



Department
for Transport



The West Coast Partnership

The Route to High Speed Rail

January 2017



Department
for Transport

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This Prospectus is for anyone interested in the West Coast Partnership (the Partnership). It is designed for organisations who may be interested in being at the heart of creating a transformation for Great Britain, as a partner or as a supplier. While the information contained in this Prospectus should not be relied upon as a statement of the Department for Transport's final requirements for the Partnership, it is provided to potential interested parties to give an early indication of the Department's emerging requirements.

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1

Executive Summary

The West Coast Story

Great Britain's most important railway route has always been a pioneer. On 17 September 1838 the first train pulled out of London Euston bound for Birmingham Curzon Street on a new line built by the great engineer Robert Stephenson. It was the start of a rail revolution: the first long-distance train service on earth.

Over almost two centuries this same vital line – extended to serve Manchester, Liverpool and Scotland – has powered our national economy and served our biggest cities.

Electrified and modernised in the 1960s, it proved that fast intercity links could give rail travel a future. In the 1990s and early 2000s, a further upgrade brought faster, high-frequency services using tilting trains and pushed traffic levels to new and still increasing highs.

Today it is on the brink of the biggest transformation of all: the construction and integration of a brand new high speed line, known as High Speed Two (HS2), to be built first along that historic route from London Euston to Birmingham Curzon Street and then extended to Crewe. HS2 will then be extended further north to Manchester and Leeds.

This new route will operate alongside the existing line and HS2 services will flow seamlessly from one to the other, adding capacity and cutting journey times.

Planning for the new line, which will be built in three phases, is well-advanced. Government funding is in place and construction will start in 2017.

Now skilled partners are being invited to be an integral part of the project to shape its services and bring them to life. They must define the project's future for both the InterCity West Coast (ICWC) and HS2 services, raising the bar on the existing ICWC service, learning from and delivering the best the world has to offer and doing better still.

The task is as simple to say as it will be complex to achieve: the West Coast must set a new international standard for rail that other countries admire and seek to emulate. The route must be something that passengers want to use, supporting jobs and growth.



Great Britain's Rail and HS2

Great Britain's railway network is one of the busiest and safest anywhere in the world. Passenger traffic has more than doubled in the last two decades and continues to grow. As a result, the Government is supporting record levels of investment to increase capacity, including the largest project of all, HS2.

This investment will build on the proven track record of Great British infrastructure projects such as the High Speed One line to the Channel Tunnel and Crossrail under London, the largest construction project in Europe.

Legislation to allow the construction of the first phase of HS2 is scheduled to complete its Parliamentary approval process, with Royal Assent early in 2017, allowing construction to begin.

The high speed route from London to Birmingham's new central Curzon Street station, via a London Crossrail interchange at Old Oak Common, and an airport and mainline interchange at Birmingham Interchange, is set to open in 2026 (Phase 1). From the start it will also carry fast trains further north, running HS2 trains onto existing tracks through to Liverpool, Manchester and Scotland.

Phase 2a will see the extension of high speed infrastructure to Crewe which is set to open in 2027.

The last stage of HS2 infrastructure construction, Phase 2b, will see the new high speed infrastructure extended to central Manchester and a new eastern leg to Leeds.

The West Coast Partnership described in this document focuses on the initial operation of services introduced at the opening of Phase 1 and 2a of the new line.

HS2 is being constructed by a standalone company, HS2 Ltd, owned by the Government and funded by the taxpayer.

It stands alongside Network Rail, a public body which owns and maintains Great Britain's existing mainline rail network.

The new high speed line will be an integral part of the existing network enabling seamless travel and increasing connectivity.

The West Coast Partnership will run the existing ICWC services through to the launch of HS2 services, creating a step change in customer experience on the West Coast corridor to lay the foundation for HS2.



The Opportunity

This document sets out a once in a lifetime opportunity for bidders to shape Great Britain's most important railway route. There are three elements that make up this opportunity.



Operate and improve existing fast ICWC services from April 2019.



From 2019, work closely with HS2 Ltd and the Government to shape future HS2 and ICWC services, planning HS2's operations and getting it ready for service.



Run initial services on the new HS2 line and reconfigure the ICWC services on the existing route once high speed services begin in 2026.

Collectively, these three tasks are described in this document as the West Coast Partnership (the Partnership).

This is a new approach which goes beyond the well established model of rail franchising and concessions in Great Britain. It offers a unique chance to redesign and develop the already successful ICWC services, as well as designing and implementing the transformation of rail along the West Coast corridor for the high speed service.

Therefore, the successful bidder will need ambition and fresh thinking to meet these different challenges along with a wide range of skills.

They will be expected to support growth and better services on the current ICWC service whilst working with HS2 Ltd to minimise the impact of construction of the new high speed infrastructure on passengers.

The focus should be on customer service and innovation throughout the term of the Partnership, with a holistic view of the West Coast corridor, and the passengers and markets served.

