



Great Western Franchise

Invitation to Tender

27 July 2012

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Important Notice

This document is issued by the Department for Transport (the “Department”) pursuant to the functions of the Secretary of State for Transport (the “Secretary of State”) under the Railways Act 1993 and the Railways Act 2005, as amended.

All references in this document to the Department, Network Rail or the Office of Rail Regulation include, where appropriate and unless the context otherwise requires, references to those bodies’ predecessors and successor(s).

This document is not a recommendation by the Secretary of State, or any other person, to enter into a Franchise Agreement or to acquire shares in a current or prospective Franchisee or its parent undertaking. In considering any investment in a franchise, Franchisee, prospective Franchisee or parent undertaking, you should make your own independent assessment and seek your own professional financial and legal advice.

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The only information which will have any legal effect and the only information upon which any person may rely will be such information (if any) as has been specifically and expressly represented and/or warranted in writing to a successful Franchisee in 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. Nothing in this document is intended to create a contract between the Secretary of State and any Bidder or prospective Bidder.

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.

Eversheds LLP and Steer Davies Gleave are acting for the Department in relation to the award of the Great Western Franchise, and will not regard any other person as their client or be responsible to anyone other than the Department for providing the protections afforded to their clients nor for advising any other person on the contents of this document or any matter referred to in it.

The Department will not be responsible for the costs or expenses of any Bidder in relation to any matter referred to in this document howsoever incurred, including the evaluation of

the Great Western franchise opportunity, the award, or any Bid for the award of the Great Western franchise, or negotiation of the Franchise Agreement.

This Invitation to Tender document should be read in conjunction with the draft Franchise Agreement to be supplied shortly.

Unless the context otherwise requires, capitalised terms used in this document shall have the same meaning given to them as in the draft Franchise Agreement.

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SECTION 1: INTRODUCTION AND CONTEXT

1.1 Purpose of this Invitation to Tender

This Invitation to Tender ("ITT") sets out:

- how the competitive process will work;
- how Bidders should complete their Bids;
- how the evaluation process will work; and
- the Great Western franchise proposition for which the Department is seeking Bids.

Appendices and a number of documents are attached which set out the requirements for the completion of Bids and additional relevant information.

The Department's aim is for the new Great Western franchise to commence operations with effect from 0200 hours on 21 July 2013.

1.2 Scope of the Great Western Franchise

The Great Western franchise is a large and complex transport system providing long distance, commuter, regional and branch line train services from London Paddington to the Midlands, Cotswolds, South Wales and West of England, the South Coast, Devon and Cornwall and Gatwick airport.

The franchise serves the key locations of London, Reading, Bristol, Cardiff, Swansea, Exeter, Plymouth, Penzance, Southampton, Portsmouth, Brighton, Newbury, Gloucester, Hereford and Worcester amongst a large number of stations, approximately 208 of which are managed by the Franchisee.

Details of the Great Western franchise, its services and resources can be found in the data site www.gwfranchise.co.uk.

1.3 The Department's Objectives for the Great Western Franchise

The Great Western franchise is being let for 15 years, with a planned start date of 21 July 2013 and expiry date of 23 July 2028.

The franchise may be extended by up to seven reporting periods, although this would be solely at the Department's discretion.

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

- effectively manage franchise changes by working collaboratively with the Department and other industry partners to ensure that the Great Western upgrade, Crossrail project works and future transfer of services to the Crossrail operator, and the IEP procurement programmes are successfully delivered and the benefits envisaged are fully realised;

- provide appropriate capacity for passenger services which delivers value for money for the taxpayer within defined infrastructure and rolling stock constraints on the Great Western network;
- ensure the overall passenger experience improves throughout the life of the franchise. This will include but not be limited to improvements in: service quality; retailing; provision of information to customers particularly during times of planned and unplanned disruption; implementing ‘smart’ technology and integrated ticketing throughout the franchise area on an interoperable basis; improving accessibility (including disabled access) and access to all stations and services; passenger security and improving the transparency of information about the franchise;
- ensure that train services perform to the highest practical reliability and punctuality standards. Benchmark and optimise the overall environmental performance and minimise the carbon footprint for the franchise; and
- deliver services in the most cost-effective and efficient manner possible and, where appropriate, consider improving alignment and better collaboration between Network Rail and other relevant industry partners. Consider possible devolution of some specification or management of services in keeping with the recommendations of the Report of the Rail Value for Money Study, (the “McNulty Report”).

1.4 Closing date for Bids

Bids must be received by the Department by 12.00 hours GMT on Thursday 25 October 2012.

SECTION 2: INFORMATION AND INSTRUCTIONS TO BIDDERS

2.1 Franchising Timetable and Process

An overview of the Department's management process for the letting of a franchise is documented in "A Guide to the Railway Franchise Procurement Process" provided with this ITT at Attachment I. For the purposes of this ITT, the Base Service Specification is referred to as the Franchise Specification. The remaining stages of the process for appointing the Franchisee: Bid Preparation; Bid Evaluation and Negotiation; and Mobilisation, together with their indicative timings, are set out below.

