Assets**

- 13.3
- (a) Within 20 days of the date upon which an RV Asset is brought into operational use the Franchisee shall provide to the Secretary of State such information as is required by the Secretary of State for, and in the detail needed for demonstrating that such RV Asset has been brought into operational use and evidencing the actual capital cost incurred by the Franchisee on the procurement of such RV Asset including the following:
    - (i) the information described in paragraph 9, including such information as the Secretary of State may require pursuant to paragraph 9.2;
    - (ii) information which shows the actual date upon which such RV Asset was brought into operational use (including photographic evidence or any other kind of record which shows that such RV Asset has been brought into operational use);
    - (iii) in respect of an RV Asset that is a Network Rail Fixture Asset, written confirmation from Network Rail that:
      - (A) such RV Asset will be owned by the Franchisee and remain the unencumbered asset of the Franchisee for the duration of the asset life of

such RV Asset or the duration of the Franchise Period (whichever is the shorter);

(B) the Franchisee has the responsibility under the Station Access Conditions or the Depot Access Conditions (as the case may be) applicable in relation to such Station or Depot (as the case may be) to maintain, repair and renew such RV Asset from the date upon which such RV Asset property is brought into operational use for the duration of the asset life of such RV Asset or the duration of the Franchise Period (whichever is the shorter);

(iv) information evidencing the actual capital cost of procuring such RV Asset (including receipts and other supporting evidence);

(v) information which shows that such RV Asset satisfies the requirements of the Committed Obligations to which it relates; and

(vi) the information required by paragraph 13.5; and

(vii) such other information as the Secretary of State may reasonably require for the purposes of satisfying himself that such RV Asset has been brought into operational use by a date that is no later than 4 years after the Start Date and verifying the actual capital costs incurred by the Franchisee on the procurement of such RV Asset.

(b) Subject to receipt of the information required in paragraph 13.3(a) and none of the events described in paragraph 13.2 having occurred, the Secretary of State shall issue to the Franchisee a certificate of completion ("**Certificate of Completion**") which shall specify for the purposes of this Franchise Agreement the date upon which the relevant RV Asset was brought into operational use provided that nothing in this paragraph 13.3(b) shall oblige the Secretary of State to issue a Certificate of Completion in respect of any RV Asset:

(i) if the Secretary of State, acting reasonably is not satisfied that such RV Asset will at the time of such designation be vested in the Franchisee;

(ii) if the Secretary of State reasonably determines that such RV Asset does not satisfy the requirements of the Committed Obligation to which it relates;

(iii) that is brought into operational use on a date that is later than the date which is 4 years after the Start Date; or

(iv) where the confirmation from Network Rail referred in paragraph 13.3(a)(iii) has not been issued.

(c) The Secretary of State may, prior to the issue of a Certificate of Completion in respect of an RV Asset, exercise his rights under paragraph 5 of Schedule 11 (Agreement Management Inspection) to

inspect an RV Asset for the purposes of satisfying himself that such RV Asset satisfies the requirements of the Committed Obligation to which it relates.

### **Adjustments to the Transfer Value**

13.4 If:

- (a) the Franchise Agreement is extended as contemplated in paragraph 1.2 of Schedule 18 (Additional Reporting Periods) then the Secretary of State shall adjust the RV Asset Transfer Value applicable to each RV Asset by depreciating each such RV Asset on a straight line basis from its Planned Delivery Date until the end of the Franchise Period (as extended) and so that:
  - (i) the Revised RV Asset Transfer Value will be the residual value of the RV Asset following such depreciation as at the end of the Franchise Period (as extended) or, if the RV Asset has been fully depreciated on that basis at that time, nil; and
  - (ii) from the date of the extension of the Franchise Agreement Column 2 of the table in Part 2 of the Appendix to this Schedule 14.4 shall be deemed to be and shall be restated in the amounts of the Revised RV Asset Transfer Value; or
- (b) the actual capital cost incurred by the Franchisee in procuring any RV Asset is less than the amount specified in Column 5 of the table in Part 2 of the Appendix to this Schedule 14.4 in respect of any such RV Asset, then:
  - (i) the Secretary of State shall with effect from the date upon which a Certificate of Completion is issued in respect of such RV Asset adjust the RV Transfer Value applicable to such RV Asset by using the same principles as were specified in the Financial Model and Record of Assumption for the calculation of the initial RV Transfer Value except that actual capital cost for such RV Asset shall replace the capital cost specified for such RV Asset in Column 5 of the table in Part 2 of the Appendix to this Schedule 14.4 in order to calculate the Revised RV Asset Transfer Value; and
  - (ii) Column 2 of the table in part 2 of the Appendix to this Schedule 14.4 shall, from the date of any such adjustment be deemed to be restated and shall be restated in the amounts of the Revised RV Asset Transfer Value.
- (c) For the purposes of this paragraph 13.4:
  - (i) **"RV Asset Transfer Values"** means each of the transfer values relating to the RV Assets as specified in Column 2 of the table in Part 2 of the Appendix to this Schedule 14.4;
  - (ii) **"Revised RV Asset Transfer Values"** means each of the RV Asset Transfer Values as adjusted by the Secretary of State in accordance with the provisions of paragraph 13.4(a) or paragraph 13.4(b) (as applicable).

## Maintenance Requirements for RV Assets

- 13.5 At the same time as the Franchisee provides the information required pursuant to paragraph 13.3(a) in respect of any RV Asset, the Franchisee shall submit to the Secretary of State a schedule of condition specifying the condition of such RV Asset as at the date upon which such RV Asset was brought into operational use as specified in the applicable Certificate of Completion. Such schedule of condition must be approved by the Secretary of State and shall be in respect of such aspects of an RV Asset as the Secretary of State may reasonably require. The Franchisee shall ensure that each RV Asset is maintained, preserved and protected in at least the same condition, subject to fair wear and tear, as specified in the applicable schedule of condition as approved by the Secretary of State in respect of such RV Asset pursuant to this paragraph 13.5. In respect of any RV Asset that is a Network Rail Fixture Asset the Franchisee shall ensure that any schedule of condition prepared as required by this paragraph 13.5 shall comply with the Franchisee's maintenance obligations relating to such Network Rail Fixture Asset under the applicable Station Access Conditions and/or Depot Access Conditions (as the case may be).
- 13.6 Subject to paragraph 13.7, where the Franchisee has failed to demonstrate to the reasonable satisfaction of the Secretary of State that it has complied with its maintenance obligations in paragraph 13.5 in respect of any RV Asset then the Secretary of State may by notice in writing to the Franchisee require that the RV Asset Transfer Value payable by a Successor Operator required pursuant to the Supplemental Agreement to pay to the Franchisee the RV Asset Transfer Value for such RV Asset ("**Relevant Successor Operator**") is adjusted downwards by an amount that is equal to the amount that is agreed by the Franchisee and the Relevant Successor Operator (or on failure to agree, as reasonably determined by the Secretary of State) as being the amount reasonably expected to be incurred by the Relevant Successor Operator for putting such RV Asset in the condition required pursuant to paragraph 13.5.
- 13.7 The provisions of paragraph 13.6 shall not apply in circumstances where the Franchisee and the Relevant Successor Operator agree that the Franchisee shall either:
- (a) rectify any relevant non-compliance with the requirements of paragraph 13.5 or
  - (b) indemnify the Relevant Successor Operator (the form of such indemnity to be in a form that is acceptable to the Relevant Successor Operator) against the reasonable costs of putting the relevant RV Asset in the condition required by paragraph 13.5.

**APPENDIX TO SCHEDULE 14.4**

**Part 1**

**List of Primary Franchise Assets**

<b>Description of Primary Franchise Asset</b>	<b>Commitment not to de-designate</b>
<p><b>Equipment at Newton Heath as follows:</b></p> <p>NH0131 – NH0134 &amp; NH0172: Somer vehicle lifting jacks and consoles (2 sets);</p> <p>NH503 – Air system flushing machine;</p> <p>Simret brake meter;</p> <p>Schlumberger NRN radio test box;</p> <p>FA 01 – Forklift attachment for lifting engines;</p> <p>FA 02 – Forklift attachment for lifting gearboxes;</p> <p>FA03, F03/1 – Forklift attachment for lifting alternators;</p> <p>MC1 – Wheelset lifting beam; and</p> <p>434/5/6/7 Bodyside lifting bracket for 142's;</p>	<p><b>No</b></p>
<p><b>Equipment at Longsight as follows:</b></p> <p>Simret brake meter; and</p> <p>2 Diagnostic LCB cards for Holec 323 traction equipment.</p>	<p><b>No</b></p>
<p><b>Parkeon Ticket Vending Machines</b></p> <p>Rights and liabilities of the Franchisee under the lease for the 94 Parkeon Ticket Vending Machines located at various stations dated [●] and entered into between the Train Operator under the Previous Franchise Agreement and GE Capital Equipment Finance Ltd (as such lease was transferred to the Franchisee pursuant to the Start Date Transfer Scheme).</p>	<p><b>Yes</b></p>
<p>Rights and liabilities of the Franchisee under the agreement for the supply and maintenance of self service ticket issuing system dated [●] and entered into between the Train Operator under the Previous Franchise Agreement and [●] (as such lease was transferred to the Franchisee pursuant to the Start Date Transfer Scheme).</p>	<p><b>No</b></p>

**Part 2**

**List of the RV Assets**

<b>Column 1</b>	<b>Column 2</b>	<b>Column 3</b>	<b>Column 4</b>	<b>Column 5</b>
<b>Description of the RV Assets<sup>91</sup></b>	<b>RV Asset Transfer Value (£)<sup>92</sup></b>	<b>Planned Delivery Date<sup>93</sup></b>	<b>Is RV Asset a Network Rail Fixture Asset (Yes/No)<sup>94</sup></b>	<b>Capital Cost (£)<sup>95</sup></b>

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**91** Bidder to Populate – Description of assets to be populated by bidders. Assets to be included in the table must comply with each of the principles set out set out in Section 5.1.10 of the ITT.

**92** Bidder to Populate – Bidder to include the residual value of the asset listed in column 1 of the table, such value to be determined in accordance with the principles set out in Section 5.1.10 of the ITT.

**93** Bidder to Populate – the date in which the asset listed in column 1 is to be delivered and brought into use is to be specified by the bidder in this column. Such date shall be no later than the end of the 4<sup>th</sup> Franchisee Year.

**94** Bidder to populate.

**95** Bidder to populate – the capital cost specified in this column shall comply with the requirements for capital costs as set out in set out in Section 5.1.10 of the ITT.



## SCHEDULE 14.5

### Dealing with Franchise Assets

#### 1. **Assets not Designated as Primary Franchise Assets**

1.1 This paragraph 1 relates to any Franchise Assets that are property or rights and are not designated as Primary Franchise Assets.

1.2 For the purposes of Section 27(3) of the Act, the Secretary of State consents to the Franchisee:

- (a) transferring or agreeing to transfer any such Franchise Assets or any interests in, or right over, any such Franchise Assets; and
- (b) creating or extinguishing, or agreeing to create or extinguish, any interest in, or right over, any such Franchise Assets.

#### 2. **Liabilities not Designated as Primary Franchise Assets**

2.1 This paragraph 2 relates to any liabilities which are not designated as Primary Franchise Assets.

2.2 For the purposes of Section 27(3) of the Act, the Secretary of State consents to the Franchisee entering into any agreement under which any such liability is released or discharged, or transferred to another person.

#### 3. **Franchise Assets and Primary Franchise Assets**

3.1 This paragraph 3 relates to Franchise Assets (whether or not designated as Primary Franchise Assets) which are property or rights.

3.2 The Secretary of State hereby consents to the installation of Spares which have been designated as Primary Franchise Assets on any rolling stock vehicles. Any Spare which is so installed shall cease to be so designated on such installation.

3.3 For the purposes of Section 27(3) of the Act, the Secretary of State hereby consents to the Franchisee creating or agreeing to create any Security Interest over any of these Franchise Assets to the extent that the terms of any such Security Interest provided that:

- (a) if the relevant Franchise Asset becomes the subject of a transfer scheme made under Section 12 and Schedule 2 of the Railways Act 2005, it shall be fully and automatically released from the relevant Security Interest immediately before the coming into force of such transfer scheme;
- (b) if the relevant Franchise Asset is assigned, novated or otherwise transferred to another person pursuant to and in accordance with the Franchise Agreement, it shall be fully and automatically released from the relevant Security Interest immediately before such assignment, novation or transfer; and
- (c) such Security Interest shall not be enforced or enforceable until the date on which such Franchise Asset ceases to be designated as a Franchise Asset.

4. **Prohibition on Other Security Interests**

The Franchisee shall not create or agree to create a Security Interest over any Franchise Asset except on the terms permitted under paragraph 3.3.

5. **Miscellaneous**

The Franchisee shall promptly inform the Secretary of State of any Security Interest arising at any time over any of its property or rights and shall provide the Secretary of State with such information in relation thereto as he may reasonably require.

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## **SCHEDULE15**

### **Obligations Associated with Termination**

- Schedule 15.1: Reletting Provisions**
- Schedule 15.2: Last 12 or 13 Months of Franchise Period and other conduct of business provisions**
- Schedule 15.3: Handover Package**  
**Appendix: Form of Handover Package**
- Schedule 15.4: Provisions Applying on and after Termination**  
**Appendix 1: Form of Transfer Scheme**  
**Appendix 2: Form of Supplemental Agreement**

## SCHEDULE 15.1

### Reletting Provisions

#### 1. Reletting of Franchise

- 1.1 The Franchisee acknowledges that the Secretary of State may wish, at or before the expiry of the Franchise Period, either to invite persons to tender for the right to provide all or some of the Passenger Services under a franchise agreement or alternatively to enter into a franchise agreement in respect of all or some of the Passenger Services without having gone through a tendering process.
- 1.2 The Franchisee further acknowledges that the Secretary of State has in certain circumstances a duty under Section 30 of the Act to secure the continued provision of services equivalent to the Passenger Services on expiry or termination of the Franchise Agreement. The Franchisee accordingly accepts and agrees to the restrictions and obligations imposed on it under Schedule 1.6 (Franchise Services), Schedule 14 (Preservation of Assets) and this Schedule 15.

#### 2. Preparation for Reletting

- 2.1 The Franchisee shall, if so requested by the Secretary of State:
- (a) provide the Secretary of State and his representatives and advisers with access to officers, the Franchise Employees and all books, records and other materials kept by or on behalf of the Franchisee in connection with the Franchise Services (including electronic or magnetic records, any CRM System and any Yield Management System) for the purpose of assisting such representatives and advisers:
- (i) to prepare reports or other documents in connection with any invitation to potential Successor Operators to tender for the right and obligation to operate all or any of the Franchise Services;
- (ii) to prepare invitations to other potential franchisees to tender for the right and obligation to provide any other railway passenger services or operate any other additional railway asset; or
- (iii) to enter into any franchise agreement or other agreement (including any agreement entered into by the Secretary of State in fulfilment of his duties under section 30 of the Act) relating to the services equivalent to the Franchise Services, without undergoing a tendering process,
- provided that the exercise of such access rights by the Secretary of State and his representatives and advisers shall not unduly interfere with the continuing provision and operation of the Franchise Services by the Franchisee; and
- (b) at its own cost, publish and display such publicity and promotional material and notices as the Secretary of State may provide to the Franchisee for the purposes of informing passengers of any matters relating to the Tendering/Reletting Process including:

- (i) the commencement of any Tendering/Reletting Process;
  - (ii) making passengers aware of any consultation being undertaken by the Secretary of State in relation to any such Tendering/Reletting Process; and
  - (iii) informing passengers of the outcome of any Tendering/Reletting Process.
- (c) The obligation to publish and display pursuant to paragraph 2.1(b) shall mean making the relevant publicity and promotional material and notices available to passengers by such means as the Secretary of State may reasonably require including by displaying publicity and promotional material and notices at Stations and on trains, publishing relevant information in any reports published to passengers or including such information in any leaflets, newspapers or other promotional material published to passengers by the Franchisee from time to time.