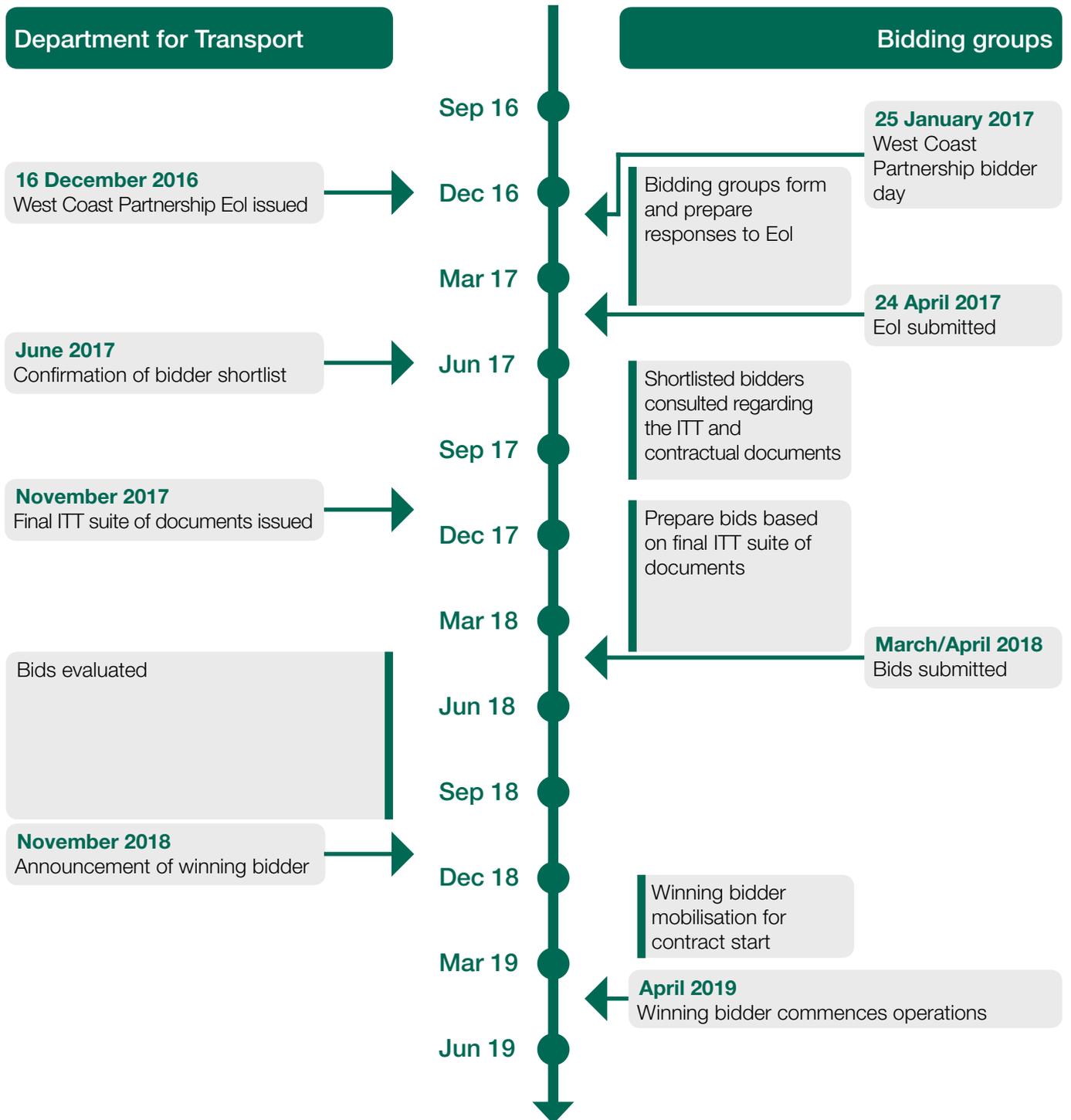
The Partnership will need to bring together new thinking to Great Britain's rail industry to make the most of the possibilities of high speed travel, including working in partnership with HS2 Ltd, central and devolved governments, cities and communities, to make sure the service pattern is right.

And they will need to bring inspiration and excitement to the development and early operation of high speed services as the project moves from infrastructure construction to service introduction.

This is an invitation to work in partnership at the heart of one of the world's largest and most iconic infrastructure projects.

Next Steps

An indication of the proposed competition timetable for the Partnership is set out below, showing the key milestones and activities from a Department and bidding group perspective.



Jargon Buster

High Speed Two (HS2)

The new north-south high speed railway operating at up to 360km/h.

HS2 Ltd

The company charged with developing the new high speed network.

InterCity West Coast (ICWC)

The current fast intercity services principally operating on the West Coast Mainline.

Network Rail

The public body which operates and manages the majority of the infrastructure on the national network including the current West Coast Mainline.

HS2 Phase 1 (2026)

The first phase of the new high speed line from London Euston to Birmingham Curzon Street, connecting to the current West Coast Mainline running further north. It will include stops at Old Oak Common in London for interchange with Crossrail and Heathrow Airport, and Birmingham Interchange.

HS2 Phase 2a (2027)

The second section of new high speed line running north beyond Birmingham connecting to the current line at Crewe.

HS2 Phase 2b (2033)

Planned extension of the line to the North West and North East, with new stations in Manchester city centre and at the airport, and in Leeds and the East Midlands.

Shadow Operator

This will be the responsibility of the Partnership, to provide advice to HS2 Ltd and the Government, and design the future HS2 and reconfigured ICWC services and proposition.

West Coast Partnership (the Partnership / operator)

The overall term for the opportunity offered by this Prospectus, including the operation of ICWC and HS2 services, from design through to implementation.

West Coast Mainline

The existing electrified rail line running from London to Glasgow largely along the western side of Great Britain.



2

Vision:
The Route to
High Speed Rail

Welcome by the Transport Secretary

The Rt Hon Chris Grayling MP

Secretary of State for Transport



I am delighted to launch the West Coast Partnership as part of the next stage of Great Britain's route to high speed rail.

Already the Government has backed a new line, made great progress with design and planning, and will soon be overseeing its construction.

As the Prime Minister has confirmed, HS2 will happen.

Now we are looking for outstanding organisations to help shape and launch what will be the next generation of rail travel.

This is an open, bold offer to establish and lead a new Partnership. It will take exceptional skills and imagination.

This Prospectus is a call for ideas and involvement from organisations from many backgrounds, including those not currently associated with rail transport, but who excel at customer care, commercial innovation and project management.

The decade before the first trains run is the right time for new thinking to create a new kind of travel, not just faster and more reliable, but more popular and pleasant to use.

Passengers want simplicity and good value as well as comfort. They will need to be able to get on and off the trains quickly, and move on with minimum fuss. Travel on the line should become a popular and dependable part of everyday life.

We are looking for a partner able to deliver a world class customer experience for passengers. The key purpose of the Partnership is to put the passenger first and foremost in every decision, both on the existing service and when designing for the future.

Towns and cities along the route want services that support growth and jobs. The new train services must achieve these things and also make people feel proud. And, of course, they must bring a return on the nation's investment.