Table 2-1: Franchising Timetable

Stage	Description	Party Responsible	Planned Date
Bid Preparation	Preparation of Bids	Bidders	July – Oct 2012
	Submission of Bids	Bidders	25 Oct 2012
Bid Evaluation & Negotiation of Bids	Evaluation of Bids, clarification, negotiation and agreement to terms of the Franchise Agreement and related documentation.	The Department and Bidder(s)	Oct 2012– Jan 2013
	Secretary of State consent to the Great Western franchise award		Feb/Mar 2013
Mobilisation	Prepare for transfer of operations	Franchisee	Mar – July 2013

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

2.2 Restriction on Communications/Press Releases etc during Franchise Competition

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

Therefore until the award of the Great Western franchise, the Department requires that Bidders confine any communications about the competition to communication that is necessary in order to develop their proposals. Until the award of the Great Western franchise, Bidders are required to refrain from comment to national, local and industry media, Passenger Focus, Local Authorities, Transport for London (TfL), Members of Parliament and stakeholders about matters connected with the Great Western franchise competition. If there are compelling reasons to make a public statement or comment then, the Department requires Bidders in each and every instance to discuss the content of such statements or comments with the Department in advance.

2.3 Changes in Circumstances

Bidders (including for this purpose each participant in any joint venture or consortium arrangement) shall notify the Department of the occurrence of any of the events listed below (for the purposes of this Section 2.3, a 'change in circumstances') promptly, and in any case no later than 21 days after such change in circumstances occurs. A change in circumstances means the occurrence of any of the following:

- any change to their corporate structure or the structure of the Bid vehicle from that set out in their application to be accredited to receive this ITT. This includes the grant of any options to acquire shares, any agreement relating to the exercise of rights attaching to such shares, and any amendments to a shareholders' agreement, articles of association or similar constitutional documents;
- any changes to the information provided to the Department as part of the pre-qualification process; or
- any other changes to their circumstances, or the basis of their Bids, which may be expected to influence the Department's decision on the suitability of the Bid vehicle to be the Franchisee for the Great Western franchise.

Any such notification shall provide full details of the change or proposed change, including final form copies of the documentation required to put such a change or proposed change into effect.

The Department reserves the right to approve or reject such changes or proposed changes (including any changes to the basis on which the Bidder was accredited to receive this ITT) or to impose such conditions as it considers appropriate in order for the Bidder to continue to participate in the competition. The Department further reserves the right to exclude a Bidder from further participation in the competition where it rejects any such changes.

2.4 Cost of Bidding and Model Audits

Each Bidder shall be responsible for all costs, expenses and liabilities incurred by it in connection with the Great Western franchise letting process, whether or not its Bid and/or associated negotiations are ultimately successful or the process is subsequently varied in any way or terminated. Bidders shall be responsible for all costs associated with the Modelling Best Practice Confirmation and Model Audit (each as defined in Section 5.8 (Model Sign-off – Terms of Reference)).

2.5 Preparation of Bids

The Department expects to receive Bids that contain few or no qualifications. Bidders should make full use of all the information provided with this ITT, in the data site as defined in Section 2.6 (Data Site) and, thereafter, the query process described in Section 2.7 (Query Process). Any Bids which contain qualifications may be treated as non-compliant (and Bidders are referred to paragraph 2.12 for the possible consequences of a Bid being treated as non-compliant).

2.6 Data Site

The Department has established a 'virtual data site' (the "data site"), operated by Connect Internet Solutions, containing, in electronic form, documents and information specifically relating to the Great Western franchise and the incumbent Franchisee. The address for the data site is www.gwfranchise.co.uk.

2.7 Query Process

All queries and requests for information shall be submitted by Bidders in the Microsoft Excel format template prescribed in the 3 April 2012 e-mail issued through the Great Western email account to accredited Bidders.

Queries and requests for clarification or additional information should be submitted by e-mail to: GWfranchise@dft.gsi.gov.uk. Where direct communication is required this should be through the procurement team running the competition.

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

A Bidder may request that the Department treat a query and its response as confidential. Any such requests must be made at the time of submission of the query. The Department will advise the Bidder if it considers that the query cannot be treated as confidential, at which time the Bidder may either withdraw the query or accept that the response may (at the Department's discretion) be transmitted to the other Bidders.

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

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

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

Notes from bi-lateral meetings and Bidder Bulletins are not to be considered part of the formal clarification process. Bidders shall therefore only rely on the ITT and the formal Query Process.

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

2.8 Structure and Format of Bids

Bidders should note that the Department will evaluate the compliance of Bids with the structure set out in Table 2-2 (Structure and Format of Bids) and, following any appropriate clarification, may (without limitation) ask for re-submission or disqualify any Bid that does not conform.

The size of the main text of the Bid including the Executive Summary and proposed means of delivery of the Franchise Specification *including all annexes/appendices* will be limited to 1,250 pages. Bidder-generated Incremental Options will not be part of this limit. This requirement is summarised in Table 2-2.

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

- the contents of Delivery Plans 1 and 12;
- the contents of the financial part as described in Table 2-2;
- the contents of the technical data part as described in Table 2-2;
- the supporting evidence requested on Rolling Stock transparency (section 4.5.8);
- the contents of the legal and compliance part as described in Table 2-2; and
- covers, section dividers and indices.