## 2.2

- (a) The Franchisee shall make available to the Secretary of State and his representatives and advisers such Data Site Information (as defined at paragraph (e)) as they shall reasonably require in connection with the matters referred to in paragraph 2.1.
- (b) The Franchisee shall prepare and present such information in such manner (including in disaggregated form) as the Secretary of State may require, and shall provide such assistance as the Secretary of State may require in connection with the verification of such information.
- (c) The Franchisee shall provide such confirmation in relation to the accuracy of:
  - (i) the contents of the documents referred to in paragraph 2.1; and
  - (ii) any Data Site Information uploaded to such electronic data site as the Secretary of State may require pursuant to paragraph 2.2(d),
 in each case, as the Secretary of State shall require from time to time.
- (d) The Franchisee shall upload such Data Site Information as the Secretary of State may require to such electronic data site as he may specify and shall make a sufficient number of appropriate staff available for that purpose. The Franchisee shall ensure that such staff are trained in the use of such data site (such training to be at the expense of the Secretary of State). For the avoidance of doubt, the Data Site Information required by the Secretary of State under this paragraph may cover the entire Franchise Period or any part of it.
- (e) **"Data Site Information"** means information relating to any of the following:
  - (i) the Franchise or the Franchisee, any Affiliate of the Franchisee or their respective businesses (including their

audited and management accounts, asset registers and contract lists);

- (ii) past and present demand for the Franchise Services or any similar services (including passenger count data, Yield Management Data and CRM Data);
- (iii) information required to be provided by the Franchisee pursuant to Schedule 1.5 (Information about Passengers);
- (iv) the total revenue (being all revenue whatsoever from any source obtained from any commercial or non-commercial activity or undertaking of the Franchisee) received or which the Franchisee expects to receive during the Franchise Period;
- (v) the Franchisee's safety authorisation, safety certificate or safety management system (in each case as defined in the Safety Regulations);
- (vi) any other safety matter;
- (vii) the arrangements contained within the Railways Pension Scheme, the Pension Trust, the Franchise Section, or any other pension arrangement in respect of employees of the Franchisee or employees of any person who was a franchisee or franchise operator in relation to a Previous Franchise Agreement;
- (viii) the management structure of the Franchisee's business (including organograms and any planned changes);
- (ix) employees and contractors (including details of responsibilities, job title, remuneration, grade, qualifications and any other personnel records);
- (x) terms and conditions of employment and human resources policies;
- (xi) public and working timetables;
- (xii) driver, other train crew and rolling stock diagrams;
- (xiii) rolling stock (including train and vehicle miles, restrictions of use, fleet examinations and servicing, fleet performance, casualty data and any relevant reports);
- (xiv) any station (including any leases, documents of title, maintenance arrangements, station facilities, plans and contingency or security plans relating to any station);
- (xv) health and safety and environmental information;
- (xvi) copies of contracts (including Access Agreements, policies of insurance, property, rolling stock and other leases, catering contracts, contracts for outsourced services, and rolling stock maintenance and spares contracts);

- (xvii) Network Rail charges and requirements (including rules of the route/plan);
- (xviii) any information technology system (hardware or software) used or owned by the Franchisee or any Affiliate of the Franchisee (including any software licences);
- (xix) performance data;
- (xx) customer service (including staffing levels, call volumes and opening hours);
- (xxi) fares and fares baskets;
- (xxii) relationships with stakeholders (including minutes of meetings with unions, Passenger Transport Executives, local authorities or Transport for London); or
- (xxiii) any other matter which the Secretary of State may specify from time to time,

and in this paragraph (e) the term "**employee**" includes any person engaged by the Franchisee pursuant to a contract of personal service.

(f) The Franchisee shall:

- (i) comply with its obligations under paragraph 2.1 or this paragraph 2.2 promptly and in any case in accordance with any reasonable timetable with which the Secretary of State requires the Franchisee by notice in writing to comply;
- (ii) where the Secretary of State raises with the Franchisee any query in relation to any Data Site Information, make a full and substantive response to such query within 5 Weekdays. Such response shall include any further information requested by the Secretary of State in relation to such query; and
- (iii) nominate a person to whom:
  - (A) all queries or requests for information pursuant to paragraph 2.2(f)(ii);
  - (B) requests for access to premises pursuant to paragraph 4; and
  - (C) requests for access to employees,

shall be addressed and who shall be responsible for complying with any such queries or requests for information and such requests for access to employees and premises. The Franchisee shall notify the Secretary of State (his representatives and advisers) of the name and contact details of such person.

2.3 In connection with any proposal (whether or not yet finalised) to enter into separate franchise agreements and/or other agreements with more than one

Successor Operator, each relating to some only of services equivalent to the Franchise Services (whether or not together with other railway passenger services) at or following the end of the Franchise Period, the Franchisee agrees and acknowledges that the Secretary of State may require:

- (a) that the Franchisee provides the Secretary of State with additional information and reports and analysis in respect of such Service Groups as the Secretary of State may specify. This may include:
  - (i) information relating to the operational and financial performance of the Franchisee in relation to such Service Groups; and
  - (ii) identification of those employees, assets and liabilities which relate to such Service Groups together with an indication of the extent to which the same are shared between the operation of different Service Groups; and
- (b) subject to paragraph 2.4, that the Franchisee reorganises the business of providing services equivalent to the Franchise Services in order to facilitate the transfer anticipated by this Schedule 15.1 on an ongoing basis of the business of providing the Franchise Services within each of such Service Groups to separate Successor Operators. This may include, to the extent reasonably practicable:
  - (i) the re-organisation of personnel such that an appropriate number of employees (having sufficient skills, qualifications and experience) will transfer by operation of Law to each Successor Operator of each such Service Group; and/or
  - (ii) entering into additional or clarificatory contractual or other arrangements so that the Successor Operator of each such Service Group will have the necessary assets and rights to operate the Franchise Services within that Service Group; and
- (c) that the Franchisee uploads Data Site Information to more than one data site.

2.4 Subject to paragraph 2.5, the Secretary of State shall reimburse any reasonable out-of-pocket expenses that the Franchisee may incur in complying with its obligations under this paragraph 2.

2.5 Without prejudice to any other rights the Secretary of State may have (under the Franchise Agreement or otherwise) in respect of any contravention by the Franchisee of its obligations under this paragraph 2, if the Secretary of State is of the reasonable opinion that the Franchisee does not have sufficient resources to enable its compliance with its obligations under this paragraph 2 he may:

- (a) require the Franchisee (at its own cost) to employ; or
- (b) after notification to the Franchisee, employ,

such suitable additional resource as may be required to ensure that the Franchisee can comply with its obligations under this paragraph 2. The Franchisee shall reimburse to the Secretary of State, by way of adjustment to Franchise Payments,



any proper costs (including staff costs) incurred by him in the employment of any such additional resource pursuant to paragraph 2.5(b).

- 2.6 To the extent reasonably practicable, prior to taking any of the actions referred to in paragraph 2.5, the Secretary of State shall allow the Franchisee a reasonable opportunity to make representations to him concerning the exercise by the Secretary of State of his rights under paragraph 2.5 but the Secretary of State shall not be obliged by those representations to refrain from exercising any of the actions specified under paragraph 2.5.

### 3. **Non-Frustration of Transfer to Successor Operator**

- 3.1 The Franchisee shall take no action or steps which is or are designed, directly or indirectly:

- (a) to prevent, prejudice or frustrate the transfer as a going concern of the business of providing the Franchise Services at the end of the Franchise Period to a Successor Operator; or
- (b) to avoid, frustrate or circumvent any provision of the Franchise Agreement (including in particular the provisions of Schedule 14 (Preservation of Assets) and this Schedule 15 (Obligations Associated with Termination)) which is included in whole or in part for the purpose of preventing any such preventive, prejudicial or frustrating action or steps.

- 3.2 Subject to the restrictions set out in paragraph 3.1 and the other provisions of the Franchise Agreement, the Franchisee may take such action as it may require for the purposes of bidding to become, or becoming, a Successor Operator.

### 4. **Inspection Rights at premises used for the provision of the Franchise Services**

- 4.1 Without limiting any other rights of the Secretary of State under the Franchise Agreement and subject to paragraph 4.2, the Franchisee shall, if so requested by the Secretary of State, permit the Secretary of State (or his nominee, which for these purposes shall include potential Successor Operators including potential bidders who have expressed an interest in tendering for the right and obligation to operate any or all of the Franchise Services) to have such access to premises owned or occupied by the Franchisee or any of its Affiliates (including Stations and Depots and which for these purposes shall include any premises used in connection with the provision of the Franchise Services by the Franchisee or any of its Affiliates) as the Secretary of State may reasonably require in connection with any Tendering/Reletting Process including for the purposes of inspecting such premises (including the taking of inventories) and undertaking such surveys as may be necessary or desirable for the purposes of ascertaining the condition of any such premises.

- 4.2 The Secretary of State shall use reasonable endeavours to ensure that any access rights required pursuant to paragraph 4.1 shall be undertaken so as not to unduly interfere with the continuing provision and operation of the Franchise Services by the Franchisee.

## **SCHEDULE 15.2**

### **Last 12 or 13 Months of Franchise Period and other conduct of business provisions**

#### **1. Last 12 or 13 Month Period**

1.1 Where reference is made in the Franchise Agreement to the last 12 or 13 months of the Franchise Period, such period shall be deemed to commence on the earliest of the following dates:

- (a) the date which is 12 or 13 months, as the case may be, prior to the Expiry Date or if the actual date of expiry of the Franchise Period is known the date which is 12 or 13 months prior to that date;
- (b) the date on which the Secretary of State notifies the Franchisee that such period of 12 or 13 months shall be deemed to commence on the grounds that the Secretary of State reasonably considers that an Event of Default may occur within the following 12 months; or
- (c) the date on which the Secretary of State notifies the Franchisee that such period of 12 or 13 months shall be deemed to commence on the grounds that the Secretary of State considers it reasonably likely that the Franchise Agreement will be terminated by agreement between the parties within such period.

1.2 Any such period (which may be longer or shorter than 12 or 13 months, as the case may be) shall expire on the Expiry Date or, if earlier:

- (a) in the case of periods commencing under paragraph 1.1(b) or (c), the date falling 12 or 13 months after the date of any notice under paragraph 1.1(b) or (c); or
- (b) such earlier date as the Secretary of State may determine.

#### **2. Franchise Employees**

##### **Terms of Employment of Existing Employees**

2.1 The Franchisee shall not, and shall secure that each other relevant employer shall not, without the prior consent of the Secretary of State (which shall not be unreasonably withheld), vary or purport or promise to vary the terms or conditions of employment of any Franchise Employee (in particular, the Franchisee shall not promise to make any additional payment or provide any additional benefit or vary any term or condition relating to holiday, leave or hours to be worked) where such variation or addition:

- (a) takes effect in the last 12 months of the Franchise Period unless it is in the ordinary course of business and, when aggregated with any other variation or addition which takes effect during such period, represents an increase in the remuneration of a Franchise Employee of no more than the amount determined in accordance with the following formula:

MAWE + JAWWE + SAWE + DAWE

4

where:

MAWE is the change in the Average Weekly Earnings between March in the preceding 12 months and the corresponding March one year before, expressed as a percentage;

JAWWE is the change in the Average Weekly Earnings between June in the preceding 12 months and the corresponding June one year before, expressed as a percentage;

SAWE is the change in the Average Weekly Earnings between September in the preceding 12 months and the corresponding September one year before, expressed as a percentage; and

DAWE is the change in the Average Weekly Earnings between December in the preceding 12 months and the corresponding December one year before, expressed as a percentage;

- (b) wholly or partly first takes effect after the end of the Franchise Period;
- (c) results in any such employment not being terminable by the Franchisee or other relevant employer within six months of the expiry of the Franchise Period;
- (d) relates to a payment or the provision of a benefit triggered by termination of employment;
- (e) relates to the provision of a benefit (excluding base salary) which any such employee will or may have a contractual right to receive after the expiry of the Franchise Period; or
- (f) prevents, restricts or hinders any such employee from working for a Successor Operator or from performing the duties which such employee performed for the Franchisee.

It is agreed that the Franchisee will be permitted to make a decrease in the remuneration of any Franchise Employee that takes effect in the last 12 months of the Franchise Period without first obtaining the consent of the Secretary of State in circumstances where such decrease is in the ordinary course of business and when aggregated with any other variation which takes effect during such period, represents a decrease in the remuneration of a Franchise Employee of no more than the amount determined in accordance with the formula contained in paragraph 2.1(a) where a calculation pursuant to such formula gives rise to a negative percentage. In any other circumstances the prior consent of the Secretary of State will be required to any decrease in the remuneration of a Franchise Employee in the last 12 months of the Franchise Period.

- 2.2 Without limiting the foregoing, the Franchisee shall consult the Secretary of State as soon as reasonably practicable in any circumstances in which the Secretary of State's consent under paragraph 2.1 may be required. Further, it shall always be deemed to be reasonable for the Secretary of State to withhold his consent to a

variation or addition which is prohibited without such consent under paragraph 2.1(a) provided the Secretary of State:

- (a) makes an overall increase in Franchise Payments equal to the amount of the direct net losses suffered by the Franchisee on the days when the Passenger Services are affected by Industrial Action taken by the Franchise Employees which is a consequence of a refusal by the Secretary of State to agree to the variation or addition; and
- (b) agrees that, to the extent that the Franchisee would otherwise be in contravention of the Franchise Agreement as a consequence of the Industrial Action referred to in this paragraph 2.2, no such contravention shall have occurred, save where such contravention relates to safety requirements.

2.3 The expression "**promise to vary**" when used in paragraph 2.1 includes any offer or indication of willingness to vary (whether or not such offer or willingness is made conditional upon obtaining the Secretary of State's consent).

#### **Terms of Employment of New Employees**

2.4 The Franchisee shall not, and shall secure that each other relevant employer shall not, without the prior consent of the Secretary of State (which shall not be unreasonably withheld), create or grant, or promise to create or grant, terms or conditions of employment for any Franchise Employee where the employment of such Franchise Employee by the Franchisee or such other relevant employer may commence on or after the Start Date if and to the extent that:

- (a) such terms or conditions are, in the reasonable opinion of the Franchisee, materially different from the terms or conditions of employment of equivalent or nearest equivalent Franchise Employees at the date on which such employment is scheduled to commence; and
- (b) if such terms or conditions were granted to such equivalent Franchise Employees already employed by the Franchisee by way of variation to their terms or conditions of employment, the Franchisee would be in contravention of paragraph 2.1.