This can begin to happen even before the line opens. The integration of the current ICWC services with the design and implementation of HS2 services means that the route to high speed rail begins now.

The operator chosen to launch the new service will bring experience to increase traffic whilst running and improving the existing services. New ideas and innovation can be tested and put in place early to benefit passengers.

And from day one, working with HS2 Ltd, which is developing the high speed network, the Partnership will champion passengers and the business potential of a fast-growing rail system.

Great Britain's railways have been a success since privatisation, but growth means they are under strain too. There are many things that can be done better. Tickets and fares are too complex, for instance. Some routes are too crowded.

My objective is for Great Britain's railway to set the standard in rail travel globally and the Partnership is critical for us to achieve this. We will need the Partnership to invest in skills, so that the capability of those people working in the rail industry grows and expands, creating a sustainable skill set for the future.

The Partnership and the launch of HS2 will be a chance to think afresh and set a new benchmark in rail travel.

I look forward to the next stage of the project and welcome your interest and participation.

A handwritten signature in black ink, appearing to read 'Chris Grayling', with a long horizontal flourish extending to the right.

Rt Hon Chris Grayling MP
SECRETARY OF STATE FOR TRANSPORT

Welcome by the Chairman of HS2 Ltd

Sir David Higgins

Chairman of HS2 Ltd



When I became Chairman of HS2 Ltd in 2014, I had two clear tasks.

The first was to ensure that the new route was designed successfully and affordably by an organisation able to learn from best practice around the world.

The second was to make sure it made the most of every opportunity to support jobs, skills, growth and urban renewal.

We have made great progress in both these tasks. Soon, work on building the line will begin – and we are determined to keep to schedule.

There has been lively support from cities along the route for the project.

The new line will not be a standalone system, but fully integrated into the rest of the transport network.

The Partnership will be central to developing an integrated operating environment for the future HS2 services. One that works with the existing network.

From Old Oak Common in west London to central Birmingham, Manchester and Liverpool, HS2 is plugged into the economic potential of the places it will serve. The new HS2 National College for High Speed Rail shows what can be done.

But to make the very most of this opportunity, as much effort must go into the operation of the new route as into its construction; it must be a pleasure to use, but also a reliable part of everyday life, allowing people to make the most of their time, effort and talent.

HS2 Ltd has been working to achieve this from the start and now, as the next stage, construction, approaches, I am pleased to back the Partnership to shape HS2 with the new operator of services on the current route.

By bringing all our skills, experience and ideas together, we will create the best railway in the world.

Sir David Higgins
Chairman of HS2 Ltd



The West Coast Partnership

The successful bidder will have a blend of skills including operating conventional rail services, high speed rail services, developing and delivering innovation, driving great customer service, and the ability to work with other stakeholders to achieve success. At every stage the Partnership will:

Innovate



- Bringing leading edge technology into rail travel, both now and on an ongoing basis
- Designing services for now and the future, that maximise the value of the route
- Challenging the conventional way of doing things on the railway
- Using new technologies to develop improved practices pushing the boundaries of existing structures and operational practices
- Driving improvement every day within the Partnership

Create value



- Understanding and delivering the important role the railway has for local communities
- Being integral in supporting a strong economy along all parts of the line by providing a reliable and growing network
- Providing fair returns for Government investments and operator commitments
- Supporting staff development and jobs in the supply chain

Think like a customer



- Thinking, anticipating, shaping, and delivering what passengers of today and tomorrow will want
- Shaping the whole journey experience to deliver what passengers need – keeping it simple
- Ensuring passengers are always informed and up to date through ongoing communications
- Maximising capacity to benefit the passenger

Strengthen the nation



- Looking beyond infrastructure to work with businesses and cities to maximise economic and social improvement
- Ensuring the new services are part of a co-ordinated national transport system and not run in isolation
- Showing that rail services in Great Britain can be the best in the world



The new Partnership will create the railway people want – fast, easy to use, flexible and innovative. It has got to lift our ambition with closer working with staff, better use of technology and making sure passengers get the good service they need every time. Future generations will be proud of what we will achieve.



Peter Wilkinson, Managing Director of Passenger Services, Department for Transport

Timescales

There are three distinct parts over the life of the Partnership:

Improving today's railway



- Providing exemplary service to passengers on the current route
- Working with other rail operators and Network Rail to manage the impact of the HS2 works programme on passengers
- Identifying and using remaining spare capacity to drive growth in passenger use and revenue
- Developing whole journey planning and seamless interaction with other transport modes
- Investing in staff development and diversity
- Ensuring early benefits for passengers, with the introduction of new technologies

Getting ready for high speed rail



- Acting as a 'critical friend' to the HS2 design and build programme, including a major role in the internal design of the HS2 trains
- Designing a passenger proposition for HS2 services that maximises the value of both the new and existing infrastructure, along with reconfiguring ICWC services
- Developing a detailed mobilisation and commissioning plan for the operation of HS2 services
- Mobilising the high speed service, including developing and implementing a staffing plan, and working with HS2 Ltd to test infrastructure and trains
- Preparing for the launch of HS2 services and the smooth transition of the existing ICWC services
- Supporting, training and providing new and improved opportunities for staff during major changes to the operation of the railway