One page constitutes one printed side of A4 with 2cm clear margins all round. For main text the minimum font size is 11 pt, font type is standard (i.e. not 'narrow') and minimum line spacing is 13pt. Double sided printing is required where this is practicable. Bidders will be encouraged to use a simple presentation style, avoiding expensive bindings, colour photographs and other high cost elements of production that do not directly add value to the substance of the Bid. Minimum font size for any text in tables should be 10 pt.

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

2.8.1 Annexes and Appendices

Bidders may include annexes and appendices to their response that should be clearly referenced in the main text. Any annexes or appendices are subject to the size limits described in this Section 2.8 (Structure and Format of Bids).

2.8.2 Cross Referencing

The Department's evaluators will follow cross references to specific identified components of the response in relation to other Delivery Plans. No credit will be given for unspecific general references, e.g. "further evidence on this issue is provided in our Ticket Sales & Revenue Protection Plan".

2.8.3 Format of Bids

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

2.8.4 Hard Copies

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

2.8.5 Electronic Copies

Electronic copies should be in CD format. Each CD must be labelled clearly with the part, copy number, the Bidder's name and the contents of the CD. Information is required to be stored in Microsoft Word (any version) and, for spreadsheets, Excel 2003 format. Documents should not be submitted in PDF, except where unavoidable. All electronic copies should be packaged separately from the hard copy sets and identified as "Additional CDs".

2.8.6 Index

The Department requires that an index is provided for the electronic information and that the file structure of the electronic information matches the sequence of the hard copy documentation.

2.8.7 Additional Electronic Copies

One electronic un-priced copy of Part 1 the Main Text is required in CD format, labelled clearly with the copy number, the Bidder's name and the contents of the CD. Information is required to be stored in Microsoft Word (any version), and for spreadsheets, Excel 2003 format. The Department will send this copy, together with one of the Part 3 copies referred to in Table 2-2 below to Network Rail. Documents should not be submitted in PDF, except where unavoidable.

2.8.8 Submission of Bids

Bids are to be submitted to:

Dale Ward
Procurement Programme Support Manager
Commercial and Technical Services
Department for Transport
4/21 Great Minster House
33 Horseferry Road
London
SW1P 4DR
by 12.00 hours GMT on Thursday 25 October 2012.

Bidders should ensure that they complete and include the Declaration of Conformity Statement at Attachment H, in their Part 4 Legal and Compliance responses.

No other documents or information shall be submitted with the Bid. The Bid must be submitted in boxes marked '**CONFIDENTIAL - Great Western Franchise Bid submission in response to ITT**'. The boxes should not be marked in any way that would indicate the identity of the Bidder. Bidders should obtain a formal receipt from the Department at the time of the submission of their Bid.

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

All Bids should be in English and amounts denominated in pounds sterling.

Bidders will be required to present up to 1 hour on the key elements of their submissions to the Department on a working day specified by the Department within 7 working days following Bid submission. This presentation should include no financial information.

Bidders shall provide the material set out in Table 2-2 when submitting their Bids:

Table 2-2: Structure and Format of Bids

Part		Hard Copy	Electronic	Size limit
1	Main text			
	Executive Summary Delivery Plans for Franchise Specification (Section 4)	3 copies	3 copies +1 unpriced copy	1,250 pages including annexes/appendices but excluding Delivery Plans 1 and 12
	Delivery Plans for Bidder Incremental Options	3 copies	3 copies +1 unpriced copy	none
2	Financial			
	Operational Models and Financial Model (Section 5) including revisions in respect of Specified Priced Options and Bidder Incremental Options PDF of Templates & worksheets of Tier 1 Operational Models that directly interface with Financial Model or other Tier 1 Operational Models	none	3 copies	75MB maximum size per workbook (See Section 5)

	Record of Assumptions, Operating Manual, Modelling Best Practice confirmation, Financial Adviser's letter, Confirmation of Bond availability, ROSCO term sheets	2 copies	3 copies	none
3	Technical Data			
	If revised timetables are proposed the following details should be submitted in support of the Delivery Plans for the Franchise Specification, Specified Priced Options and the Bidder Incremental Options: <ul style="list-style-type: none"> - Proposed working timetables, - rolling stock and crew diagrams and - platform workings at Paddington Station. Bidders will need to show how these timetables comply with the TSR. Economic Case as per Appendix 3.	2 copies	3 copies	none
4	Legal and compliance			
	'Deltaview' mark-up and clean copy of the Franchise Agreement, the Conditions Precedent Agreement and the Funding Deed and any other agreement signed as part of the award of the franchise (together the "Franchise Signature Documents") including completion of those parts marked 'Bidders to populate' Non-compliance statements Changes in circumstances and competition matters Declaration of Conformity Confirmation that Bid will be held valid for 275 days from Bid return date as specified in Section 2.14	1 copy	3 copies	none

2.9 Executive Summary & Delivery Plans

Part 1 of the Bid should also include an Executive Summary that describes the Bidder's vision for the Great Western franchise and how the Department's objectives for the franchise will be met.

The Bidder shall explain in the Delivery Plans how the requirements of the Franchise Specification will be delivered or exceeded. Full details of the requirements are set out in Section 4.