#### **Changes in Numbers and Total Cost of Employees**

2.5 Subject to and excluding any increase in the remuneration of Franchise Employees permitted under paragraph 2.1, the Franchisee shall not, and shall secure that each other relevant employer shall not, without the prior written consent of the Secretary of State (which shall not be unreasonably withheld) increase or decrease in the last 12 months of the Franchise Period the number of Franchise Employees such that:

- (a) the total number of Franchise Employees or the total cost per annum to the Franchisee and each other relevant employer of employing all Franchise Employees is increased; or
- (b) the total number of Franchise Employees is decreased,

in each case, by more than five per cent during such period of 12 months provided that where the last 12 months or 13 months of the Franchise Period has been deemed to have commenced under paragraph 1.1 and the period of the restriction

contemplated by this paragraph 2.5 lasts longer than 12 months such restriction shall apply in respect of the longer period.

### 3. **Fares**

#### **Reduction in Prices of Fares**

##### 3.1

- (a) During the last 13 months of the Franchise Period the Franchisee shall not, without the prior written consent of the Secretary of State (not to be unreasonably withheld), set the Price or Child Price of or sell (except to the extent required to do so under the terms of the Ticketing and Settlement Agreement as a result of the Price or Child Price of a Fare being set by another person) any Fare which would entitle the purchaser of such Fare to travel on all or any of the Passenger Services after the Franchise Period for an amount which is less than the Price or the Child Price of that Fare immediately before the commencement of such 13 month period or, in the case of a new Fare, the Price of its nearest equivalent immediately before the commencement of such period.
- (b) Paragraph 3.1(a) shall not prevent the Franchisee from giving any discount or reduction to which the purchaser of a Fare may be entitled by virtue of:
  - (i) presenting a Discount Card (or any equivalent replacement thereof) issued by the Franchisee before the commencement of such 13 month period and to which the purchaser would have been entitled before the commencement of such period;
  - (ii) presenting a Discount Card issued by another train operator;
  - (iii) the Passenger's Charter or the passenger's charter of any other train operator; or
  - (iv) any relevant conditions of carriage.
- (c) The Franchisee shall procure that persons acting as its agent (except persons acting in such capacity by virtue of having been appointed under Parts II to VI of Chapter 9 of the Ticketing and Settlement Agreement or by being party to the Ticketing and Settlement Agreement) shall comply with the provisions of paragraph 3.1(a) to the extent that such provisions apply to the selling of Fares by the Franchisee.

#### **Percentage Allocations**

##### 3.2

- (a) Except to the extent that the Secretary of State may consent from time to time (such consent not to be unreasonably withheld), the Franchisee shall not, in the last 13 Reporting Periods of the Franchise Period, take any action or step which may result in its Percentage Allocation (as defined in the Ticketing and Settlement Agreement) in respect of any Rail Product (as defined in the Ticketing and Settlement Agreement) being reduced.

- (b) The Franchisee shall notify the Secretary of State before taking any such action or step in the last 13 Reporting Periods of the Franchise Period and upon becoming aware of any other person proposing to take any action or step which may have the same effect. The Franchisee shall take such action as the Secretary of State may reasonably request in order to prevent any such reduction, including submitting any dispute to any relevant dispute resolution procedures.

### **Restrictions in respect of Sale of Advance Purchase Train-specific Fares**

#### 3.3

- (a) It is acknowledged that the Franchisee will make available for sale prior to the end of the Franchise Period Advance Purchase Train-specific Fares which are valid for travel after the end of the Franchise Period.
- (b) In making such Advance Purchase Train-specific Fares available for purchase the Franchisee shall not change its commercial practice in terms of the number of such Advance Purchase Train-specific Fares made available or the Passenger Services on which they are valid for use when compared with its previous commercial practice in respect of Advance Purchase Train-specific Fares valid for travel prior to the end of the Franchise Period.
- (c) The Franchisee will be permitted to take into account reasonable seasonal factors in determining its previous commercial practice. In assessing reasonableness, account will be taken of the Franchisee's practice in addressing such seasonal factors in the corresponding period in the previous year.

#### 4. **Inter-Operator Schemes**

##### **Voting on Scheme Councils**

4.1 Subject to paragraph 4.6, during the last 12 months of the Franchise Period the Franchisee shall give the Secretary of State reasonable notice of:

- (a) any meeting of:
  - (i) a scheme council of an Inter-Operator Scheme on which the Franchisee is represented; or
  - (ii) a scheme management group of any Inter-Operator Scheme:
    - (A) in which the Franchisee has a permanent position; or
    - (B) where the Franchisee employs a member of such group;
- (b) the resolutions to be voted upon at any such meeting; and
- (c) the Franchisee's voting intentions.

4.2 Subject to paragraph 4.3, the Franchisee shall vote at any such meeting in the manner required by the Secretary of State.

### **Successor Operator**

- 4.3 Where the Franchisee has been notified by the Secretary of State that a Successor Operator has been selected (whether a franchisee or otherwise and whether or not such selection is conditional), the Franchisee shall give such Successor Operator reasonable notice of:
- (a) any meeting referred to in paragraph 4.1(a);
  - (b) any resolutions to be voted upon at any such meeting where such resolutions might reasonably be considered to affect the interests of such Successor Operator; and
  - (c) the Franchisee's voting intentions.
- 4.4 The Franchisee shall discuss with the Successor Operator in good faith with a view to agreeing the way the Franchisee should vote on the resolutions referred to in paragraph 4.3(b). In the absence of any agreement, the Franchisee shall, as soon as reasonably practicable thereafter, having regard to the deadline for voting on such resolutions, refer the matter to the Secretary of State for determination.
- 4.5 The Secretary of State shall reasonably determine the way the Franchisee should vote on any resolutions referred to him in accordance with paragraph 4.4, having regard to the transfer of the Franchise Services as a going concern at the end of the Franchise Period.

Where paragraph 4.3 applies, the Franchisee shall vote at any meeting referred to in paragraph 4.1(a) in accordance with any agreement pursuant to paragraph 4.4 or determination pursuant paragraph 4.5.

## **SCHEDULE 15.3**

### **Handover Package**

#### **1. Handover Package Status**

##### **1.1 The Franchisee shall:**

- (a) on or before the Start Date, provide to the Secretary of State:
  - (i) the Handover Package; and
  - (ii) a letter in a form approved by and addressed to the Secretary of State confirming the details of any insurer providing insurance to the Franchisee and authorising the insurer (and any relevant broker) to release any insurance-related information to any of the Secretary of State, a Successor Operator or its agent on demand;
- (b) maintain the Handover Package and update it at least every three Reporting Periods; and
- (c) in respect of the information required pursuant to paragraph 1.1(a)(ii), supply revised information and/or letters to the Secretary of State as and when required in order to ensure that such information and letters remain accurate and up to date.

1.2 The Franchisee shall ensure that any Successor Operator will have immediate access to the Handover Package on the expiry of the Franchise Period.

1.3 The Franchisee shall also ensure that the Key Contacts List is provided to the Secretary of State within 24 hours of the receipt of any Termination Notice.

1.4 From the date that the Station Asset Management Plan is created pursuant to paragraph 4.1(a) of Schedule 6.2 (Northern Franchise Specific Provisions) the Franchisee shall update the Handover Package to include the Station Asset Management Plan and shall supply updated versions of the Station Asset Management whenever such plan is updated in accordance with paragraphs 4.4 and 4.5 of Schedule 6.2.

#### **2. Director's Certificate**

Once in each Franchisee Year, the Franchisee shall provide to the Secretary of State a certificate signed by a nominated and duly authorised director of the Franchisee, addressed to the Secretary of State, which confirms that the Handover Package contains the information and objects specified in the Appendix (Form of Handover Package) to this Schedule 15.3 and that such information is accurate as at the date of the certificate.



## **APPENDIX TO SCHEDULE 15.3**

### **Form of Handover Package**

1. **Property**

A list of all property owned, leased, operated or occupied by the Franchisee which shall include the address and contact telephone number of each property. Where applicable, the list will also include the name, address and telephone number of the lessor and/or the party which has granted authority to use or occupy the property, and any relevant reference numbers applicable to that lease or occupation.

2. **Contracts**

A printed or electronic list (in a format acceptable to the Secretary of State) of all contracts (sales, purchases or otherwise including leases and licences) between the Franchisee and the counterparty or counterparties to each such contract, showing the name, address and telephone number of each counterparty; the contract reference number of the Franchisee and each counterparty (if any); and the contract price/value, term and expiry date. This requirement shall apply to all contracts unless otherwise agreed by the Secretary of State.

3. **Systems**

A list of the electronic systems in use by the Franchisee, together with the name, office address and telephone number of the Franchisee's Information Technology Manager (or the holder of any equivalent post) who is responsible for administration of each such system.

4. **Daily Operations**

A printed or electronic list (in a format acceptable to the Secretary of State) of all assets owned or operated by the Franchisee, together with their location.

5. **Insurance**

A list of the names, addresses and telephone numbers of all insurers and any relevant broker providing insurance to the Franchisee, together with the relevant policy numbers and other references and details of any outstanding claims or unresolved disputes.

6. **Safety Certificate**

A complete copy of the Safety Certificate and full details of the Franchisee's safety management system in place to support the Safety Certificate.

## SCHEDULE 15.4

### Provisions Applying on and after Termination

#### 1. **Novation of Access Agreements on Termination of the Franchise Agreement**

1.1 The Franchisee shall, to the extent so requested by the Secretary of State on termination of the Franchise Agreement, in relation to any Access Agreement to which it is a party, novate its interest under any relevant Access Agreement (and any related Collateral Agreement) to the Secretary of State or as he may direct.

1.2 Such obligation to novate shall be subject to the agreement of any counterparty to such Access Agreement or Collateral Agreement and, to the extent applicable, the ORR.

1.3 Such novation shall be on such terms as the Secretary of State may reasonably require, including:

(a) that the Franchisee shall not be released from any accrued but unperformed obligation, the consequences of any breach of the relevant agreement which is the subject of arbitration or litigation between the parties or any liability in respect of any act or omission under or in relation to the relevant agreement prior to, or as at the date of, any such novation (except to the extent that the Secretary of State or his nominee agrees to assume responsibility for such unperformed obligation, such liability or the consequences of such breach in connection with the relevant novation); and

(b) that neither the Secretary of State nor his nominee shall be obliged, in connection with such novation, to agree to assume responsibility for any unperformed obligation, liability or consequences of a breach referred to in paragraph 1.3(a),

but shall not, unless the Franchisee otherwise agrees, be on terms which release any counterparty to the relevant agreement from any liability to the Franchisee arising prior to the date of such novation.

1.4 The Franchisee shall, on the occurrence of any of the circumstances specified in paragraph 1.1 in relation to any other Train Operator who is a party to an Access Agreement to which the Franchisee is also party, agree to the novation of the relevant Train Operator's interest under the relevant Access Agreement to the Secretary of State or as he may direct, subject, to the extent applicable, to the consent of the ORR. The provisions of paragraph 1.3 shall apply to any such novation.

1.5 The Franchisee shall notify the Secretary of State on becoming aware of any circumstances which might lead to the Secretary of State being able to require the Franchisee to novate its interest or agree to the novation of another Train Operator's interest under this paragraph 1.

## 2. **Co-operation with Successor Operator**

2.1 In order to ensure the continuity of, and an orderly handover of control over, the Franchise Services, the Franchisee shall co-operate with:

- (a) where a Successor Operator has been appointed, such Successor Operator; or
- (b) where a Successor Operator has not been so appointed, the Secretary of State,

and shall take such steps as may be reasonably requested by the Secretary of State in connection therewith.

2.2 In satisfaction of its obligations under paragraph 2.1, the Franchisee shall:

- (a) Not used;
- (b) make appropriately skilled and qualified Franchise Employees reasonably available to attend such meetings with the Secretary of State, the Successor Operator, Network Rail, any rolling stock lessor and/or and other relevant third party as are reasonably required in order to determine:
  - (i) those actions that are required in order to facilitate such continuity and orderly handover, in particular those actions arising under, but not limited to, the following agreements:
    - (A) Access Agreements;
    - (B) Property Leases;
    - (C) agreements in relation to Shared Facilities;
    - (D) Rolling Stock Leases;
    - (E) Rolling Stock Related Contracts;
    - (F) any other Key Contract; and
  - (ii) without prejudice to the Secretary of State's rights under this Schedule 15.4, those rights and liabilities as may be specified in any Transfer Scheme.

## 3. **Transfer of Primary Franchise Assets**

### **Option Arrangements**

3.1

- (a) The Secretary of State hereby grants to the Franchisee the right to require the Secretary of State to make, and the Franchisee hereby grants to the Secretary of State the right to make, a Transfer Scheme in accordance with Section 12 and Schedule 2 of the Railways Act 2005 for the transfer of any or all Primary Franchise Assets on the expiry of the Franchise Period.

- (b) On or within 14 days before the expiry of the Franchise Period:
- (i) either party may serve notice on the other party specifying the Primary Franchise Assets to be transferred; and
  - (ii) the other party may (within such timescale) serve a subsequent notice specifying any additional Primary Franchise Assets to be transferred.
- (c) The Secretary of State may (and shall if required by the Franchisee) make one or more such Transfer Schemes for the transfer of the Primary Franchise Assets specified in any such notice within 14 days after service of such notice (except in relation to any such Primary Franchise Assets which are, in accordance with Schedule 14.4 (Designation of Franchise Assets), de-designated as such prior to the end of the Franchise Period).
- (d) Any Franchise Assets or Primary Franchise Assets which are not so transferred shall cease to be designated as such 14 days after service of such notice.

### **Supplemental Agreement**

- 3.2 Without prejudice to the duties, powers, rights and obligations of the Secretary of State under the Railways Act 2005 in respect of any Transfer Scheme, any Transfer Scheme shall impose on the Franchisee and the transferee an obligation to enter into an agreement substantially in the form of the Supplemental Agreement which shall provide for the determination of amounts to be paid in respect of the property, rights and liabilities which are transferred under such Transfer Scheme. The Franchisee shall enter into any such Supplemental Agreement and shall comply with its obligations thereunder.

### **Payment of Estimated Transfer Price**

3.3

- (a) The Secretary of State may require the Franchisee to pay to any transferee under a Transfer Scheme, or may require any such transferee to pay to the Franchisee, on the day on which the Transfer Scheme comes into force such sum as the Secretary of State may determine should be so paid having regard to:
- (i) his estimate of the sum likely to be paid under the relevant Supplemental Agreement in respect of the Primary Franchise Assets being transferred under the relevant Transfer Scheme;
  - (ii) his estimate of any other sums likely to be paid thereunder;
  - (iii) the financial condition of the Franchisee and the transferee and whether any estimate so paid would be likely to be repaid, if in excess of the sums eventually payable thereunder; and
  - (iv) such other matters as the Secretary of State may consider appropriate.

- (b) The Franchisee shall pay to any such transferee the sum determined by the Secretary of State in accordance with paragraph 3.3(a) on the day on which the relevant Transfer Scheme comes into force.

#### **Possession of Franchise Assets**

- 3.4 On the coming into force of a Transfer Scheme, the Franchisee shall deliver up to the Secretary of State (or his nominee) possession of the Primary Franchise Assets transferred under such Transfer Scheme.