Opening the new line



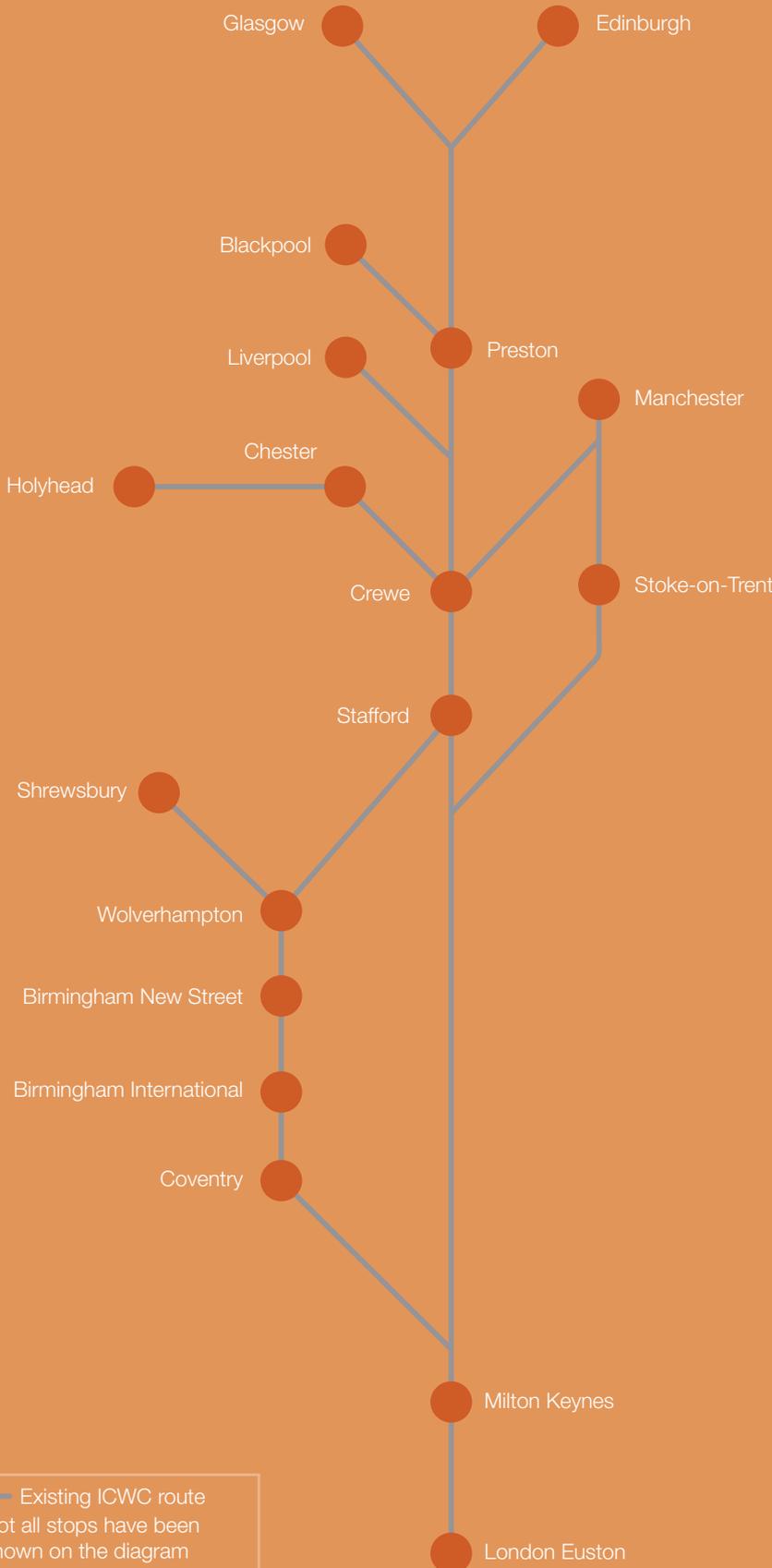
- Delivering the smooth launch of the HS2 services and the reconfiguration of current ICWC services on the existing route
- Advising on the design of the future state of the franchise for services beyond the initial three to five years of HS2 operation
- Assisting with preparation of the further phase of HS2 to the north-west and north-east of England as required



3

Part One:
Improving
Today's
Railway

The Franchise



Fast services on the West Coast route have been provided by the same operator since March 1997. In that time the Government has worked with the operator and the infrastructure provider to deliver the upgrade of both the track and the trains.

The line is now faster and busier than ever before in its history and continues to grow.

Key locations served	▶ London, Birmingham, Manchester, Liverpool, Glasgow, Edinburgh, N Wales
Journey purpose	▶ 66% leisure, 23% business, 11% commuters
Number of services	▶ Around 300 train services per day
Current trains	▶ 56 Class 390 Pendolinos 20 Class 221 Voyagers
Demand	▶ Over 35 million passenger journeys Over 4 billion passenger miles in 2015/16
Satisfaction	▶ 92% in Spring 2016 (NRPS)
Employees	▶ Approximately 3,250
Average yield	▶ £29 per passenger journey (2015/16)
Revenue	▶ £1,074 million (2015/16)

Services provided by the operator call at 48 stations at least once a day, with trains up to every three minutes on the core route running north from London. Principal destinations include Milton Keynes, Coventry, Birmingham, Liverpool, Manchester, Edinburgh and Glasgow.

The current trains are leased from the private sector. They consist of 56 125-mph electric tilting trainsets, of up to 11 carriages, and 20 125-mph diesel tilting trainsets of 5 carriages. The latter are mainly used to provide services to non-electrified lines away from the West Coast Mainline.

ICWC services share the line with services provided by other franchises, including West Midlands, Northern and TransPennine Express. These generally serve different markets, including commuter and local traffic, although they also compete for passengers with ICWC services in some places.

What is Required

Bidders for the Partnership must show that they can sustain and improve the current ICWC services.

They will be invited to submit plans – to be set out in detail in the forthcoming Invitation to Tender document – for a Partnership running ICWC services from 2019 to the commencement of HS2 services.

Bidders will also be expected to propose doing much more than maintaining current levels of operation and traffic until HS2 services are launched.