2.10 Specified Priced Options

Historically, Bidders have been asked to submit Delivery Plans for specified Priced Options separate from the Franchise Specification and therefore with no effect on outcome of the selection of the winning Bidder from either a financial or deliverability point of view. This has been justified on the basis that sometimes the Options being requested were somewhat speculative and resulted in responses that reflected their relative position in the Bid process.

On the Great Western franchise, a different approach will be adopted. Possible future decentralisation of rail responsibilities has been consulted on, and the options are currently under review by the Department. Having considered the specific circumstances of this procurement, the Department believes is appropriate to provide Bidders with a competitive incentive to provide the best solution and price for those Options which are being put forward by local authorities.

For their part the local authorities concerned have restricted themselves to seeking only those Options that they are seriously and actively considering buying and which they believe are likely to be fundable.

Therefore, on the Great Western franchise although the incremental price for each option must still be separately identified, a proportion of that price will be added to the overall price of the Franchise Specification. The plan for delivering each option should be included as part of Delivery Plan 11 – Managing Stakeholder Relations and De-centralisation where further details of this approach can be found.

Note that there is also a Specified Priced Option related to implementation of the European Train Control System (ETCS) in Delivery Plan 5, which will be treated in the same way.

Each Specified Priced Option shall be expressed as a clearly defined commitment with clear time plans for implementation that fully describe the circumstances and conditions under which the requested Priced Option may be delivered, including the benefits that will be achieved and how Bidders have, and will, engage with stakeholders in implementing these Priced Options. Bidders should clearly identify any risks, constraints or other factors that may affect deliverability, and set out how they might be mitigated or removed. Bidders should mark-up the relevant section of the Franchise Agreement as appropriate in relation to each Specified Priced Option.

2.11 Bidder Incremental Options

The Department is aware that Bidders are likely to assess a range of potential initiatives for the Great Western franchise whilst preparing their Bids. Bidders may identify initiatives which they consider to be of merit, but which have failed to achieve the Bidder's financial criteria for inclusion in the Base Case Bid. In these circumstances, Bidders are encouraged to submit the initiatives as Bidder Incremental Options. The Department will consider purchasing the Bidder Incremental Options offered by the winning Bidder subject to affordability constraints and economic appraisal criteria. Bidders are strongly advised to consult confidentially with the Department about their possible Bidder Incremental Options, so as to avoid the possibility of abortive effort being expended on options that the Department is unlikely to procure.

Such Bidder Incremental Options must be presented, fully specified and priced incrementally from the Franchise Specification, and should be self-contained, i.e. not be dependent on any other Bidder Incremental Option which may be included in the submission.

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

Bidder Incremental Options form no part of the evaluation of the Bid submission and therefore will not affect the outcome of the competition.

The financial modelling requirements for any submitted Bidder Incremental Options are laid out in Section 5: Financial Elements of this ITT.

2.12 Non-Compliant Bids, Statements, Changes in Circumstance and SoSRAs

2.12.1 Non Compliant Bids and right to remove Bidders from the process

Bids received which are in the opinion of the Department considered to be non compliant will be treated in accordance with paragraph 2.12.3. Bids may be considered to be non-compliant for reasons including but not limited to:

- late submission of Bids;
- incomplete or incorrectly completed Bids; and/or
- Bids that fail to meet the Department's requirements as specified in this ITT.

In addition, the Department reserves the right to remove a Bidder from the process where, in the reasonable opinion of the Department, that Bidder has acted or failed to act in such a way that is consistent with the requirements of the Bidding process and this ITT including but not limited to:

- material or serious misrepresentation by the Bidder in relation to the Bid process or its application;
- contravention by the Bidder of the terms and conditions of this ITT; and/or
- breach of confidentiality or probity.

2.12.2 Non-Compliance Statements

Bidders are required, when submitting their Bids, to list in the format set out in the following table, all requirements of this ITT with which they are not able to confirm compliance in full. Full details of the reasons for the non-compliance should be given. Any provision not so listed and detailed will be regarded as having been accepted unconditionally.

Bidders are also required when submitting their Bids to list in the format set out in the following table, all clauses, sections and schedules of the Franchise Signature Documents with which they are not able to confirm compliance in full. Full details of the reasons for non-compliance should be given. Any provision not so listed and detailed will be regarded as having been accepted unconditionally.

Table 2-3: *Format of Non-Compliance Statement*

Document	ITT Sections/Paragraph of the Franchise Agreement which have NOT been complied with	Details
<i>ITT</i>		
<i>Franchise Agreement</i>		
<i>Conditions Precedent Agreement</i>		
<i>Funding Deed</i>		

2.12.3 Impact of Non-Compliance

Where a bid is found to be non-compliant as set out in section 2.12.1 (including whether or not such non-compliance is specified in 2.12 or any Non-Compliance Statement), or to lack any information required by this ITT to enable evaluation, the Department may:

- evaluate the Bid;
- seek additional information or clarification from the Bidder; and/or
- reject the Bid.