#### **4. Associated Obligations on Termination**

##### **Assistance in Securing Continuity**

###### **4.1**

- (a) In order to facilitate the continuity of the Franchise Services on expiry of the Franchise Period, the Franchisee shall take such steps, both before and after the expiry of the Franchise Period, as the Secretary of State may reasonably require, to assist and advise any Successor Operator in providing and operating the Franchise Services.
- (b) In particular, the Franchisee shall provide any Successor Operator with such records and information relating to or connected with the Franchise Services as the Secretary of State may reasonably require (other than confidential financial information but including all records relating to the Franchise Employees).

##### **Access**

- 4.2 On the expiry of the Franchise Period, the Franchisee shall grant the Secretary of State and his representatives such access as the Secretary of State may reasonably request to any property owned, leased or operated by the Franchisee at such time, for the purpose of facilitating the continued provision of the Franchise Services.

##### **Key Contracts**

###### **4.3**

- (a) The Franchisee shall provide such assistance to any Successor Operator as the Secretary of State may reasonably require in ensuring that, pursuant to any Direct Agreements, such Successor Operator may enter into (or enjoy the benefit of) contracts equivalent to the relevant Key Contracts (or part thereof).
- (b) In satisfaction of its obligations under paragraph 4.3(a), the Franchisee shall terminate, surrender, cancel or undertake not to enforce its rights under any Key Contract (or part thereof) provided that nothing in this paragraph shall require the Franchisee to undertake not to enforce any rights under a Key Contract relating to the period prior to the expiry of the Franchise Period.

##### **Change of Name**

- 4.4 The Franchisee shall cease to use any trade marks which are licensed to the Franchisee under any of the Brand Licences forthwith upon expiry of the Franchise

Period and shall take all necessary steps to change any company name which incorporates any such marks as soon as practicable.

### **Property Leases**

#### 4.5

- (a) The Franchisee shall, on the expiry of the Franchise Period, if requested by the Secretary of State, assign its interest under all or any Property Leases to the Secretary of State or as he may direct, subject where applicable to the agreement of any other party to such Property Lease or the ORR.
- (b) Such assignment shall be on such terms as the Secretary of State may reasonably require, including:
  - (i) that the Franchisee shall not be released from any accrued but unperformed obligation, the consequences of any antecedent breach of a covenant or obligation in the Property Leases or any liability in respect of any act or omission under or in relation to the Property Lease prior to, or as at the date of, any such assignment (except to the extent that the Secretary of State or his nominee agrees to assume responsibility for such unperformed obligation, such liability or the consequences of such breach in connection with the relevant assignment); and
  - (ii) that neither the Secretary of State nor his nominee shall be obliged, in connection with such assignment, to agree to assume responsibility for any unperformed obligation, liability or consequences of a breach referred to in paragraph 4.5(b)(i), and the Franchisee shall indemnify the Secretary of State or his nominee, as the case may be, on demand, on an after-tax basis against any costs, losses, liabilities or expenses suffered or incurred in relation thereto.
- (c) The Franchisee shall, on the occurrence of any of the circumstances specified in paragraph 4.5(a) in relation to any other Train Operator who is a party to a Property Lease to which the Franchisee is also party, agree to the assignment of such Train Operator's interest under the relevant Property Lease to the Secretary of State or as he may direct, subject, where applicable, to the consent of Network Rail. The provisions of paragraph 4.5(b) shall apply to any such assignment.
- (d) The Franchisee shall notify the Secretary of State on becoming aware of any circumstances which might lead to the Secretary of State being able to require the Franchisee to assign its interest or agree to the assignment of another Train Operator's interest under this paragraph 4.

#### **5. Actions required immediately on Handover**

- 5.1 The Franchisee shall immediately on the expiry of the Franchise Period make available to the Secretary of State:
  - (a) information as to the status of each purchase order or contract, including its award date, anticipated delivery date, confirmation of receipt of

goods or services and the payment records for each purchase order, together with any matters in dispute with the appointed subcontractor and, to the extent that the Franchisee is a subcontractor to another Train Operator, equivalent information in respect of that Train Operator; and

- (b) information concerning any contract necessary for the continued operation of the Franchise where a procurement or bidding process has been initiated.

5.2 The Franchisee agrees that the Secretary of State or his agents may have access to and use free of charge any information contained in any Computer System or in hard copy format as he sees fit (for the purposes of continuing the operation of the Franchise Services).

## 6. **Maintenance Records**

The Franchisee shall immediately on expiry of the Franchise Period provide to the Secretary of State:

- (a) records of the status of the maintenance of the rolling stock vehicles used in the provision of the Passenger Services;
- (b) records of the status of the maintenance of any lifting equipment;
- (c) a list of any deferred maintenance; and
- (d) records of the status of the maintenance of any depot or station which is a Franchise Asset,

including the extent of completion of examinations and the modification status of each such rolling stock vehicle

## 7. **Ticketing Arrangements**

The Franchisee shall provide immediately on expiry of the Franchise Period a statement certifying:

- (a) all ticketing transactions with the public or credit card agencies that are in process and not yet complete, together with any allocations on multi-modal travel with other agencies or local authorities;
- (b) the extent of any outstanding claims with ticketing settlement agencies;
- (c) refund arrangements (whether under the Passenger's Charter or not) with members of the public or other Train Operators or ticketing settlement agencies that are in process and not yet complete; and
- (d) commissions owed and/or due.

## 8. **Franchisee's Intellectual Property**

### 8.1

- (a) On the expiry of the Franchise Period, the Franchisee will grant to any Successor Operator licences of any Intellectual Property Rights which:
  - (i) is owned by or licensed to the Franchisee;

- (ii) was not owned by or licensed to it immediately prior to the Start Date;
  - (iii) has not been designated as a Primary Franchise Asset;
  - (iv) does not represent or constitute a Mark; and
  - (v) may, in the reasonable opinion of the Secretary of State, be necessary for any Successor Operator to operate the Franchise Services on an efficient and economic basis after the expiry of the Franchise Period.
- (b) When agreeing the terms on which Intellectual Property Rights is to be licensed to it, the Franchisee shall use all reasonable endeavours to ensure that such terms include the right to sub-license such Intellectual Property Rights in accordance with this paragraph 8.1. The Franchisee shall not enter into a licence that does not include such a provision without first obtaining the Secretary of State's prior written consent (such consent not to be unreasonably withheld).

## 8.2

- (a) Any such licence shall be granted to the relevant Successor Operator for such period as the Secretary of State may determine to be reasonably necessary for the purpose of securing continuity of the provision of the Franchise Services and shall be free of charge and royalty-free for a period of one month or less.
- (b) If such licence is for a period in excess of one month, the grant of the licence shall be subject to payment of a reasonable royalty (backdated to the expiry of the Franchise Period) on the basis of a willing licensor and licensee entering into a licence on comparable terms to similar licences of such Intellectual Property Rights. If the Franchisee and the relevant Successor Operator are unable to agree such royalty, the Franchisee shall submit such dispute for resolution in accordance with such dispute resolution rules as the Secretary of State may require.

## 8.3 Any such licence shall be in such form as the Secretary of State shall reasonably determine and shall:

- (a) be non-exclusive and limited to use solely for the purposes of the provision and operation of the Franchise Services and will not provide for any right to use such Intellectual Property Rights for any other purpose (including its marketing or exploitation for any other purpose);
- (b) be terminable on material breach by the Successor Operator;
- (c) contain an indemnity from the Franchisee to the effect that to the best of its knowledge and belief it owns the relevant Intellectual Property Rights or has the right to license it and the licensing of it and the subsequent use of the Intellectual Property Rights will not infringe any third party Intellectual Property Rights; and
- (d) require the Successor Operator, to the extent that it relates to any trade marks, to use such trade marks in such manner as may reasonably be required by the Franchisee provided that it shall not be reasonable for



the Franchisee to require any such trade mark to be used in a manner materially different from its use during the Franchise Period.

9. **Information about Passengers**

The Franchisee shall immediately on the expiry of the Franchise Period make available to the Secretary of State and/or his nominee:

- (a) passenger numbers information specified in paragraph 1 of Schedule 1.5 (Information about Passengers), in such format and to such level of disaggregation as the Secretary of State and/or his nominee may reasonably require;
- (b) the CRM Data and Yield Management Data.

**APPENDIX 1 TO SCHEDULE 15.4**

**Form of Transfer Scheme**

Dated \_\_\_\_\_ 20[•]

**TRANSFER SCHEME  
OF  
THE SECRETARY OF STATE FOR TRANSPORT  
MADE PURSUANT TO SCHEDULE 2 OF THE RAILWAYS ACT 2005**

**IN FAVOUR OF  
[SUCCESSOR OPERATOR]**

**IN RESPECT OF  
CERTAIN PROPERTY, RIGHTS AND LIABILITIES  
OF  
[FRANCHISEE]**

*Secretary of State for Transport  
33 Horseferry Road  
London SW1P 4DR*

## **TRANSFER SCHEME**

### **Whereas:**

- (A) [Franchisee] (the "**Transferor**") has been providing certain services for the carriage of passengers by railway and operating certain stations and light maintenance depots pursuant to a franchise agreement with the Secretary of State for Transport (the "**Secretary of State**") dated [\_\_\_\_\_] (the "**Franchise Agreement**").
- (B) The Franchise Agreement terminated or is to terminate on [\_\_\_\_\_] and [Successor Operator] (the "**Transferee**") is to continue the provision of all or part of such services or the operation of all or some of such stations and light maintenance depots under a new franchise agreement or in connection with the performance or exercise of the duties and powers of the Secretary of State to secure the provision of such services or the operation of such stations or light maintenance depots.
- (C) Certain property, rights and liabilities of the Transferor which were designated as franchise assets for the purpose of the Franchise Agreement are to be transferred to the Transferee under a transfer scheme made by the Secretary of State under Section 12 and Schedule 2 of the Railways Act 2005.

The Secretary of State, in exercise of the powers conferred on him by Schedule 2 of the Railways Act 2005, hereby makes the following scheme:

#### **1. Definitions and Interpretation**

In this Transfer Scheme functions has the meaning ascribed to it in the Railways Act 2005 and relevant enactment has the meaning ascribed to it in paragraph 6 of Schedule 2 of the Railways Act 2005.

#### **2. Transfer of Property, Rights and Liabilities**

With effect from [\_\_\_\_\_] the property, rights and liabilities of the Transferor specified or described in the Schedule shall be transferred to, and vest in, the Transferee.

#### **3. Statutory Functions**

Subject to any amendment to the relevant enactment which comes into force on or after the date on which this Transfer Scheme is made, there shall be transferred to the Transferee all the functions of the Transferor under any relevant enactments if and to the extent that any such relevant enactment:

- (a) relates to any property which is to be transferred by this Transfer Scheme; or
- (b) authorises the carrying out of works designed to be used in connection with any such property or the acquisition of land for the purpose of carrying out any such works.

#### **4. Supplemental Agreement**

Each of the Transferor and the Transferee shall enter into the Supplemental Agreement (as defined in the Franchise Agreement) on the coming into force of this Transfer Scheme.

This Transfer Scheme is made by the Secretary of State on [\_\_\_\_\_. \_\_\_\_].

THE CORPORATE SEAL  
OF THE SECRETARY OF  
STATE FOR TRANSPORT  
IS HEREUNTO AFFIXED:



.....  
Authenticated by authority of the  
Secretary of State for Transport

Final Draft - Subject to Contract

**SCHEDULE TO THE TRANSFER SCHEME**

*[List relevant Franchise Assets to be transferred to Successor Operator]*

Final Draft - Subject to Contract

**APPENDIX 2 TO SCHEDULE 15.4**

**Form of Supplemental Agreement**

Dated \_\_\_\_\_ 20[•]

**[OUTGOING FRANCHISEE]**

and

**[SUCCESSOR OPERATOR]**

**SUPPLEMENTAL AGREEMENT**

to the transfer scheme dated [•] made  
by the Secretary of State for Transport in respect of  
certain property rights and liabilities of  
*[OUTGOING FRANCHISEE]*

*Secretary of State for Transport  
33 Horseferry Road  
London SW1P 4DR*

**This Supplemental Agreement** is made on [\_\_\_\_\_] 20[\_\_\_]

**BETWEEN**

- (1) [OUTGOING FRANCHISEE] whose registered office is at [registered office] (the "**Transferor**"); and
- (2) [SUCCESSOR OPERATOR] whose registered office is at [registered office] (the "**Transferee**").

**WHEREAS**

- (A) The Transferor has been providing certain services and the carriage of passengers by railway and operating certain stations and light maintenance depots pursuant to a franchise agreement with the Secretary of State for Transport (the "**Secretary of State**") dated [\_\_\_\_\_] (the "**Franchise Agreement**").
- (B) The Franchise Agreement terminated or is to terminate on [\_\_\_\_\_] and the Transferee has been selected by the Secretary of State to continue the provision of all or part of such services pursuant either to a franchise agreement with the Secretary of State or arrangements made with the Secretary of State in connection with the Secretary of State's duties and powers.
- (C) Certain property, rights and liabilities of the Transferor are to be transferred to the Transferee pursuant to a transfer scheme made by the Secretary of State on [\_\_\_\_\_] under Section 12 and Schedule 2 of the Railways Act 2005 (the "**Transfer Scheme**").
- (D) This Agreement is supplemental to the Transfer Scheme and sets out certain terms between the Transferor and the Transferee in relation to the transfer of such property, rights and liabilities under the Transfer Scheme and the transfer of certain other property, rights and liabilities at the same time.

**IT IS AGREED THAT**

**1. DEFINITIONS AND INTERPRETATION**

**Definitions**

1.1 The following words and expressions shall have the following meaning:

"**Business**" means such of the undertaking or part of the undertaking of the Transferor prior to the Transfer Date as may be continued by the Transferee after the Transfer Date;

"**Credit**" has the meaning assigned to that term under the Ticketing and Settlement Agreement;

"**Debit**" has the meaning assigned to that term under the Ticketing and Settlement Agreement;

"**Estimated Completion Payment**" has the meaning ascribed to that term in clause 2.1;

"**Net Asset Statement**" means the statement to be drawn up pursuant to clause 2.2;

"**Net Asset Value**" means the aggregate of the amounts of the Relevant Franchise Assets, the Relevant Contract Liabilities, the Relevant Debits and Credits and the Relevant

Employee Liabilities as shown in the Net Asset Statement agreed or determined pursuant to clause 2.2;

“**Purchase Price**” has the meaning ascribed to that term in clause 2.1;

“**Relevant Contract Liabilities**” means such rights and liabilities of the Transferor as may be transferred to the Transferee on the expiry of the Franchise Period in relation to any Licence, Access Agreement or Property Lease under paragraphs 1 and 4.5 of Schedule 15.4 (Provisions Applying on and after Termination) of the Franchise Agreement;

“**Relevant Debits and Credits**” means such Debits and Credits of the Transferor which relate to Fares sold before the Transfer Date and which may be received by the Transferee as a result of Clause 11-33 of the Ticketing and Settlement Agreement;

“**Relevant Employee Liabilities**” means such rights and liabilities of the Transferor (or any other relevant employer or person) under any contracts of employment relating to the Relevant Employees which have been or are to be transferred to the Transferee by virtue of the operation of Law (including the Transfer Regulations);

“**Relevant Employees**” means all persons employed in the Business immediately before the Transfer Date (whether employed by the Transferor or otherwise) whose contract of employment has been or is to be transferred to the Transferee by virtue of the operation of Law (including the Transfer Regulations) or any other person employed at any time in the Business in respect of whom liabilities arising from a contract of employment or employment relationship have or will be transferred by virtue of the operation of Law (including the Transfer Regulations);

“**Relevant Franchise Assets**” means such of the property, rights and liabilities that are legally or beneficially owned by the Transferor and which are or are to be transferred to the Transferee under the Transfer Scheme;

“**Reporting Accountants**” means such firm of accountants as may be selected by agreement between the parties within four weeks of the preparation of the Net Asset Statement or, in the absence of such agreement, selected by the Secretary of State upon the request of either party;

“**Season Ticket Fare**” means a Fare which entitles the purchaser to make an unlimited number of journeys in any direction during the period for which, and between the stations and/or the zones for which, such Fare is valid;

“**Stored Credit Balance**” means any monetary amount held by the Franchisee which a passenger can apply at a future date to the purchase of a Fare (stored in any medium);

“**Taxation**” comprises all forms of taxation, duties, contributions and levies of the United Kingdom whenever imposed and (except in so far as attributable to the unreasonable delay or default of the Transferee) all penalties and interest relating thereto;

“**TOGC**” has the meaning assigned to that term in clause 6.2;

“**Transfer Date**” means the date and, where relevant, the time on or at which the Transfer Scheme comes into force;

“**Transfer Regulations**” means the Transfer of Undertakings (Protection of Employment) Regulations 2006 (as amended, replaced or substituted from time to time);

“**Transferring Assets and Liabilities**” has the meaning assigned to that term in clause 2.1; and



"**Undisclosed Employee**" has the meaning assigned to that term in clause 7.1(d).