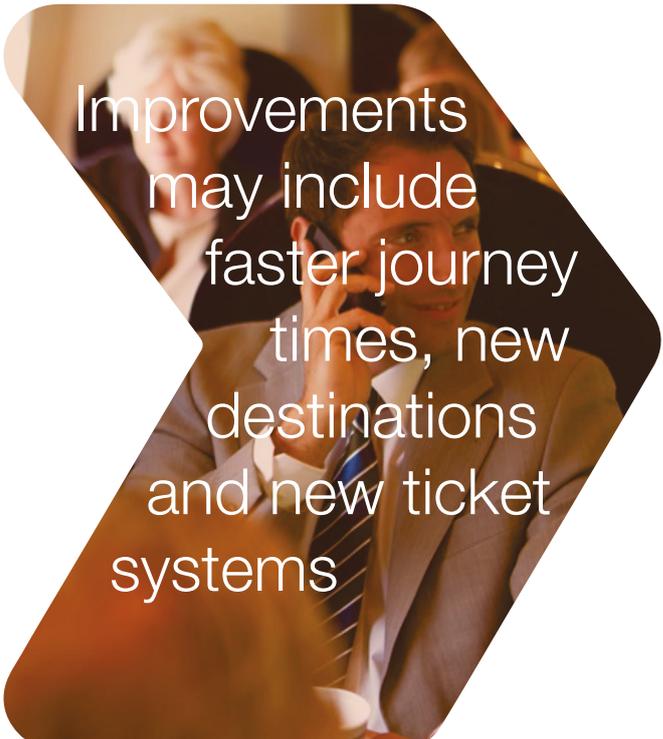
Improvements may come from specific changes to the operation of services, such as faster journey times, new destinations or new ticket systems.

We need an operator who has the ambition to match the quality of rail services with the investment being put into the network by the Government.

This means elements such as efficiency, simplicity and good value – paying close attention to the things passengers would like to see, and bringing skills and ideas from outside the current rail sector.

The operator will need to embrace a new style of working in partnership. Given the ambition and importance of the Partnership, this will require real team work to deliver dynamic solutions that result in benefits to passengers. The successful bidder will need to work collaboratively with all stakeholders and find a working style that delivers for the ICWC services now and for the future HS2 services.

The operator will be the champion of the passenger, with an in-depth understanding of the markets that are served and individual passenger needs. Bidders will be expected to interact with passengers at a detailed level and will be able to use research already undertaken by HS2 Ltd through its engagement with potential customers.



Improvements
may include
faster journey
times, new
destinations
and new ticket
systems

A Better West Coast

Bidders should show creative and ambitious plans for areas such as:

Looking after passengers



Customer satisfaction on the route is high, but can be improved further. The Spring 2016 National Rail Passenger Survey showed overall satisfaction of 92%. From the start of the new Partnership, passengers must be able to see improvements. The operator must have the customer at the forefront of their everyday thinking.

This will be a particular challenge during the construction of the HS2 line. Managing the impact of construction work will need to be done in close co-operation with all parts of the wider transport system.

Bidders should consider how they plan to consult and communicate with passengers, delivering a step change in how passengers experience travel on these services, along with their whole journey experience and linkages with other transport modes.

Passengers should feel that they are genuine customers and never that their money and patronage have been taken for granted.

Improving performance



Performance has been improving on the route; however, bidders will want to show ambitious plans to go even further, including a closer working relationship with Network Rail to improve overall performance through joint initiatives and investment, especially to mitigate any effects on existing services from the construction of HS2 on existing services.

The construction of HS2 poses particular challenges, especially, but not only at London Euston. Managing this to minimise the impact on passengers will be a central task for the Partnership.

Increase accessibility



We want all services to be as accessible as possible to everyone. The infrastructure and services supporting both existing ICWC services and future HS2 services should be designed and developed to meet the needs of the population they service. These are not simply services for business use, but also for families, and for the young and old alike. Services should be able to be used easily by the ageing population and by passengers with reduced mobility.

A Better West Coast

Investing in staff



Investment in the workforce is essential in every sector, but the complexity of the existing ICWC operation and the major changes required for future HS2 operations make this even more important. The Partnership should:

- Diversify the workforce, with investment in people with customer service and technology skills
- Foster a culture focused on staff development with exciting careers
- Attract the best people to the sector, including apprentices, graduates and people from outside of the rail industry

Simplifying fares and ticketing



The transition to the new Partnership and high speed services offers a chance to reform the way fares are set and tickets are sold. At the moment passengers see the system as complex and are not confident that they are getting the best value ticket.

Bidders will need to think about ways in which new technology can make travel simpler and better value from the outset, rather than wait for the start of HS2 services. It is also important that the ticket system is integrated with other parts of the transport system, including but not limited to rail, to make travel as simple as possible.

Investment in the HS2 programme will bring new technologies which will need to be adopted on ICWC services during the life of the Partnership.

Additional revenue generated on ICWC services before HS2 services commence should primarily come from additional capacity created and better value offered to passengers. On every journey, the passenger must never be in any doubt as to whether they have been sold the best value ticket.

Using technology



Bidders will be expected to adopt and adapt to make the most of technology, including delivering ambitious plans to support the development of the digital programme alongside Network Rail.

Technology has been used in many industries to drive rapid change, and bidders will use it to deliver improved service and efficiencies. This is the opportunity for the railway to showcase how technology can be embraced in rail services.

Developing stations



Services use stations typically overseen by Network Rail, other train operators and the franchise operator. Making stations more pleasant to use, economically active and well-integrated into the places they serve should be an early priority for bidders. The stations should be destinations in themselves and a focal point for local communities and urban centres.

A Better West Coast

Working with others



As part of the collaborative approach, working with others will extend to bodies outside of the rail industry:

- The ICWC services serve some of the largest towns and cities in Great Britain. Many city regions along the route, from London to the Midlands and the North, will want to work with the Partnership to help their areas grow
- The devolved administrations of Scotland and Wales will also want to work closely with the Partnership to make sure national and local transport systems join up well

Over time developing plans for better east-west services will also require input from the operator. These include routes across the Pennines as part of the Northern Powerhouse and further south, such as the Oxford to Cambridge corridor proposed by the National Infrastructure Commission.

Social responsibility



Sustainable development should be at the heart of the Partnership, through its work with customers, passengers, employees and the local community. The Partnership should embed the industry's Sustainable Development Principles in the way it runs its business. The operator will want to give staff a stake in decisions and a share in success.





4

Part Two:
Getting Ready
for High
Speed Rail

The Opportunity



— Existing ICWC route
— New HS2 Phase 1 and 2a infrastructure
● New HS2 stations
 Not all stops have been shown on the diagram

The Partnership's principal role in part two will be getting ready for high speed rail and playing a pivotal role in shaping the transition from today's rail service to the high speed one of the future.