Where the Department (whether after seeking additional information or clarification or not) elects to evaluate any such Bid, then the Department may take account of the effect of the non-compliances in all relevant aspects of its evaluation (including, without limitation, the scoring of Delivery Plans and the adjustment of cost and revenue forecasts for the purpose of evaluating the financial robustness of the Bid). The Department may additionally ask the Bidder to specify the financial (Subsidy/Premium) impact on its Bid of the removal of the non-compliance (confirming that the Bid may be accepted as amended by such removal) and be entitled to take account of that impact in the evaluation. Ultimately the Department reserves the right to consider the Bid non-compliant.

2.12.4 Changes in Circumstances and Competition Matters

Similarly, Bidders shall include in their Bids in the format set out in the following table, details of any change in circumstances or competition matters that affect their Bidding position.

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

Change	Reporting Required
Change in Circumstances	Bidders should include details in response to the instructions contained in Section 2.3 (Changes in Circumstances)
Competition Matters	Bidders should include details in response to the instructions contained in Section 2.20

2.13 Secretary of State's Risk Assumptions (SoSRAs)

Bidders are discouraged from proposing their own SoSRAs or any other contractual amendments which seek to transfer risk from the Franchisee to the Secretary of State and in the reasonable opinion of the Department have the same, or a substantially similar, effect to a SoSRA. Where Bidders do propose their own SoSRAs or other relevant contractual amendments, they shall also include in the Bid a statement either:

- specifying the impact on Franchise Payment (if any) if the Secretary of State refuses to accept the SoSRA or other relevant contractual amendment; or
- stating that if the SoSRA or other relevant contractual amendment was not accepted it is noted and agreed that the Secretary of State will have the right to reject the Bid as non compliant.

Where a cost for removing the SoSRA or other relevant contractual amendment is specified the Secretary shall have the right to:

- accept the Bid amended by deleting the relevant SoSRA or other relevant contractual amendment; and
- reflect the specified cost for removing the SoSRA or other relevant contractual amendment in the risk adjusted price of the Bidders proposal.

2.14 Validity of Bids

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

2.15 Industry Consultation and Disclosure of Information in Bids

Bidders should be aware that, following the submission of Bids, the Department will need to consult HM Treasury, the Office of Rail Regulation ("ORR"), its advisers and Network Rail. The Department will also consult such other persons as it considers necessary or appropriate including, but not limited to, its advisers, Welsh Government, bodies representing passenger interests (such as Passenger Focus or London Travelwatch), TfL (including Crossrail Ltd), the Disabled Persons Transport Advisory Committee or

successor body, affected Local Authorities and Local Economic Partnerships (collectively referred to as Consultees and each separately referred to as a Consultee).

Accordingly, the submission of Bids will constitute permission by the Bidders for the Department to disclose to any Consultee all or any of the information contained in, or supplied in connection with, such Bids, excluding any commercially sensitive material as appropriate and which is clearly marked by Bidders as such.

In addition, Bidders are reminded that in order to develop and agree Track Access Contracts and Station Access Contracts, Network Rail will need to consult, amongst others, passenger and freight train operating companies and that this process may involve discussion of relevant aspects of the Bids. Bidders shall cooperate with these consultations. The Department may ask Network Rail to comment on such elements of the Bids and to address their comments to both the relevant Bidder and the Department. The Department also expects to ask Crossrail/ Rail for London to comment on the Crossrail elements of the Bids and to ask the relevant local authorities to comment on the Specified Priced Options that they have requested.

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

2.16 Evaluation of Bids

Bids must be complete and submitted in accordance with the instructions to Bidders set out in this document. Bids must be compliant with the requirements of the Franchise Signature Documents. The evaluation of Bids shall be conducted in accordance with this ITT and the Department's Guide to the Railway Franchise Procurement Process and the Franchise Evaluation Process Charts for Great Western at Attachment I and Appendices 1A-1F of this ITT.

This process includes a consideration of the Value for Money and affordability of the franchise proposition before award, together with assessment of the deliverability of Bidders' proposals.

The Department will evaluate Bids and rank them for the purposes of selecting the Franchisee on the basis of the results of each Bidder's Franchise Specification submission only.

The Department will undertake a risk adjustment process which will include an assessment of the costs and revenues set out in Bids for deliverability. If this assessment indicates a significant risk that costs or revenues will not be delivered, or identifies other reasons why the Franchisee is likely to be financially unstable, the Department may seek additional guarantees to be written into the contract to reduce the risk to public finances to an acceptable level. Where this is not confirmed, the Bid may be deemed to have an unacceptable financial risk to the Department and may be rejected. The risk adjustment

will also include an assessment of the forecast demand and capacity provided into key cities to ensure that these are reasonable, details of which are in Section 4.3.8.1.

The Bidder shall submit demonstrable VFM assessment(s) of its proposals within its Bid in accordance with the guidance document entitled Guidance for Bidders in constructing an Economic Case for the Great Western franchise Bids” at Appendix 3.

2.17 Interaction with InterCity Express Programme (IEP)

The Department recognises the fundamental importance of IEP to Bidders’ submissions. Under the Master Availability and Reliability Agreement (MARA), Agility Trains West Ltd will be contractually committed to engage with Bidders for the Great Western franchise and help them to develop their proposals. Details of what the Department expects to see in this regard within the Bid submissions are set out in the relevant Delivery Plan.