## **Construction and Interpretation**

1.2 In this Agreement terms and expressions defined in the Franchise Agreement shall have the same meaning and the terms "**contract of employment**", "**collective agreement**", "**employee representatives**" and "**trade union**" shall have the same meanings respectively as in the Transfer Regulations.

## **2. Transfer Price**

### **Amount and Payment**

2.1 The price for the transfer of:

- (a) the Relevant Franchise Assets;
- (b) the Relevant Contract Liabilities;
- (c) the Relevant Debits and Credits; and
- (d) the Relevant Employee Liabilities,

(together the "**Transferring Assets and Liabilities**") shall (subject to adjustment as expressly provided in this Agreement) be an amount equal to the Net Asset Value (the "**Purchase Price**"). The sum of £[amount], as determined under paragraph 3.3 of Schedule 15.4 (Provisions Applying on and after Termination) of the Franchise Agreement (the "**Estimated Completion Payment**") shall be paid in immediately available funds by the Transferor to the Transferee, or by the Transferee to the Transferor, as determined under paragraph 3.3 of Schedule 15.4 (Provisions Applying on and after Termination) of the Franchise Agreement, on the Transfer Date. On determination of the Purchase Price a balancing payment (if any) shall be made by the Transferor to the Transferee or the Transferee to the Transferor (as the case may be) in accordance with clause 2.5.

### **Net Asset Statement**

2.2 The Transferee shall procure that, as soon as practicable and in any event not later than two months following the Transfer Date, there shall be drawn up a statement showing a true and fair view of the aggregate of the amount of each separate asset and liability of the Transferring Assets and Liabilities as at the Transfer Date.

2.3 The Net Asset Statement shall be:

- (a) drawn up in the manner described in the Schedule;
- (b) prepared on such basis as would enable the Transferee's auditors, if so requested, to give an unqualified audit report thereon to the effect that it had been drawn up in accordance with the Schedule; and
- (c) presented, initially as a draft, to the Transferor immediately following its preparation for review in conjunction with its auditors.

2.4 If the Transferor and the Transferee have failed to agree the Net Asset Statement within four weeks following such presentation, the matter shall be referred to the

Reporting Accountants who shall settle and complete the Net Asset Statement as soon as practicable and shall determine the amount of the Net Asset Value as shown by the Net Asset Statement.

### **Adjustment of Price**

- 2.5 If the Purchase Price exceeds or is less than the Estimated Completion Payment, the Transferee shall pay to the Transferor or, as the case may be, the Transferor shall pay to the Transferee, in either case within 14 days of the agreement or determination of the Net Asset Value, an amount equal to such excess or deficiency together in either case with interest thereon calculated from the Transfer Date at the Interest Rate.

### **3. References to the Reporting Accountants**

Whenever any matter is referred under this Agreement to the decision of the Reporting Accountants:

- (a) the Reporting Accountants shall be engaged jointly by the parties on the terms set out in this Agreement and otherwise on such terms as shall be agreed, provided that neither party shall unreasonably (having regard, amongst other things, to the provisions of this Agreement) refuse its agreement to terms proposed by the Reporting Accountants or by the other party. If the terms of engagement of the Reporting Accountants have not been settled within 14 days of their appointment having been determined (or such longer period as the parties may agree) then, unless one party is unreasonably refusing its agreement to those terms, such accountants shall be deemed never to have been appointed as Reporting Accountants, save that the accountants shall be entitled to their reasonable expenses under clause 3(d), and new Reporting Accountants shall be selected in accordance with the provisions of this Agreement;
- (b) if Reporting Accountants acting or appointed to act under this Agreement resign, withdraw, refuse to act, or are disqualified for any reason from performing their duties then, except as may be agreed between the parties, the parties shall appoint a replacement in accordance with the definition of Reporting Accountants;
- (c) the Reporting Accountants shall be deemed to act as experts and not as arbitrators;
- (d) the Reporting Accountants shall have power to allocate their fees and expenses for payment in whole or in part by any party at their discretion. If not otherwise allocated they shall be paid as to half by the Transferor and as to half by the Transferee;
- (e) each of the parties shall promptly on request supply to the Reporting Accountants all such documents and information as they may require for the purpose of the reference;
- (f) the decision of the Reporting Accountants shall (in the absence of objection on the grounds of any manifest error discovered within 14 days of the issue of their decision) be conclusive and binding (and in accordance with clause 3(g) below) and shall not be the subject of any appeal by way of legal proceeding or arbitration or otherwise; and

- (g) without prejudice to clauses 3(a) to 3(f) above, either party may, prior to or during the course of the reference to the Reporting Accountants, seek a declaration from the court on a relevant point of law, including but not limited to a point of legal interpretation. Upon such application for a declaration being issued and served all applicable time limits relative to the reference to the Reporting Accountant shall be stayed pending the outcome of such application (including any appeal). The Reporting Accountants are bound to make their determination in a manner consistent with the findings of the Court.

#### 4. **WARRANTY**

The Transferor warrants and represents to the Transferee that the Relevant Contract Liabilities and the Relevant Franchise Assets are, to the extent they are property or rights, transferring to the Transferee free and clear of all Security Interests.

#### 5. **INTEREST**

If the Transferor or the Transferee defaults in the payment when due of any sum payable under this Agreement (whether determined by agreement or pursuant to an order of a court or otherwise) the liability of the Transferor or the Transferee (as the case may be) shall be increased to include interest on such sum from the date when such payment is due until the date of actual payment (after as well as before judgement) at a rate equal to the Interest Rate. Such interest shall accrue from day to day.

#### 6. **VALUE ADDED TAX**

- 6.1 All amounts under this Agreement are expressed as exclusive of Value Added Tax where Value Added Tax is applicable.
- 6.2 The Transferor and the Transferee shall use all reasonable endeavours to secure that the transfer of the Transferring Assets and Liabilities is treated for Value Added Tax purposes as the transfer of a business as a going concern ("**TOGC**") and accordingly as neither a supply of goods nor a supply of services for the purposes of Value Added Tax.
- 6.3 If HM Revenue & Customs direct that the transfer of the Transferring Assets and Liabilities cannot be treated as a TOGC, the Transferor shall provide the Transferee with a copy of such direction within five days of receipt thereof by the Transferor.
- 6.4 The Transferee shall thereafter pay upon the receipt of a valid tax invoice the amount of any Value Added Tax which as a result of that direction may be chargeable on the transfer of the Transferring Assets and Liabilities. If the aforementioned direction was issued as a result of any action or inaction of the Transferee then the Transferee shall in addition to the Value Added Tax indemnify the Transferor for any penalties and interest that may be incurred upon receipt of such evidence from HM Revenue & Customs.
- 6.5 If the Transferee considers the direction issued by HM Revenue & Customs referred to in clause 6.3 to be incorrect then, without prejudice to the Transferee's obligation under clause 6.4 to pay to the Transferor the amount of any Value Added Tax which as a result such direction may be chargeable on the transfer of the Transferring Assets and Liabilities, the Transferee may, within 30 days of receipt of such direction by the Transferor, give notice to the Transferor that it requires the Transferor to appeal such direction. Upon requesting such an appeal

the Transferee agrees to indemnify the Transferor for all reasonable costs that the Transferor may incur in taking such action upon receipt of evidence of those costs. If such an appeal is successful the Transferor agrees to reimburse the Transferee for such reasonable costs and penalties and interest to the extent that those costs have been reimbursed by HM Revenue & Customs.

6.6 If any amount paid by the Transferee to the Transferor in respect of Value Added Tax pursuant to this Agreement is subsequently found to have been paid in error the Transferor shall issue a valid tax credit note for the appropriate sum to the Transferee and promptly repay such amount to the Transferee.

6.7 If any amount is payable by the Transferor to the Transferee in respect of the transfer of the Relevant Franchise Assets, Relevant Contract Liabilities, Relevant Debits and Credits and Relevant Employee Liabilities pursuant to this Agreement, clauses 6.3 to 6.6 inclusive shall apply mutatis mutandis to such payment substituting Transferor for Transferee and vice versa.

6.8 Not used.

6.9 All of the records referred to in Section 49 of the Value Added Tax Act 1994 relating to the Business (being the purchase records) shall be retained by the Transferor and the Transferor shall undertake to the Transferee to:

- (a) preserve those records in such manner and for such periods as may be required by law; and
- (b) give the Transferee as from the Transfer Date reasonable access during normal business hours to such records and to take copies of such records.

## 7. EMPLOYEES

### Transfer Regulations

7.1 The parties accept that, to the extent that the undertaking or part of the undertaking of the Transferor is continued by the Transferee after the Transfer Date, this Agreement and the transfer of the Business which is effected in connection with the Transfer Scheme are governed by the Transfer Regulations and the following provisions shall apply in connection therewith:

- (a) the contract of employment of each of the Relevant Employees (save, to the extent provided by the Transfer Regulations, insofar as such contract relates to any occupational pension scheme) shall be transferred to the Transferee with effect from the Transfer Date which shall be the "time of transfer" under the Transfer Regulations and the Transferee shall employ each such Relevant Employee on the terms of those contracts of employment (save, to the extent provided by the Transfer Regulations, insofar as such contract relates to any occupational pension scheme) with effect from the Transfer Date;
- (b) the Transferor shall perform and discharge all its obligations in respect of all the Relevant Employees for its own account up to and including the Transfer Date including, without limitation, discharging all wages and salaries of the Relevant Employees, all employer's contributions to any relevant occupational pension scheme and all other costs and expenses related to their employment (including, without limitation, any Taxation, accrued holiday pay, accrued bonus, commission or other sums payable

in respect of service prior to the close of business on the Transfer Date) and shall indemnify the Transferee and keep the Transferee indemnified against each and every action, proceeding, liability (including, without limitation, any Taxation), cost, claim, expense (including, without limitation, reasonable legal fees) or demand arising from the Transferor's failure so to discharge;

- (c) the Transferor shall indemnify the Transferee and keep the Transferee indemnified against each and every action, proceeding, cost, claim, liability (including, without limitation, any Taxation), expense (including, without limitation, reasonable legal fees) or demand which relates to or arises out of any act or omission by the Transferor or any other event or occurrence prior to the Transfer Date and which the Transferee may incur in relation to any contract of employment or collective agreement concerning one or more of the Relevant Employees pursuant to the provisions of the Transfer Regulations or otherwise including, without limitation, any such matter relating to or arising out of:
- (i) the Transferor's rights, powers, duties and/or liabilities (including, without limitation, any Taxation) under or in connection with any such contract of employment or collective agreement, which rights, powers, duties and/or liabilities (as the case may be) are or will be transferred to the Transferee in accordance with the Transfer Regulations; or
  - (ii) anything done or omitted before the Transfer Date by or in relation to the Transferor in respect of any such contract of employment or collective agreement or any Relevant Employee, which is deemed by the Transfer Regulations to have been done or omitted by or in relation to the Transferee save where the thing done or omitted to be done before the Transfer Date relates to the Transferee's failure to comply with its obligations referred to in clause 7.4;
- (d) if any contract of employment or collective agreement which is neither disclosed in writing to the Transferee by the Transferor prior to the Transfer Date nor made available to the Secretary of State under Schedule 15.3 (Handover Package) of the Franchise Agreement prior to the Transfer Date shall have effect as if originally made between the Transferee and any employee (the "**Undisclosed Employee**") or a trade union or employee representatives as a result of the provisions of the Transfer Regulations (without prejudice to any other right or remedy which may be available to the Transferee):
- (i) the Transferee may, upon becoming aware of the application of the Transfer Regulations to any such contract of employment or collective agreement terminate such contract or agreement forthwith;
  - (ii) the Transferor shall indemnify the Transferee against each and every action, proceeding, cost, claim, liability (including, without limitation, any Taxation), expense (including, without limitation, reasonable legal fees) or demand relating to or arising out of such termination and reimburse the Transferee for all costs and expenses (including, without limitation, any Taxation) incurred in

employing such employee in respect of his employment following the Transfer Date; and

- (iii) the Transferor shall indemnify the Transferee in respect of any Undisclosed Employee on the same terms mutatis mutandis as the Transferor has indemnified the Transferee in respect of a Relevant Employee pursuant to the terms of clauses 7.1(b) and 7.1(c); and
- (e) the Transferor shall indemnify the Transferee and keep the Transferee indemnified against each and every action, proceeding, cost, claim, liability (including without limitation, any Taxation) expense (including, without limitation, reasonable legal fees) or demand which relates to or arises out of any dismissal (including, without limitation, constructive dismissal) by the Transferor of any employee (not being a Relevant Employee) and which the Transferee may incur pursuant to the provisions of the Transfer Regulations.

### **Transferee's Indemnities**

7.2 The Transferee shall indemnify the Transferor and keep the Transferor indemnified against each and every action, proceeding, liability (including, without limitation, any Taxation), cost, claim, loss, expense (including reasonable legal fees) and demand arising out of or in connection with:

- (a) any substantial change in the working conditions of the Relevant Employees to his or her detriment or any of them occurring on or after the Transfer Date;
- (b) the change of employer occurring by virtue of the Transfer Regulations and/or the Franchise Agreement being significant and detrimental to any of the Relevant Employees;
- (c) the employment by the Transferee on or after the Transfer Date of any of the Relevant Employees other than on terms (including terms relating to any occupational pension scheme) at least as good as those enjoyed prior to the Transfer Date or the termination of the employment of any of them on or after the Transfer Date; or
- (d) any claim by any Relevant Employee (whether in contract or in tort or under statute (including the Treaty of the European Community or European Union and any Directives made under the Secretary of State of any such Treaty or any successor thereof)) for any remedy (including, without limitation, for unfair dismissal, redundancy, statutory redundancy, equal pay, sex or race discrimination) as a result of any act or omission by the Transferee after the Transfer Date.