This will be a sustained process, working with HS2 Ltd and the Government in a collaborative relationship.

From 2019, the Partnership will become the Shadow Operator for HS2 acting as a customer for the new infrastructure and designing the future services, whilst also planning the reconfiguration of ICWC services. The Partnership will ensure the passenger needs are placed at the heart of the design of the new railway and services. This is a unique opportunity to shape HS2 services before the service 'goes live'.

The Partnership will be central to developing exemplary plans to make the most of this immense opportunity and it will also help solve some of the conflicts and challenges inherent in any project of this scale.

HS2 strategic objectives

The Partnership will be integral to the delivery of the significant benefits of HS2 and its strategic objectives:

- 1 Be a catalyst for sustained and balanced economic growth across the UK
- 2 Add capacity and connectivity as part of a 21st century integrated transport system
- 3 Deliver value to the UK taxpayer and passenger
- 4 Set new standards in passenger experience
- 5 Create opportunities for skills and employment
- 6 Create a railway designed, built and operated with world-class health, safety and security standards
- 7 Create an environmentally sustainable solution and be a good neighbour to local communities

The Partnership

Throughout, the Partnership will work collaboratively with many stakeholders: Department for Transport, HS2 Ltd, Network Rail, devolved administrations, other train operators, freight operators, local government along the route, passengers and staff. The complexity of this project will mean that all these parties will have different objectives and drivers; arriving at the best outcome for both the passenger and the project is key.

There will be areas where the operator has the power to make decisions; in other areas it will be expected to influence decisions to the benefit of passengers and taxpayers. A clear governance process will be put in place.

The Partnership will need to adopt a holistic approach across the West Coast route, with the Shadow Operator role considering both future HS2 passengers and those that will use the reconfigured ICWC services. This approach will result in the best proposition for passengers across the different markets served.

The Partnership will build on initial work already undertaken by HS2 Ltd. The work done, and time invested, by all parties during this part will determine the look, the shape, the feel and ultimately, the success of the new high speed service.

This is a time to plan and explore every avenue, with a laser focus on the details that will make the difference. Bidders should show real ambition and not be afraid of challenging the current consensus, using lessons from the operation of the railway, and skill and expertise from outside of the rail industry.



Designing and Planning High Speed Services

Service platform



HS2 Ltd has developed an initial model specification for the high speed services to assist the scheme design. The Partnership will develop and adapt this early model to provide the best service possible for passengers on both HS2 and the reconfigured ICWC services.

This means maximising opportunities created by the investment, making sure that the new services are useful and frequently used, whilst maintaining a good service on current lines to destinations away from the route of HS2.

On the launch of HS2, high speed conventional compatible services will replace many current ICWC services. This will require the redesign of services on existing lines to complement the HS2 services. Whilst delivering the benefits from HS2, the Partnership will also need to assess the balance between end-to-end journey times and intermediate stops, to ensure stations currently well-served by the West Coast service also gain from the opening of HS2.

The West Coast Mainline and HS2 are not just routes to the capital, but link some of Great Britain's largest cities. The Partnership will need to develop plans to make sure the potential of all connections and journeys are maximised, including those that are only partly along the route, or operated by other passenger and freight companies.

Passenger experience



At the heart of the Partnership Shadow Operator role is the development of the passenger experience on HS2 services and the reconfigured ICWC services after HS2 launches.

This presents a unique opportunity to design a passenger experience that is tailored to the markets that it serves and to the needs of the individual customers.

Trains



The move to high speed services will require new trains being able to run on both high speed and existing routes, allowing the benefits of the first section of the new line to spread throughout the West Coast route.

HS2 Ltd is ensuring that the future HS2 trains will be compatible with both the new high speed network and the conventional infrastructure, and is working with manufacturers to shape their specifications for procurement.

The Partnership will lead on shaping the internal design of rolling stock to meet passenger demands. It should work with the HS2 Design Panel to integrate the train design with other aspects of the project.

Designing and Planning High Speed Services

Branding



The transition to high speed services will require a powerful, high-quality corporate identity. The brands for future HS2 services and the reconfigured ICWC services should drive loyalty and have longevity, so that they are able to last from one operator to another.

The Partnership will develop this alongside a strong plan to explain and market the possibilities of the new line as it comes closer to opening.

Mobilisation



Services on the new route must be right from day one.

As the construction of HS2 advances, the Partnership will take a leading role in preparing for the high speed service, including developing and implementing a staffing plan, and working with HS2 Ltd to test the infrastructure and trains.

This will require full and constructive engagement with the workforce during major changes to the operation of the railway.

Aligned incentives



The Partnership will collaborate with the Department, Network Rail and HS2 Ltd to develop an organisational model for the delivery of services on HS2:

- This will closely align the incentives between the management of the infrastructure and the operation of train services enabling them to jointly focus on delivering a service in the best interests of passengers and taxpayers
- This could pave the way for the future establishment of an integrated railway

The Partnership will develop and adapt a model to provide the best service possible