The franchising process coincides with a planned period of six months after contractual close for requirements capture and design development. Alongside this Bidders may well be seeking to engage with Agility Trains West Ltd to work up any variations in design being sought. It may be beneficial for the Department in its role as representing the Secretary of State as the counterparty to Agility Trains West Ltd in the MARA to facilitate continuing engagement between the Bidders and Agility Trains West Ltd on such variations following Bid submission. However, because of the importance of limiting abortive work in this regard, the Department may need to take a different approach to the decision and announcement of the progress of the Great Western franchise competition as set out in Section 2.18 below.

2.18 Negotiation and Award

Following Bid evaluation and clarification, the Department reserves the right to negotiate with one, some, or all Bidders and subject to such negotiations, the Department additionally reserves the right to request some or all Bidders to re-submit their Bids.

Historically, even though the Department is likely to have decided after its evaluation and clarification process that one or two Bidders are in a leading position, no indication of this is provided to Bidders, nor any public announcement made until actual contract award and signature.

Because of the interaction of the Great Western competition with IEP, the Department reserves the right to indicate to a Bidder(s) that its Bid is not considered to be a leading Bid and that it need not engage with the IEP design process any further.

In such circumstances the Department reserves the right to make a formal announcement to this effect which would be discussed with the relevant Bidder. Doing so would not in any way prevent the Department from re-engaging with that Bidder should the Department subsequently find it is unable to contract with any of the Bidders that were originally considered to be lead Bidders.

The Department intends to run a voluntary standstill period of 10 calendar days. Prior to the date of commencement of the voluntary standstill period the preferred Bidder would be required to sign the Franchise Agreement, Funding Deed and other relevant agreements after the London Stock Exchange closes and the Secretary of State has been informed of

the identity of the preferred Bidder. An announcement will be made to the London Stock Exchange at 07.00 hours the following morning setting out the Department's intention to award the franchise following a voluntary 10 day standstill period, as defined by the EU procurement directives. The documents signed by the preferred Bidder would be held safely by the Department until the preferred Bidder is either notified:

- of the successful conclusion of the standstill period. Following such notification, the Department would sign the Franchise Agreement and on that date the completion of the Franchise Agreement and other relevant documents shall occur and become legally binding on the parties from that date; or
- that the Department has received a legal challenge to the process during the standstill period and the Department would as soon as reasonably practicable after the date of such notification return all the documents as signed by the preferred Bidder.

2.19 Debrief for Bidders

On the day of announcing the intention to award the franchise (i.e. at the commencement of the voluntary standstill period) the Department will e-mail to unsuccessful Bidders a letter setting out a summary of the characteristics and relative strengths of the winning Bid and the relative strengths and weaknesses of the unsuccessful Bidder's proposal.

2.20 Competition Matters

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

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

If, in the view of the Department, the impact of any such intervention would prejudice the timing of the franchise process or the ability of the Bidder to operate the franchise as Bid, or would otherwise prejudice the franchise or any other franchise, the Department reserves the right to disqualify the Bidder from the Great Western franchise reletting process.

Each Bidder is therefore required to confirm:

- 1) Whether award of the franchise to it would require notification to the EC under EUMR;
- 2) What strategy it will adopt to minimise the delay in being able to operate the Franchise if an award is made to it. In particular:
 - if the award to it of the franchise would require notification under EUMR, whether the Bidder would propose to request pursuant to Article 4(5) EUMR that the transaction is referred back to the OFT for consideration, and how it views the prospects of such a request being accepted;
 - how the Bidder proposes to approach pre-notification discussions with the OFT or, as the case may be, the EC to ensure that the notification is complete and that all necessary supporting evidence is included; and
 - the Bidder's willingness to offer undertakings or commitments to the OFT or the EC in order to avoid a second phase investigation;
- 3) The form of any derogations the Bidder would seek to the OFT's standard form hold separate undertakings in the event that these are required in the context of a completed merger;
- 4) That it will commit to offer such undertakings or commitments as may be required by the OFT or the EC to enable it to operate the franchise as Bid, and that any such undertakings or commitments given would not impact on its ability to operate any other franchise.

2.21 Transparency and Freedom of Information Act 2000

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

In submitting their Bids in response to this ITT, Bidders are invited to identify which parts, if any, of their Bid are provided to the Department in confidence or are commercially sensitive, such that they may be exempt from disclosure under FOIA and/or EIR. Bidders should provide reasons why such information should not be disclosed in response to any request and an estimate of the period of time during which the Bidders believe that such information will remain exempt from disclosure.

Bidders should note that, even where information is identified as commercially sensitive or confidential, the Department may be required to disclose such information in accordance with the FOIA and/or EIR. The Department is required to form an independent judgment concerning whether the information is exempt from disclosure under the FOIA and/or EIR at the time of request. In particular Bidders should be aware of the Code of Practice issued by the Secretary of State for Constitutional Affairs under section 45 of the FOIA: Section 45 FOIA which limits the circumstances under which a public authority should agree to

hold information in confidence. It could be the case, therefore, notwithstanding notification by Bidders that parts of a Bid have been provided in confidence or are commercially sensitive, that the Department will be obliged to disclose those parts.