7.3 The Transferee shall indemnify the Transferor and keep the Transferor indemnified against each and every action, proceeding, liability, cost, claim, loss, expense (including reasonable legal fees) and demand which arises as a result of it not providing or not having provided, in accordance with its obligations under the Transfer Regulations, the Transferor in writing with such information and at such time as will enable the Transferor to carry out its duties under Regulation 13(2)(d) and 13(6) of the Transfer Regulations concerning measures envisaged by the Transferee in relation to the Relevant Employees.

## **Details of Relevant Employees**

- 7.4 Without prejudice to the Transferor's duties under the Transfer Regulations, the Transferor warrants to the Transferee that it has (to the extent not made available to the Secretary of State under Schedule 15.4 (Provisions Applying on and after Termination) of the Franchise Agreement prior to the Transfer Date) provided the Transferee prior to the Transfer Date with full particulars of:
- (a) each Relevant Employee, including name, sex, and the date on which continuity of employment began for each Relevant Employee for statutory purposes;
  - (b) terms and conditions of employment of each such person;
  - (c) all payments, benefits or changes to terms and conditions of employment promised to any such person;
  - (d) dismissals of Relevant Employees or termination of employment effected within 12 months prior to the Transfer Date including the Transfer Date;
  - (e) all agreements or arrangements entered into in relation to the Relevant Employees between the Transferor, any Affiliate of the Transferor or any other relevant employer and any trade union or association of trade unions or organisation or body of employees including employee representatives and elected representatives; and
  - (f) all strikes or other Industrial Action taken by any Relevant Employee within 12 months prior to the Transfer Date including the Transfer Date.
- 7.5 The Transferor and Transferee shall deliver to each of the Relevant Employees letters in an agreed form from the Transferor and Transferee as soon as is practicable after the execution of this Agreement (to the extent not already delivered prior to the Transfer Date).

## **8. MISCELLANEOUS PROVISIONS**

### **Variations in Writing**

- 8.1 No variation of this Agreement shall be effective unless in writing and signed by duly authorised representatives of the parties.

### **Partial Invalidity**

- 8.2 If any provision in this Agreement shall be held to be void, illegal, invalid or unenforceable, in whole or in part, under any enactment or rule of law, such provision or part shall to that extent be deemed not to form part of this Agreement but the legality, validity and enforceability of the remainder of this Agreement shall not be affected.

### **Further Assurance**

- 8.3 Each of the parties agrees to execute and deliver all such further instruments and do and perform all such further acts and things as shall be necessary or expedient for the carrying out of the provisions of this Agreement.

## Notices

8.4 Any notice or other communication requiring to be given or served under or in connection with this Agreement shall be in writing and shall be sufficiently given or served if delivered or sent to the registered office of the recipient or:

(a) in the case of the Transferor to [name of Transferor] at:

[address]

[fax]

Attention: [name]

(b) in the case of the Transferee to [name of Transferee] at:

[address]

[fax]

Attention: [name]

8.5 Any such notice or other communication shall be delivered by hand or sent by courier, fax or prepaid first class post. If sent by courier or fax such notice or communication shall conclusively be deemed to have been given or served at the time of despatch. If sent by post such notice or communication shall conclusively be deemed to have been received two Weekdays from the time of posting.

## Counterparts

8.6 This Agreement may be executed in any number of counterparts each of which shall be deemed an original, but all the counterparts shall together constitute one and the same instrument.

## Third Parties

8.7 This Agreement does not create any rights under the Contracts (Rights of Third Parties) Act 1999 which is enforceable by any person who is not a party to it.

## Governing Law

8.8 This Agreement (and any non-contractual obligations arising out of or in connection with it) shall be governed by and construed in accordance with the laws of England and Wales and the parties irrevocably agree that the courts of England and Wales are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with this Agreement.

IN WITNESS whereof the parties hereto have executed this Agreement the day and year first before written.



SIGNED FOR AND ON  
BEHALF OF THE  
[**TRANSFEROR**]



DIRECTOR:

DIRECTOR/SECRETARY:

SIGNED FOR AND ON  
BEHALF OF THE  
[**TRANSFeree**]



DIRECTOR:

DIRECTOR/SECRETARY:

## SCHEDULE TO THE SUPPLEMENTAL AGREEMENT

### Net Asset Statement

The Net Asset Statement shall be drawn up (except to the extent otherwise agreed by the Transferor and the Transferee) in accordance with accounting principles generally accepted in the United Kingdom and such that the Transferring Assets and Liabilities are valued on the following basis:

1. Rights and liabilities relating to an obligation of carriage under the terms of any Fare shall be valued in accordance with the following formula:

$$(C - D) \times \frac{A}{B} + E$$

where:

C equals the Credit (exclusive of any Valued Added Tax) received by the Transferor in respect of the Fare provided that:

- (a) such Credit shall be deemed not to include any reduction in respect of a discount allowed to the purchaser of the Fare pursuant to the Passenger's Charter or any other passenger's charter of the Transferor;
- (b) if the Fare is a Season Ticket Fare, such Credit shall be the New Credit (as defined in the Ticketing and Settlement Agreement) relating to that Season Ticket Fare on the Transfer Date if different to the Credit that was in fact received by the Transferor in respect of such Season Ticket Fare;
- (c) such Credit shall be net of any Private Settlement Credit (as defined in the Ticketing and Settlement Agreement) arising in respect of that Fare; and
- (d) such Credit shall be deemed to exclude any Credit received by the Transferor in respect of any commission due to it in respect of the sale of such Fare (provided that for these purposes the amount of such commission shall not exceed the National Standard Rate of Commission (as defined in the Ticketing and Settlement Agreement) in respect of the Fare);

D equals the Debit (exclusive of any Value Added Tax) received by the Transferor in respect of the commission due in respect of the sale of the Fare (provided that for these purposes the amount of such commission shall not exceed the National Standard Rate of Commission (as defined in the Ticketing and Settlement Agreement) in respect of the Fare);

$\frac{A}{B}$  equals

- (a) in the case of a Season Ticket Fare, the number of journeys which the purchaser of the Fare is estimated to make from (and including) the Transfer Date to (and including) the last day on which the Fare is valid (including any extensions to its original period of validity) divided by the total number of journeys which the purchaser of the Fare is estimated to make with that Fare (as determined in each case in accordance with Schedule 28 of the Ticketing and Settlement Agreement);

(b) in the case of any other Fare which entitles the holder thereof to make more than two journeys, the number of days for which the Fare continues to be valid after the Transfer Date (including any extensions to its original period of validity) divided by the total number of days for which such Fare is valid on issue (except to the extent that it can reasonably be estimated what proportion of the journeys which could be made on issue of the Fare have not been made prior to the Transfer Date); or

(c) in the case of any other Fare, zero; and

E equals, if  $\frac{A}{B}$  is greater than zero:

the amount of any discount to which it can be reasonably estimated that the purchaser of the Fare would be entitled pursuant to the Passenger's Charter or any other passenger's charter of the Transferor on purchasing an equivalent Fare on the expiry of the relevant Fare,

and for these purposes a Credit or Debit shall be deemed to be received when the relevant Fare is Accepted for Clearing (as defined in the Ticketing and Settlement Agreement).

2. Rights and liabilities relating to an Excess Fare, Reservation or Upgrade (as such terms are defined in the Ticketing and Settlement Agreement) shall be valued at zero unless such Excess Fare, Reservation or Upgrade involves more than two journeys, in which case they shall be valued in accordance with paragraph 1 and references to Fare in paragraph 1 shall be construed accordingly.

3. Rights and liabilities under a Discount Card shall be valued in accordance with the following formula:

$$(C - D) \times \frac{A}{B}$$

where:

C equals the Credit (exclusive of any Value Added Tax) received by the Transferor in respect of the Discount Card;

D equals the Debit (exclusive of any Value Added Tax) received by the Transferor in respect of the commission due in respect of the sale of the Discount Card (provided that for these purposes the amount of such commission shall not exceed the National Standard Rate of Commission (as defined in the Ticketing and Settlement Agreement) in respect of the Discount Card); and

$\frac{A}{B}$  equals the number of days for which the Discount Card continues to be valid after the Transfer Date (including any extensions to its original period of validity) divided by the total number of days for which such Discount Card is valid on issue, or in the case of any Discount Card listed in Schedules 12 or 39 of the Ticketing and Settlement Agreement on the Start Date, zero,

and for these purposes a Credit or Debit shall be deemed to be received when the relevant Discount Card is Accepted for Clearing (as defined in the Ticketing and Settlement Agreement).

4. Relevant Debits and Credits shall be valued at the full amount of such Debits and Credits (inclusive of any Value Added Tax) but excluding any Debits and Credits arising in respect of Adjustment Amounts (as defined in the Ticketing and Settlement Agreement) which are received by the Transferee in respect of a change to the Credit which is used to value any relevant Season Ticket Fare under paragraph 1 of this Schedule to the extent such Adjustment Amounts (as defined in the Ticketing and Settlement Agreement) relate to a period after the Transfer Date.
5. Rights and liabilities in respect of any contract, lease, licence or other equivalent arrangement (excluding rights and liabilities valued under paragraphs 1 to 4) shall be valued at nil except to the extent that the relevant rights and liabilities include matters specified in the left hand column of the following table, which shall be valued on the basis specified in the right hand column of the following table:

<b>RIGHTS AND LIABILITIES</b>	<b>VALUE</b>
Any accrued rights to receive payment	Monetary amounts so accrued, subject to any provision being made for payment not being received from any other person
Any right to receive payment in respect of goods and/or services provided by the Transferor prior to the Transfer Date where the due date for such payment is after the Transfer Date	Amount payable under such contract, lease, licence or other equivalent arrangement for the goods and/or services so provided by the Transferor, subject to any provision being made for payment not being received from any other person
Any accrued liabilities to make payment	Monetary amounts so accrued
Any liability to make payment in respect of goods and/or services provided to the Transferor prior to the Transfer Date where the due date for such payment is after the Transfer Date	Amount payable under such contract, lease, licence or other equivalent arrangement for the goods and/or services provided to the Transferor
Any rights in respect of which payment has already been made by the Transferor	Monetary amounts so paid, subject to any provision being made for such rights not being exercisable against any other person
Any liabilities in respect of which payment has already been received by the Transferor	Monetary amounts so received

Any liability resulting from any breach of or failure by the Transferor to comply with the terms of any such contract, lease, licence or other equivalent arrangement

Amount of such liability or, to the extent that such amount is not ascertained, the parties reasonable estimate of the amount of such liability

6. CRM Data, Yield Management Data and Actual Passenger Demand information shall be valued at nil.
7. The Stored Credit Balance held by the Franchisee at the Transfer Date shall be valued at the monetary amount so held.
8. Any asset arising as a result of an Approved CCIF Scheme shall be valued at nil.
9. Any ITSO equipment (including smartcard and ITSO Certified Smartmedia readers and ITSO database) and any Intellectual Property Rights associated with that ITSO equipment transferred from the Transferor to the Transferee pursuant to the Transfer Scheme shall be valued at nil.
10. Any RV Asset shall be valued at an amount that is equivalent to the RV Asset Transfer Value of such RV Asset as specified in Column 2 of the table in Part 2 of the Appendix to Schedule 14.4 (Designation of Franchise Assets) of the Franchise Agreement, as such RV Asset Transfer Value may be adjusted or deemed to have been adjusted pursuant to paragraphs 13.4 or 13.6 of Schedule 14.4 of the Franchise Agreement.
11. Any assets funded by the Franchisee using the Stations Improvement Fund (as such term is defined in the Invitation to Tender) shall be valued at nil.
12. Any other property, rights or liabilities shall be valued on the basis of a willing vendor and purchaser and ongoing usage within the railway industry.

## SCHEDULE 16

### Pensions

#### 1. Franchise Section

The Franchisee shall participate in and become the Designated Employer in relation to the following Shared Cost Sections of the Railway Pension Scheme:

- (a) the Northern (ex North East) Section; and
- (b) the Northern (ex North West) Section,

(together the "**Franchise Sections**") in respect of the Franchise Services. Subject to paragraphs 2 and 3.2(d) membership of a Franchise Section will be offered to each employee of a Franchisee only.

#### 2. Closed Schemes

2.1 Subject to any requirements of Her Majesty's Revenue and Customs, the Franchisee shall take any necessary steps (including entering into any relevant deed of participation) to allow Closed Scheme Employees to continue in membership of the British Railways Superannuation Fund or the BR (1974) Pension Fund in accordance with their terms during the Franchise Period.

2.2 For the purposes of this paragraph 2, Closed Scheme Employees means such of the employees of the Franchisee who were, immediately prior to the commencement of their employment with the Franchisee, members of either of the British Railways Superannuation Fund or the BR (1974) Pension Fund.

#### 3. Variations in benefits, contributions and investment

3.1 If a Franchisee is considering making a proposal that falls within the scope of paragraphs 3.2(a) to (g) inclusive, it shall promptly consult with the Secretary of State in relation to that proposal prior to putting such a proposal to the Pensions Committee of any Franchise Section, the Trustee of the Railways Pension Scheme (the "**Trustee**"), or to any trade union. The Franchisee must otherwise consult in good time with the Secretary of State in relation to any proposal falling within the scope of paragraphs 3.2(a) to (g) inclusive.

3.2 Separately and in addition to complying with its obligations under paragraph 3.1, the Franchisee shall not, without the prior written consent of the Secretary of State (which may be given on such terms and subject to such conditions as the Secretary of State thinks fit):

- (a) restructure or change the composition of the earnings of employees of the Franchisee in such a way as to increase the part of those earnings which qualifies as pensionable earnings under the rules of the Railways Pension Scheme applicable to any Franchise Section (the "**Franchise Section Rules**") or take any action (or consent to the taking of any action) which could detrimentally affect the funding of any Franchise Section, including varying or providing different or additional benefits under that Franchise Section or promising to do so, unless this change:

- (i) is required by Law; or

- (ii) only affects benefits payable in respect of past service of members of that Franchise Section and on or prior to the effective date of the change the Franchisee pays an additional cash payment to the Trustee which, in the opinion of the Actuary, meets in full the additional funding cost imposed on that Franchise Section; or
  - (iii) would not lead to substantial changes in the funding of any Franchise Section and is the result of the normal application of the Franchise Section Rules in the ordinary day to day running of the business of the Franchise, for example, where individual employees are, from time to time promoted or transferred to higher paid or different employment which has a different composition of earnings;
- (b) make or consent to any proposal to change any of the provisions of the Pension Trust in respect of the Franchise Sections unless the change is required by Law;
  - (c) provide retirement, death or life assurance benefits in respect of any of its employees other than under any Franchise Section or as provided in paragraph 2;
  - (d) omit to provide the above-mentioned benefits in respect of its employees save that, without prejudice to any rights which any such employee may otherwise have, the Franchisee shall not under this Schedule 16 be obliged for the purposes of the Franchise Agreement to offer such benefits to any employee employed on a fixed term contract of 12 months or less;
  - (e) take any action (or consent to the taking of any action) which could affect the contributions payable by Participating Employers under any Franchise Section, including exercising any discretion allowed to the Franchisee as Designated Employer arising out of any actuarial valuation of a Franchise Section, and varying or providing different or additional benefits under the Franchise Sections in respect of future service, unless such action is required by Law;
  - (f) close a Franchise Section to new members; or
  - (g) take (or omit to take) any action which could result in any Franchise Section being wound up, in whole or in part.