5

Part Three:
Opening the
New Line

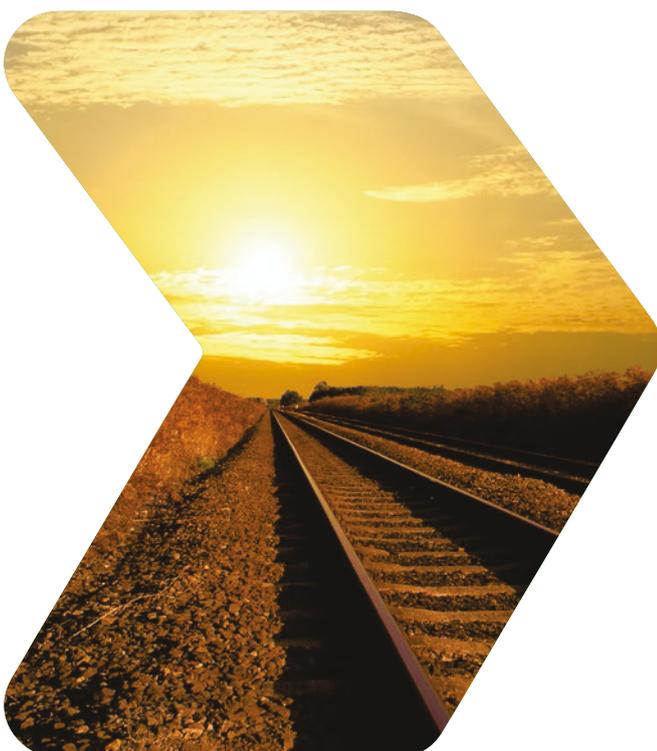
Operating High Speed Services

The Partnership will need to deliver a smooth launch of HS2 services for Phase 1a and 2a, particularly where ICWC services are replaced by HS2 services, and the reconfiguration of the ICWC services. The plans developed by the operator will be delivered by them, alongside extensive communications, so that passengers understand the changes, impact and the choice of services in advance of, during, and for a period after, launch. With a launch as complex as that of HS2, the Partnership will wish to respond quickly to areas where services can be improved after launch, or where challenges are identified once passengers are using the services; prompt feedback from passengers will be sought, and through running both HS2 services and the reconfigured ICWC services, action can be taken quickly.

The operator will be uniquely placed to achieve a stable operation quickly on both HS2 and the reconfigured ICWC services. It is anticipated that a period of between three to five years, after the launch of the new services, will result in a track record to be established to enable the subsequent service re-let.

What we know:

Milestones	<ul style="list-style-type: none"> Phase 1 to Birmingham: 2026 Phase 2a extending to Crewe: 2027 Phase 2b to Manchester and Leeds: 2033
Locations directly served	<ul style="list-style-type: none"> London, Birmingham and Crewe connected by Phase 1 and 2a high speed infrastructure
Track length	<ul style="list-style-type: none"> Phase 1 225km with a further 60km for Phase 2a
Phase 1 and 2a services	<ul style="list-style-type: none"> Up to 10 trains per hour in each direction from London Euston
New trains	<ul style="list-style-type: none"> Up to 360 km/h on high speed infrastructure
Journey times	<ul style="list-style-type: none"> After Phase 1: <ul style="list-style-type: none"> Birmingham to London: 49 mins Manchester to London: 1 hr 41 mins After Phase 2a: <ul style="list-style-type: none"> Manchester to London: 1 hr 31 mins
Indicative capacity	<ul style="list-style-type: none"> More than double the seats out of Euston after Phases 1a and 2a
Growth	<ul style="list-style-type: none"> Closer connections will spur growth and investment
ROI for full HS2 network	<ul style="list-style-type: none"> £82bn benefits to transport users £21bn benefits to wider economy £2.70 benefits for every £1 invested





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Further
Information

Further Information

There are a number of aspects of the Partnership to be considered as part of the development of the ITT documentation. These are highlighted below, and will be developed in consultation with bidding groups as the procurement process progresses.

Franchise term

- April 2019 to HS2 service commencement in 2026, being the operation of ICWC services, and the design and preparation of HS2 services ready for introduction
- 3-5 years operation of the new HS2 services and the reconfigured ICWC services
- Additional optional extension period currently anticipated to be up to 2-3 years

Risk allocation

Different risk allocations will be needed at different stages of the Partnership.

Prior to introduction of HS2 services

- The Department will seek to ensure that any revenue risk sharing is commensurate with the market's ability to bear it, and employ a robust revenue sharing and support mechanism designed to incentivise market growth, passenger satisfaction and ensure financial stability. As such, the Department is considering a full range of revenue share and support mechanisms to deliver the most appropriate risk allocation to achieve these aims
- The Partnership will have cost risk in respect of the ICWC operations prior to the launch of HS2 services
- It is envisaged that standard compensation mechanisms will be used in relation to track possessions. A form of alliance may be considered between Network Rail and the operator, to align incentives, improve efficiency and minimise the impact of track possessions

HS2 Shadow Operator

- Cost risk will be transferred to the Partnership to the extent appropriate as part of the tender process, with other costs being agreed as part of an annual review process in line with an appropriate contractual mechanism

HS2 launched and operational

- Revenue and operating costs are not known at this time and so revenue and cost risk will not generally be transferred to the Partnership
- It is anticipated that there will be a performance-based management contract with incentive mechanisms in place for the period after HS2 services are launched

Profits

- There will be a proportionate profit-sharing mechanism

Further Information

Risk allocation (continued)

Capital requirements

- The risk that the successful bidder will default during the franchise will be managed using different mechanisms. This will require the successful bidder to provide:
 - Season ticket bond – c.£8 million
 - Performance bond – c.£20 million
 - Parent company support (PCS) (referred to in the Expression of Interest (EoI) documentation as the 'Guarantee') comprising of a fixed PCS amount of £45 million for the EoI stage (or such higher amount as the Department may decide at the tender stage), plus a further variable PCS amount which will depend on the level of the franchise payments bid. It is anticipated that 50% of this PCS will be required to be bonded depending on the financial standing of the bidder
- It is currently intended that the level of additional PCS (above the variable PCS) that can be provided by bidders will be capped

Approach to quality

- A key focus of the Partnership is to deliver a better passenger experience now, along with designing the passenger proposition for future services on the West Coast route. As such, there will be a significant weighting given to the quality of proposals, particularly focusing on the passenger experience, innovation, collaboration, and the expertise required to meet the Shadow Operator elements
- The evaluation may include demonstration exercises as part of the bid evaluation, as has been used successfully on other major procurements where partnership working is a key element

Residual value

As some investments that could improve customer service may have long payback periods that extend beyond the lifetime of the Partnership, we will put in place a residual value mechanism to support the asset values at the end of the term.

Liquidity

The Partnership will be expected to comply with pre-defined liquidity ratios. These are likely to be the same as those used on other recent franchises. The ratios will include a trigger point which, if hit, results in 'lock up', where the Partnership will not be able to make distributions.