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

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

Bidders' attention is also drawn to the pre-existing provisions of the Franchise Agreement that state that the Department may make certain information available to ORR, and may publish it. The Department intends that unit cost and/or cost data supplied to the Department by the Franchisee as part of the periodic management accounts will be made available to the ORR for benchmarking and will be published. The Department does not expect such information to be exempt under the terms of the FOIA/EIR. The Department complies with the central government transparency agenda programme, details of which can be found at <http://www.dft.gov.uk/publications/dft-transport-sector-transparency-board> and Cabinet Office guidance on this <https://update.cabinetoffice.gov.uk/resource-library/guidance-transparency> in relation to procurement and contracts.

2.22 Redactions from the Franchise Signature Documents

The Department is committed to transparency in the procurement of its contracts. This includes the publication of all tender documents for contracts over £10,000 on a single website ("Contracts Finder") found at www.businesslink.gov.uk/ContractsFinder and the publication of contracts in full. By responding to this ITT Bidders are agreeing to abide by these commitments.

Additionally, in accordance with s73 of the Railways Act 1993 (as amended), the Secretary of State is required to keep a register of franchise documents for the reference of the Office of Rail Regulation and Scottish Ministers ("the Section 73 Register").

Bidders shall acknowledge that, except for any information which is exempt from disclosure in accordance with the provisions of the FOIA, the content of the Franchise Signature Documents is not Confidential Information. The Department shall be responsible for determining in its absolute discretion whether any of the content of the Franchise Signature Documents is exempt from disclosure in accordance with the provisions of the FOIA. Notwithstanding any other term of the Franchise Signature Documents, the Bidder hereby gives his consent for the Department to publish the Franchise Signature Documents in their entirety (but with any information which is exempt from disclosure in accordance with the provisions of the FOIA redacted) including from time to time agreed changes to the Franchise Signature Documents, to the general public.

The Department may consult with the Bidder to inform its decision regarding any redactions but the Department shall have the final decision in its absolute discretion. The Franchisee shall assist and cooperate with the Department to enable the Department to publish the Franchise Agreement.

Within four weeks of signature of the Franchise Signature Documents, the Franchisee will be required to submit to the Department a list of proposed redactions from the Franchise Signature Documents.

The Franchisee may request that any such redaction is made in respect of publication on the Department's website, the Section 73 Register, or both. For each redaction, the Franchisee should specify the exact text it proposes should be redacted, and justify the redaction with reference to the criteria in s73(3) of the Act, and/or the exemptions in Part II of FOIA, as appropriate. The Department will then consult with the Franchisee to endeavour to agree a list of proposed redactions in advance of the Secretary of State publishing the Franchise Signature Documents on the Department's website and the Section 73 Register.

Prior to the commencement of the franchise, the Franchisee is required to satisfy the conditions as set out in the Conditions Precedent Agreement. Satisfaction of those conditions may involve the entry into, or provision to the Department, of a number of other Agreed Form Documents and other documents. Within thirty calendar days of the date on which the Certificate of Commencement is issued, the Franchisee will again be required to submit to the Department a list of proposed redactions from these further documents in the manner described above. The Department will again consult with the Franchisee to endeavour to agree a list of proposed redactions in advance of the Secretary of State publishing these further documents on the public section of the Department's website and the Section 73 Register.

Should agreement on a redacted version of any document not be reached, the Secretary or State may, at her sole discretion, nevertheless place that document on the Department's website and on the Section 73 Register subject to such redactions (if any), as she considers appropriate.

2.23 Variations to the Franchise Agreement

Bidders' attention is drawn to the variation provisions in Schedule 19 (other Provisions), paragraph 1 of the Franchise Agreement and the ability of the Secretary of State to amend the contracted Train Service Requirement. The Secretary of State reserves the right to require variations to the Franchise Services and/or the manner in which Franchise Services are required to be delivered, and any consequential changes to the Franchise Agreement.

The Secretary of State may also require variations to other contracted provisions or outputs. In particular, variations may result from changes to the specification or timing of committed projects affecting the Great Western franchise.

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

Given the length of this franchise, and the strong likelihood of economic, social, budgetary and operational circumstances changing over a period of up to 15 years, the Government believes it is likely to make variations to the contract during the franchise term. In order to provide an incentive for the Franchisee to develop and implement such changes, it may be appropriate for the Franchisee to receive a reasonable level of financial benefit, if any financial benefit arises from such changes to the contract. It may also be appropriate for the Department, or other parties such as Network Rail to share such benefits with the Franchisee.

SECTION 3: THE BID SUBMISSION – REQUIREMENTS FOR DELIVERY PLANS

3.1 Introduction

In order to achieve the Great Western franchise objectives, the Department has developed a Franchise Specification. Bidders need to demonstrate how they will meet and exceed this specification through a number of Delivery Plans.

In this section the Department sets out what its overall requirements are in respect of the Delivery Plans that Bidders are to submit and how they will be evaluated.