3.3 The Franchisee shall consult with the Secretary of State on:

- (a) any proposal made by the Trustee to change the statement of investment principles applicable to any Franchise Section; and
- (b) any proposal to alter the rate of contributions payable by the Franchisee or its employees under a new schedule of contributions for the Franchise Section.

3.4 With respect to any proposal falling within the scope of paragraph 3.3(a) or (b), the Franchisee shall also consult with the Trustee on the basis of any response it receives from the Secretary of State in relation to any such proposal.

#### 4. **Funding liabilities**

- 4.1 The Franchisee shall pay the employer contributions required under the schedule of contributions applicable to each Franchise Section (or either of the British Railways Superannuation Fund or the BR (1974) Pension Fund in which it participates) in respect of the Franchise Term subject to the provisions of paragraph 4.2 below.
- 4.2 Where, during the Franchise Term, Franchise Services are aggregated or disaggregated by the Secretary of State (for example, as a result of remapping) and, as a consequence, a Franchise Section of which the Franchisee is the Designated Employer is required to accept a transfer in or to make a transfer out of members, the Secretary of State shall ensure that the Franchisee has no liability for any resulting deterioration immediately arising in the funding level of the Franchise Section measured in accordance with the Franchise Sections' technical provisions in Part 3 of the Pensions Act 2004, or for any amount arising under article 7(4) of the Railway Pensions (Protection and Designation of Schemes) Order 1994. Notwithstanding the above the Secretary of State shall have no liability for any future deterioration in the funding levels of the Franchise Section linked to such transfer in or out of members.

#### 5. **Discharge of obligations**

- 5.1 The Secretary of State may at any time during the Franchise Term seek information from the Trustee with a view to satisfying himself that the Franchisee and the other Participating Employers (if any) have fully discharged their respective obligations under the Railways Pension Scheme, including their obligations in respect of the payment of contributions to any Franchise Section.
- 5.2 The Franchisee shall, at its expense, promptly provide such information in relation to any Franchise Section, including actuarial advice and information, as the Secretary of State may from time to time request and shall authorise and consent to the Trustee doing so.
- 5.3 The Franchisee shall, in respect of the Franchise Term, use all reasonable endeavours to provide to the Secretary of State:
- (a) within one month of the expiry of each Franchisee Year; and
  - (b) at other times as soon as practicable following a request by the Secretary of State,
- a certificate signed by the Trustee in relation to the Franchise Sections stating either that the Franchisee has fully complied with its obligations under the Railways Pensions Scheme, including its obligation to contribute to the Franchise Sections or, if it has not so complied, stating the extent to which it has not done so. Where the certificate is given pursuant to paragraph 5.3(a), it shall cover the relevant Franchisee Year. Where the certificate has been given pursuant to paragraph 5.3(b), it shall cover such period as the Secretary of State shall specify.
- 5.4 If the Trustee does not certify under paragraph 5.3 in relation to the Franchise Sections that the Franchisee has fully complied with its obligations under the Railways Pension Scheme or if the Secretary of State otherwise reasonably considers that the Franchisee has not complied with such obligations, the Secretary of State may adjust Franchise Payments payable under Schedule 8 (Payments) by an amount which is, in his opinion, no greater than the amount of



any contribution that the Franchisee has thereby failed to make or avoided making.

- 5.5 The Secretary of State may, under paragraph 5.4, continue to make such adjustments to Franchise Payments payable under Schedule 8 (Payments) until such time as he reasonably determines that the relevant contributions have been made in full by the Franchisee. Following that determination, any amounts so withheld by the Secretary of State shall become payable (without interest) on the next day on which a Franchise Payment becomes payable under Schedule 8 (Payments), being a day which falls no less than seven days after such determination or, if there is no such day, 14 days after the date of such determination. To the extent that the Secretary of State has not so determined within four weeks after the expiry of the Franchise Period, the Franchisee's right to receive the amount so withheld under the Franchise Agreement shall lapse and the Secretary of State shall not be obliged to pay such amount.

6. **Termination of Franchise**

The Secretary of State shall at the end of the Franchise Period ensure that the Franchisee has no liability for any deficit in the Franchise Sections (other than for contributions due and payable by the Franchisee to the Franchise Sections for any period prior to the end of the Franchise Term) and shall have no right to benefit from any surplus which may exist in the Franchise Sections. For the avoidance of doubt, this paragraph 6 shall apply where the Franchise Services are either aggregated or disaggregated (for example, as a result of remapping).

7. **Definitions**

Unless otherwise defined in the Franchise Agreement, terms used in this Schedule 16 shall have the meanings given to them in the Railways Pension Scheme.

## **SCHEDULE 17**

### **Confidentiality and Freedom of Information**

#### **1. Confidentiality**

Subject to the provisions of the Act, the Transport Act, the Railways Act 2005, the Environmental Information Regulations, the Freedom of Information Act (and any code of practice or other guidance related to the same) and paragraphs 2 to 8 of this Schedule 17 inclusive, each party shall hold in confidence all documents, materials and other information, whether technical or commercial, supplied by or on behalf of the other party (including all documents and information supplied in the course of proceedings under the Dispute Resolution Rules or the rules of any other dispute resolution procedures to which a dispute is referred in accordance with the Franchise Agreement) (all together the "**Confidential Information**") and shall not, except with the other party's prior written authority, publish or otherwise disclose any Confidential Information otherwise than as expressly provided for in the Franchise Agreement unless or until the recipient party can demonstrate that any such document, material or information is in the public domain through no fault of its own and through no contravention of the Franchise Agreement, whereupon to the extent that it is in the public domain this obligation shall cease.

#### **2. Disclosure of Confidential Information**

2.1 Each party may disclose any data or information acquired by it under or pursuant to the Franchise Agreement or information relating to a dispute arising under the Franchise Agreement without the prior written consent of the other party if such disclosure is made in good faith:

- (a) to any Affiliate of such party or outside consultants or advisers of such Affiliate, upon obtaining from such Affiliate and/or such outside consultants or advisers of such Affiliate an undertaking of confidentiality equivalent to that contained in paragraph 1;
- (b) to any outside consultants or advisers engaged by or on behalf of such party and acting in that capacity, upon obtaining from such consultants or advisers an undertaking of confidentiality equivalent to that contained in paragraph 1;
- (c) to any lenders, security trustee, bank or other financial institution (and its or their advisers) from which such party is seeking or obtaining finance, upon obtaining from any such person an undertaking of confidentiality equivalent to that contained in paragraph 1;
- (d) to the extent required by Law or pursuant to an order of any court of competent jurisdiction or under the Dispute Resolution Rules or the rules of any other dispute resolution procedures to which a dispute is referred in accordance with the Franchise Agreement or the rules of a recognised stock exchange or a formal or informal request of any taxation authority;
- (e) to any insurer, upon obtaining from such insurer an undertaking of confidentiality equivalent to that contained in paragraph 1;
- (f) to any director, employee or officer of such party, to the extent necessary to enable such party to perform its obligations under the

Franchise Agreement or to protect or enforce its rights under the Franchise Agreement;

- (g) by the Franchisee, to the ORR, the Passengers' Council or a Local Authority; or
- (h) by the Secretary of State (with the consent of the Franchisee (such consent not to be unreasonably withheld or delayed)) to Rail North and its consultants and advisors, upon obtaining from Rail North or its relevant consultant or advisor (as the case may be) an undertaking of confidentiality equivalent to that contained in paragraph 1.

2.2 The Secretary of State may disclose the Confidential Information of the Franchisee:

- (a) on a confidential basis to any Central Government Body for any proper purpose of the Secretary of State or of the relevant Central Government Body;
- (b) to Parliament and Parliamentary Committees or if required by any Parliamentary reporting requirement;
- (c) to the extent that the Secretary of State (acting reasonably) deems disclosure necessary or appropriate in the course of carrying out its public functions;
- (d) on a confidential basis to a professional adviser, consultant, supplier or other person engaged by any of the entities described in paragraph 2.2(a) of this Schedule 17 (Confidentiality and Freedom of Information) (including any benchmarking organisation) for any purpose relating to or connected with the Franchise;
- (e) on a confidential basis for the purpose of the exercise of its rights under this Agreement, including but not limited to its right of audit, assessment or inspection pursuant to paragraph 5 of Schedule 11 (Agreement Management Provisions) and its rights pursuant to Schedule 15.1 (Reletting Provisions);
- (f) on a confidential basis to a Local Authority or other relevant Stakeholder to the extent that the Secretary of State (acting reasonably) deems such disclosure necessary or appropriate for the purposes of the development and/or implementation of any proposal promoted by (or on behalf of) such Local Authority or other relevant Stakeholder in relation to the provision of additional, varied and/or extended Passenger Services, introduction of new stations or enhancements to Stations or other infrastructure schemes which impact on the Franchise; or
- (g) on a confidential basis to a proposed successor, transferee or assignee of the Secretary of State in connection with any assignment, novation or disposal of any of its rights, obligations or liabilities under this Agreement,

and for the purposes of the foregoing, references to disclosure on a confidential basis shall mean disclosure subject to a confidentiality agreement or arrangement containing terms no less stringent than those placed on the Secretary of State under this paragraph 2.2 of Schedule 17.

2.3 For the purposes of paragraph 2.2, the following defined terms shall have the following meanings:

**“Central Government Body”** means a body listed in one of the following sub-categories of the Central Government classification of the Public Sector Classification Guide, as published and amended from time to time by the Office for National Statistics

- (a) Government Department;
- (b) Non-Departmental Public Body or Assembly Sponsored Public Body (advisory, executive, or tribunal);
- (c) Non-Ministerial Department; or
- (d) Executive Agency.

### 3. **Publication of Certain Information**

3.1 Notwithstanding the provisions of paragraph 1, the Secretary of State may publish (whether to the press, the public or to one or more individuals, companies or other bodies, including to any prospective Successor Operator) in such form and at such times as he sees fit, the following (irrespective of whether the same was provided to the Secretary of State by the Franchisee or a third party):

- (a) any or all of the Franchise Documents provided that the Secretary of State will, prior to publishing the same, redact from any Franchise Document any information contained therein which the Secretary of State and the Franchisee agree or failing which the Secretary of State determines, in his absolute discretion, is exempt from disclosure in accordance with the provisions of the Freedom of Information Act and/or the Environmental Information Regulations;
- (b) the amount of any Franchise Payments payable under the Franchise Agreement and the aggregate amount of Franchise Payments paid in each year under the Franchise Agreement;
- (c) such information as the Secretary of State may consider reasonably necessary to publish in connection with the performance of his functions in relation to any Closure or proposed Closure;
- (d) the amount of any payments by the Franchisee under the Passenger's Charter;
- (e) such information (including CRM Data and Yield Management Data) as may reasonably be required in connection with any Tendering/Reletting Process or the retendering or reletting of any other railway passenger services, provided that such information may only be published during the period of, or during the period leading up to, such retendering or reletting;
- (f) any reports and accounts delivered to him under Schedule 13 (Information and Industry Initiatives) including any analyses, statistics and other information derived from such reports and accounts;
- (g) the results of any monitoring or measurement of the performance of the Franchisee in the provision of the Franchise Services (including any

information provided under Schedule 11 (Agreement Management Provisions));

- (h) the results, on a Service Group, Route, station or other comparable basis, of any calculation of passenger numbers under Schedule 1.5 (Information about Passengers);
- (i) the results of any survey under Schedule 7.2 (National Rail Passenger Surveys and Customer and Communities Improvement Fund);
- (j) the results of any assessment or inspection under Schedule 11 (Agreement Management Provisions);
- (k) details of the Franchisee's plans and performance in respect of safety;
- (l) such information as the Secretary of State may reasonably require to include in his annual report in respect of the Franchisee provided that, in preparing that report, the Secretary of State shall have regard to the need for excluding, so far as is practicable, the matters specified in paragraphs (a) and (b) of Section 71(2) of the Act for this purpose, taking references in those paragraphs to the ORR as references to the Secretary of State; and
- (m) such information as the Secretary of State may reasonably require to publish at or around the expiry or possible termination of the Franchise Period in order to secure continuity of the provision and operation of the Franchise Services.

3.2 Without prejudice to any other provision of this Schedule 17, the Secretary of State may publish any other information relating to the Franchisee if he has previously notified the Franchisee and the Franchisee does not demonstrate to the reasonable satisfaction of the Secretary of State within 14 days of such notification that the publication of such information would, in the reasonable opinion of the Franchisee, be materially detrimental to its business. If the Franchisee attempts so to demonstrate to the Secretary of State but he is not so satisfied, the Secretary of State shall allow seven more days before publishing the relevant information.

#### 4. **Service Development Information**

Nothing in this Schedule 17 shall be deemed to prohibit, prevent or hinder, or render either party liable for, the disclosure by either party to Network Rail, the ORR, other Train Operators, any operators of services for the carriage of goods by rail, the Passengers' Council and/or any Local Authority of any information relating to the development of the Train Service Requirement in accordance with Schedule 1.1 (Service Development).

#### 5. **Publication by Secretary Of State**

Nothing in this Schedule 17 shall be deemed to prohibit, prevent or hinder, or render the Secretary of State liable for, the disclosure of any information by the Secretary of State to the ORR, the Parliamentary Commissioner for Administration, a Minister of the Crown, any department of the government of the United Kingdom, the Scottish Parliament, the National Assembly of Wales, the Mayor of London, the Greater London Authority or any department or officer of any of them or of information which is otherwise disclosed for the purpose of facilitating the carrying out of his functions.

**6. Provision of Information to the ORR**

The Franchisee hereby authorises the Secretary of State to provide to the ORR, to the extent so requested by the ORR, such information as may be provided to the Secretary of State in relation to the Franchisee under the Franchise Agreement.

**7. Disclosure by Comptroller and Auditor General**

The parties recognise that the Comptroller and Auditor General may, in pursuance of his functions under the Exchequer and Audit Department Act 1921, the National Audit Act 1983 and the Government Resources and Accounts Act 2000, disclose information which he has obtained pursuant to those Acts and which a party to the Franchise Agreement would not be able to disclose otherwise than under this Schedule 17.

**8. Continuing Obligation**

This Schedule 17 (and any other provisions necessary to give effect hereto) shall survive the termination of the Franchise Agreement, irrespective of the reason for termination.

**9. Freedom of Information - General Provisions**

9.1 The Franchisee acknowledges and shall procure that its agents and subcontractors acknowledge that the Secretary of State is subject to the requirements of the Freedom of Information Act and the Environmental Information Regulations and accordingly the Franchisee shall and shall procure that its agents and subcontractors shall assist and co-operate with the Secretary of State to enable the Secretary of State to comply with his information disclosure obligations under the Freedom of Information Act and/or the Environmental Information Regulations.

9.2 Notwithstanding paragraph 10, the Franchisee shall and shall procure that its agents and subcontractors shall:

- (a) transfer to the Secretary of State any Requests for Information received by the Franchisee (or its agents or subcontractors) as soon as practicable and in any event within two Weekdays of receiving any such Request for Information;
- (b) provide the Secretary of State with a copy of all information in its (or their) possession or power in the form that the Secretary of State requires within five Weekdays of the Secretary of State's request (or within such other period as he may specify); and
- (c) provide all necessary assistance as reasonably requested by the Secretary of State to enable him to respond to any Request for Information within the time for compliance set out in section 10 of the Freedom of Information Act or regulation 5 of the Environmental Information Regulations as applicable.