Further Information

Annual review

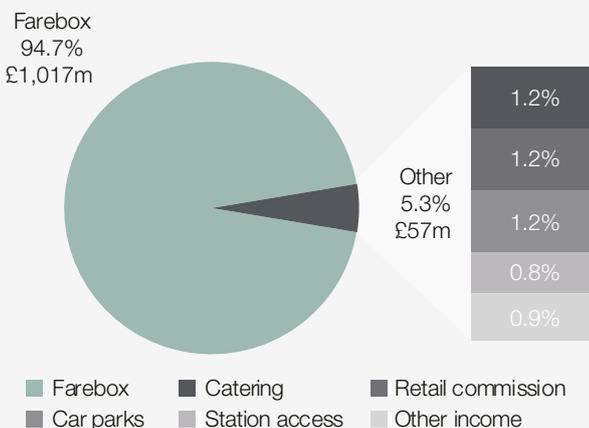
- There will be an annual review process, particularly relevant to the delivery of the Shadow Operator role. It is currently anticipated that it will:
 - Track progress e.g. achievement of milestones
 - Review effectiveness of governance
 - Review effectiveness of collaborative working across all stakeholders
 - Agree shadow operator plan updates for emerging project needs and developments
- The performance of the ICWC operation will also be subject to review, similar to that undertaken on current franchises

Continuation review point

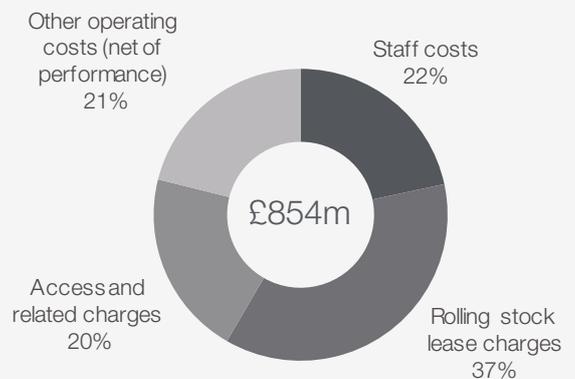
- The Partnership will develop detailed mobilisation and commissioning plans for the HS2 services for review by the Secretary of State as a gateway to moving to the implementation of the plans. It is envisaged that this will also set the cost basis for the mobilisation and commissioning activities
- It is currently anticipated that the review will:
 - Assess the success of the operator in both the ICWC operational performance and the delivery of the Shadow Operator role and plans prepared
 - Assess the continuation of the contract in advance of the mobilisation and commissioning of HS2. The basis of the assessment will be subject to further development and consultation with bidding groups as appropriate, but may be at the discretion of the Secretary of State and/or based on, for example, factors such as performance to date, delivery of the detailed mobilisation plans and other relevant factors

Financial snapshot – 2015 / 16

ICWC franchise revenues



ICWC franchise costs



Staff costs include costs of 3,244 employees. Of this figure, the headcount split is as follows: Station and retail – 985, on board – 824, drivers – 547, management – 521 and train managers – 367.

Important Notice

This Document is issued by the Secretary of State pursuant to its functions and duties under the Railways Act 1993. It forms part of a competitive procurement conducted in accordance with relevant legal requirements including Regulation 1370/2007 and is being issued to all interested parties.

This Document is not a recommendation by the Secretary of State, or any other person, to enter into any agreement or to make any investment decision. In considering any investment in a franchise, recipients of this Prospectus should make their own independent assessment, and seek their own professional financial and legal advice.

Neither this Document, nor any other information provided to a prospective bidder for the West Coast Partnership (the Partnership) (or any of their affiliates or shareholders) purports to contain all of the information that a prospective bidder or shareholder may require, nor has it been independently verified. Neither the Secretary of State, nor any of his employees, agents or advisers, makes any representation or warranty (express or implied), and no such representatives have any authority to make such representations and warranties, as to the accuracy or completeness of the information contained in this Prospectus or other information provided.

The Secretary of State expressly disclaims any and all liability (other than in respect of fraud or fraudulent misrepresentation) based on or relating to any such information or representations or warranties (express or implied) contained in, or errors or omissions from, this Prospectus or other information, or based on or relating to the recipient's use of this Prospectus or other information, or the use of this Prospectus or other information by the recipient or any of its affiliates or the respective representatives of any of them in the course of its or their evaluation of any franchise or the shares of any franchisee or any other decision.

The only information which will have any legal effect and/or upon which any person may rely will be such information (if any) as has been specifically and expressly represented and/or warranted in writing to a successful franchisee in the relevant franchise agreement or in any other relevant agreement entered into at the same time as the franchise agreement is entered into or becomes unconditional.

Legal, technical and financial advisers will be acting for the Secretary of State in relation to the letting of the Partnership and will not regard any other person as their client or be responsible to anyone other than the Secretary of State for providing the protections afforded to their client or for advising any other person on the contents of this Prospectus or any matter referred to in it, or any other information provided to a prospective bidder or shareholder or any of its / their affiliates at any time in connection with the Partnership.

The Secretary of State is not and shall not be liable for any expenses, costs or liabilities incurred by a Franchise Applicant making a Franchise Application or negotiating or bidding for a franchise agreement or any other agreement entered into in connection with such franchise agreement, or any such costs incurred by their affiliates or any other person. In particular, the Secretary of State is not and shall not be liable for any expenses, costs or liabilities incurred by those making a Franchise Application in response to the Franchise EoI without knowing the outcome of their Passport or Temporary Visa application.

The Secretary of State reserves the right not to award a franchise agreement, or any contract, to make whatever changes he sees fit to the structure and timing of this Franchise Letting Process (including issuing updates and amendments to this Prospectus and any other information provided), to cancel this Franchise Letting Process in its entirety at any stage and, where he considers it appropriate to do so, to make a direct award pursuant to Regulation 1370/2007.

The Department reserves the right at any time to issue further supplementary instructions and updates and amendments to the instructions and information contained in this document as it thinks fit or to change its requirements. For the avoidance of doubt, this document is not a 'Prospectus' to which the Prospectus Rules as enforced by the Financial Conduct Authority apply. In the event of a discrepancy between this document and the expression of interest documentation, the expression of interest documentation shall prevail.