9.3 The Secretary of State shall be responsible for determining in his absolute discretion, and notwithstanding any other provision in the Franchise Agreement or any other agreement, whether Confidential Information (as such term is defined in paragraph 1 of this Schedule 17) and/or any other information is exempt from disclosure in accordance with the provisions of the Freedom of Information Act and/or the Environmental Information Regulations.

9.4 The Franchisee shall not and shall procure that its agents and subcontractors shall not respond directly to any Request for Information unless expressly authorised to do so by the Secretary of State.

9.5 The Franchisee acknowledges and shall procure that its agents and subcontractors acknowledge that notwithstanding any provision to the contrary in the Franchise Agreement the Secretary of State may be obliged under the Freedom of Information Act and/or the Environmental Information Regulations and any related Code of Practice or other guidance to disclose information concerning the Franchisee and/or its agents and subcontractors:

- (a) in certain circumstances without consulting the Franchisee (or its agents and/or subcontractors where applicable); or
- (b) following consultation with the Franchisee and having taken its views into account (and the views of its agents and/or subcontractors where applicable),

provided always that where applicable the Secretary of State shall in accordance with the provisions of the Freedom of Information Act and/or the Environmental Information Regulations take reasonable steps where appropriate to give the Franchisee advance notice or failing that to draw the disclosure to the Franchisee's attention after any such disclosure.

## 10. Redactions

10.1 Subject to paragraph 9, by no later than the date which is:

- (a) 4 weeks after the date of this Agreement (in respect of the Franchise Documents referred to in paragraph (a) of the definition thereof);
- (b) 30 days after the date of notification by the Secretary of State to the Franchisee of another agreement that is required for publication (in respect of the Franchise Documents referred to in paragraph (b) of the definition thereof; and
- (c) 30 days after the date of any document varying the terms of any Franchise Document,

the Franchisee will provide to the Secretary of State details of any provisions of the Franchise Documents or any such variation which the Franchisee believes are exempt from disclosure in accordance with the provisions of the Freedom of Information Act, the Environmental Information Regulations and/or Section 73(3) of the Act (the "**Redactions**").

10.2 For each such Redaction the Franchisee should specify:

- (a) the exact text of the Franchise Document or variation that the Franchisee proposes is redacted;
- (b) whether the Franchisee proposes that the Redaction applies in relation to the publication of the relevant Franchise Document or variation on the website of the Department for Transport, on the register required to be maintained by the Secretary of State pursuant to Section 73 of the Act or on both such website and such register;

- (c) the reasons why the Franchisee believes that the proposed Redaction is justified in accordance with the Freedom of Information Act, the Environmental Information Regulations and/or Section 73(3) of the Act.

10.3 The Secretary of State shall consult with the Franchisee in relation to the Franchisee's proposed Redactions (provided that the same are provided to the Secretary of State in accordance with paragraph 10.1). If the Secretary of State and the Franchisee are unable to agree upon any proposed Redaction, the Secretary of State shall be entitled to determine, in his absolute discretion, whether or not to make such proposed Redaction. If the Franchisee does not provide its proposed Redactions to the Secretary of State in accordance with paragraph 10.1, the Franchisee shall be deemed to have consented to publication of the relevant document without any Redactions.



## **SCHEDULE 18**

### **Additional Reporting Periods**

#### **1. Additional Reporting Periods**

1.1 Subject to paragraph 1.2, the Franchise Agreement shall expire at 0159 on 1 April 2025.

1.2

(a) If the Secretary of State gives notice to the Franchisee not less than three months before the date on which the Franchise Agreement is due to expire in accordance with paragraph 1.1, the Franchise Agreement shall continue after such date on the terms set out in the Franchise Agreement for not less than one and (subject to sub paragraph (b) below) not more than 13 Reporting Periods, as the Secretary of State may stipulate.

(b) Where the Secretary of State exercises his rights in accordance with paragraph 1.10 of Schedule 9.5 (Variations to the Franchise Agreement and Incentivising Beneficial Change) to extend the Expiry Date by a specified number of Reporting Periods then the maximum number of Reporting Periods by which the Franchise Term can be extended pursuant to paragraph 1.2(a) shall be reduced by the same number of Reporting Periods.

#### **Key Contracts**

1.3 The Franchisee shall enter into any and all Key Contracts which are necessary for the Franchise Agreement to continue in accordance with paragraph 1.2 of this Schedule 18.

## **SCHEDULE 19**

### **Other Provisions**

#### **1. Rights Cumulative**

The rights of the Secretary of State under the Franchise Agreement are cumulative, may be exercised as often as he considers appropriate and are in addition to his rights under the general Law. The exercise of such rights shall not limit the Secretary of State's right to make payment adjustments, claim damages in respect of contraventions of the Franchise Agreement or pursue any available remedies under general Law.

#### **2. Disputes**

##### **Disputes under the Franchise Agreement**

- 2.1 Wherever the Franchise Agreement provides that the Secretary of State may reasonably determine any matter, the Franchisee may, unless the Franchise Agreement expressly provides otherwise, dispute whether a determination made by the Secretary of State is reasonable, but the Secretary of State's determination shall prevail unless and until it is agreed or found to have been unreasonable.
- 2.2 Where either party is entitled, pursuant to the terms of the Franchise Agreement, to refer a dispute arising out of or in connection with the Franchise Agreement for resolution or determination in accordance with the Dispute Resolution Rules, then such dispute shall, unless the parties otherwise agree and subject to any duty of the Secretary of State under Section 55 of the Act, be resolved or determined by arbitration pursuant to the Dispute Resolution Rules.
- 2.3 Where, in the absence of an express provision in the Franchise Agreement entitling it to do so, either party wishes to refer a dispute arising out of or in connection with the Franchise Agreement to arbitration pursuant to the Dispute Resolution Rules, the following process shall apply
- (a) the party seeking to refer to arbitration shall serve a written notice upon the other party stating (i) the nature and circumstances of the dispute, (ii) the relief sought including, to the extent possible, an indication of any amount(s) claimed, and (iii) why it is considered that the dispute should be resolved by way of arbitration rather than litigation;
  - (b) the other party shall respond within 20 Weekdays of service of the notice confirming whether or not referral of the dispute to arbitration is agreed. In the absence of any response, the referral to arbitration shall be deemed not to have been agreed;
  - (c) in the event that the parties agree to refer the dispute to arbitration then it shall be resolved or determined in accordance with the Dispute Resolution Rules;
  - (d) in the event that the parties do not agree to refer the dispute to arbitration then it shall be resolved or determined in accordance with Clause 8 of the Franchise Agreement; and
  - (e) nothing in this paragraph 2.3 shall preclude either party from commencing, continuing or otherwise taking any step by way of litigation

in pursuit of the resolution or determination of the dispute unless an agreement is reached to refer the dispute to arbitration.

- 2.4 The arbitrator in any dispute referred for resolution or determination under the Dispute Resolution Rules shall be a suitably qualified person chosen by agreement between the parties or, in default of agreement, chosen by the Disputes Secretary from a panel of persons agreed from time to time for such purposes between the Secretary of State and the Franchisee or, in default of agreement as to the arbitrator or as to such panel, selected on the application of any party by the President of the Law Society or the President of the Institute of Chartered Accountants in England and Wales from time to time (or such other person to whom they may delegate such selection).

### **Disputes under Other Agreements**

- 2.5 The Franchisee shall notify the Secretary of State of any disputes to which it is a party under any Inter-Operator Scheme, Access Agreement, Property Lease or Rolling Stock Related Contract, or under any other agreement in circumstances where the relevant dispute could have an adverse effect on the Franchisee's ability to comply with its obligations under the Franchise Agreement or on the provision of the Franchise Services and which have been submitted for resolution either to the courts or to any other procedure for dispute resolution provided for under such agreements.

- 2.6 Such notification shall be made both:

- (a) at the time of such submission (and such notification shall include reasonable details of the nature of the dispute); and
- (b) at the time of the resolution of the dispute (whether or not subject to appeal) (and such notification shall include reasonable details of the result of the dispute, any associated award and whether it is subject to appeal).

- 2.7 The Franchisee shall provide such further details of any dispute referred to in paragraph 2.4 as the Secretary of State may reasonably request from time to time.

### **3. Notices**

#### **Notices**

##### 3.1

- (a) Any notice, notification or other communication under or in connection with the matters specified in Schedule 10.2 (Termination and Expiry) or any dispute under or in connection with the Franchise Agreement shall be in writing and shall be delivered by hand or recorded delivery or sent by pre-paid first class post to the relevant party at the address for service set out below, or to such other address in the United Kingdom as each party may specify by notice in writing to the other party:

Name: The Department for Transport

Address: 33 Horseferry Road, London SW1P 4DR  
E-mail: franchise.notices@dft.gsi.gov.uk  
Attention: The Manager – The Northern Franchise  
Name: [Franchisee]

Address: [ ]  
E-mail: [ ]  
Attention: [Managing Director]

- (b) Any other notice, notification or other communication under or in connection with the Franchise Agreement shall be in writing and shall be delivered:
- (i) in accordance with paragraph 3.1(a); or
  - (ii) by electronic data transfer,
- except that it shall be marked for the attention of the Contract Manager or the Franchise Manager.

#### **Deemed Receipt**

3.2 Any such notice or other communication shall be deemed to have been received by the party to whom it is addressed as follows:

- (a) if sent by hand or recorded delivery, when delivered;
- (b) if sent by pre-paid first class post, from and to any place within the United Kingdom, three Weekdays after posting unless otherwise proven; and
- (c) if sent by electronic data transfer, upon sending, subject to receipt by the sender of a "delivered" confirmation (provided that the sender shall not be required to produce a "read" confirmation).

#### **4. Assignment**

The Franchisee shall not without the prior written consent of the Secretary of State assign, hold in trust for any other person, or grant a Security Interest in or over, the Franchise Agreement or any part hereof or any benefit or interest or right herein or hereunder (other than any right of the Franchisee to receive monies under a Supplemental Agreement).

#### **5. Set Off**

5.1 Save as otherwise expressly provided under the Franchise Agreement or required by law, all sums payable under the Franchise Agreement shall be paid in full and

without any set-off or any deduction or withholding including on account of any counter-claim.

5.2 Notwithstanding paragraph 5.1 the Secretary of State shall be entitled to set-off against any amounts payable by him under the Franchise Agreement:

- (a) any amount or liability payable or due to him under or in relation to the Franchise Agreement (whether such amount or liability is present, contingent and/or future, liquidated or unliquidated); and
- (b) any monetary penalty payable under the Act.

## 6. **Miscellaneous Provisions**

### **Waivers**

6.1

- (a) Any party may at any time waive any obligation of any other party owed to it under the Franchise Agreement and the obligations of the parties hereunder shall be construed accordingly.
- (b) No waiver by any party of any default by any other party in the performance of such party's obligations under the Franchise Agreement shall operate or be construed as a waiver of any other or further such default, whether of a like or different character. A failure to exercise or delay in exercising a right or remedy under the Franchise Agreement shall not constitute a waiver of any right or remedy or a waiver of any other rights or remedies and no single or partial exercise of any right or remedy under the Franchise Agreement shall prevent any further exercise of such right or remedy or the exercise of any other right or remedy.

### **Time Limits**

6.2 Where in the Franchise Agreement any obligation of a party is required to be performed within a specified time limit (including an obligation to use all reasonable endeavours or best endeavours to secure a particular result within such time limit) that obligation shall be deemed to continue after the expiry of such time limit if such party fails to comply with that obligation (or secure such result, as appropriate) within such time limit.

### **Partial Invalidity**

6.3 If any provision in the Franchise Agreement is held to be void, illegal, invalid or unenforceable, in whole or in part, under any enactment or rule of Law, such provision or part shall to that extent be deemed not to form part of the Franchise Agreement but the legality, validity and enforceability of the remainder of the Franchise Agreement shall not be affected.

### **Further Assurance**

6.4 Each party agrees to execute and deliver all such further instruments and do and perform all such further acts and things as shall be necessary or expedient for the carrying out of the provisions of the Franchise Agreement.

## **Rights of Third Parties**

### 6.5

- (a) A person who is not a party to the Franchise Agreement shall have no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of the Franchise Agreement except to the extent set out in this paragraph 6.5.
- (b) Any Successor Operator or potential Successor Operator nominated by the Secretary of State and notified to the Franchisee and the Franchisee for the purposes of this paragraph 6.5 may enforce and rely on the provisions of Schedule 15 (Obligations Associated with Termination) to the same extent as if it were a party but subject to paragraphs 6.5(c) and (d).
- (c) The Franchise Agreement may be terminated, and any term may be amended or waived, in each case in accordance with the terms of the Franchise Agreement, without the consent of any person nominated under paragraph 6.5(b).
- (d) The person nominated under paragraph 6.5(b) shall only be entitled to enforce and rely on Schedule 15 (Obligations Associated with Termination) to the extent determined by the Secretary of State (whether at the time of nomination or at any other time) and, to the extent that any such person is entitled to enforce and rely on Schedule 15 (Obligations Associated with Termination), any legal proceedings in relation thereto must be commenced within one year of the expiry of the Franchise Period and any such person shall not be entitled to enforce or rely on Schedule 15 (Obligations Associated with Termination) to the extent that it has consented to any particular act or omission of the Franchisee which may constitute a contravention of Schedule 15 (Obligations Associated with Termination) or has been afforded a reasonable opportunity to indicate to the Franchisee that it is not so consenting and has not so indicated (the extent of such reasonable opportunity to be determined by the Secretary of State unless otherwise agreed).

### **Secretary of State's Consent or Approval**

- 6.6 Where any provision of the Franchise Agreement provides for any matter to be subject to the consent or approval of the Secretary of State, then (subject only to the express terms of that provision as to the basis on which that consent or approval may be given or withheld) the Secretary of State shall be entitled to give that consent or approval subject to any condition or conditions as he considers appropriate, which may include the adjustment of any of the terms of the Franchise Agreement.

### **7. Enforcement Costs**

The Franchisee shall compensate the Secretary of State for all reasonable costs incurred by the Secretary of State as a result of such party failing to perform its obligations under the Franchise Agreement in accordance with their terms in the exercise of the Secretary of State's rights under Schedule 10 (Remedies, Termination and Expiry).

8. **Currency**

If at any time the Bank of England or other competent monetary authority of the United Kingdom or competent organ of H. M. Government of the United Kingdom recognises the Euro as lawful currency and tender of the United Kingdom, the Secretary of State may, by reasonable notice to the Franchisee and the Franchisee may by reasonable notice to the Secretary of State, elect that all payment obligations arising under the Franchise Agreement shall be denominated and/or constituted in Euros on the basis that all outstanding amounts and obligations previously denominated and/or constituted in pounds sterling shall be translated into Euros at the exchange rate applied or recognised by the United Kingdom authority or organ which granted recognition of the Euro for the purpose of such translation on the date on which it granted recognition of the Euro.

9. **Arm's Length Dealings**

The Franchisee shall ensure that every contract or other arrangement or transaction to which it may become party in connection with the Franchise Agreement with any person is on bona fide arm's length terms.

10. **Non discrimination**

10.1 The Franchisee will not discriminate in seeking offers in relation to, or in awarding, a contract for the purchase or hire of goods on the grounds:-

- (a) of nationality, against a person who is a national of and established in a relevant State; or
- (b) that the goods to be supplied under the contract originate in another relevant State.

10.2 For the purpose of this Clause, "**relevant State**" has the meaning given in the Public Contracts Regulations 2006.