The Delivery Plans (and supporting technical documents) serve a number of purposes. They:

- provide evidence that the Bidder understands and will meet the Department's objectives for the Great Western franchise and will deliver the Franchisee's obligations contained in the Franchise Agreement and other relevant agreements. Bidders should refer to the Franchise Agreement, the Conditions Precedent Agreement and the Funding Deed which will be supplied to Bidders shortly after the publication of this ITT;
- provide evidence that the Bidder's submission is capable of delivering the Franchise Specification and therefore could form the basis of a future Franchise Agreement should the Bidder be successful (i.e. it is not 'undeliverable');
- provide evidence to support the financial aspects of the proposal in particular that the projected costs and revenues are realistic. To the extent that they are not considered realistic based upon the evidence, the financial projections will be adjusted accordingly which may result in a request for increased parent company support via the Funding Deed;
- provide a statement of the Bidder's proposed commitments to deliver or exceed the Franchise Specification, which may then form the basis of Committed Obligations to be included within the Franchise Agreement; and
- provide a means for scoring the quality of the Bids in relative terms compared with other Bids, such that they could become a differentiating factor should the financial offers be close together.

3.2 The Delivery Plan Structure

The following table sets out the Delivery Plans that are required to be submitted, together with their relative weighting:

Table 3-1: Delivery Plans for the Great Western franchise

The Delivery Plans should be submitted in the sequence shown in the table below. Plans have been assigned their own individual weighting as shown in the table.

No	Delivery Plan	Weighting %
1	STARTING THE NEW FRANCHISE SEAMLESSLY	Pass/Fail
2	MANAGING THE FRANCHISE COST EFFECTIVELY & EFFICIENTLY TO DELIVER BETTER VALUE FOR MONEY	5
3	DELIVERING APPROPRIATE SOLUTIONS TO ACCOMMODATE PASSENGER GROWTH	17.5
4	MANAGEMENT AND DELIVERY OF INFRASTRUCTURE CHANGE	10
5	MANAGEMENT AND DELIVERY OF ROLLING STOCK CHANGE	15
6	ACHIEVING RELIABLE & PUNCTUAL TRAIN PERFORMANCE	7.5
7	IMPROVING THE CUSTOMER OFFER & EXPERIENCE	15
8	BETTER STATIONS & ACCESS TO THE NETWORK	7.5
9	FARES, MARKETING & OTHER REVENUE	7.5
10	TICKET SALES & REVENUE PROTECTION	5
11	MANAGING STAKEHOLDER RELATIONS & DECENTRALISATION	5
12	MODELLING CHANGE & PROFIT SHARING	5
	Total	100

3.2.1 Specific Requirements – Delivery Plans 1 – 11

Bidders shall provide a full set of eleven Delivery Plans plus the worked examples required by Delivery Plan 12 (see Section 5.5.2). The requirements for each are set out in Section 4.

In the write up for each Delivery Plan 1 – 11, the Department has tried to provide some of the summary background information relevant to that plan which should be supplemented with information in the Great Western Long Form Report and on the Great Western data site.

The Department also sets out those areas which it believes are most important for Bidders to provide evidence against in order to fulfil the requirements described in Section 3.1.

In the Delivery Plans 2 – 11, Bidders shall provide evidence that they understand the current approach to a particular area. They should then set out their plans as to how they would meet the required outputs. If this is a continuation of current practice, then they should state this and explain how it will meet the required outputs, but avoid repetition of the process.

If the Bidder is planning to do things **differently** compared with current practice in order to fulfil the requirements of Section 3.1 then this should be set out in more detail. It does not automatically follow that credit will be given for adopting a different approach per se – only if it can be demonstrated that the different approach delivers a better outcome than continuing the status quo.

In addition the Department is not looking for detailed explanation in areas where:

- it is part of the general competency as a transport operator that have already been submitted and assessed as part of the EFQM evaluation undertaken at the Pre-qualification stage;
- there is a well established standard industry practice and/or technology; or
- the Bidder does not believe it will contribute to the achievement of the Franchise Objectives, fulfilment of Franchise Obligations or achievement of the subsidy/premium line.

It should be noted that this guidance is less likely to be applicable to Delivery Plans 3, 4 and 5 which are primarily about delivering major change.

3.2.2 Committed Obligations

The Department will wish to contractualise improvements and investments that have been taken into account in scoring Delivery Plans, in order to ensure that they are delivered.

However, the Department would prefer to contractualise such commitments in as flexible a way as possible, in order to avoid the need to closely manage the on-time delivery of a long list of obligations. The Department encourages Bidders to link commitments to specific and measurable output targets where appropriate. For example, commitments to provide more car parking spaces or secure cycle spaces could be set at franchise rather than station level, or could be linked to demand.

The Department wishes to encourage focused obligations in support of key features of Delivery Plans but is not seeking large numbers of de-minimus commitments. The Department is aware that not all aspects of Delivery Plans lend themselves to Committed Obligations. Some plans are closely linked to the delivery of core Train Service Requirement (TSR), financial, service quality and performance commitments already included in the Franchise Agreement and it is not intended to duplicate those obligations. The Department does not usually expect to contract initiatives that are part of the Franchisee's normal commercial business and which the Bidder expects to be profitable.

In choosing which initiatives to offer as Committed Obligations, Bidders should consider the following principles:

- committed Obligations linked to delivery of outputs that would be recognised by customers are generally more appropriate than those linked to the internal process of delivery (e.g. business IT systems);
- suitable Committed Obligations which will generally have a significant cost and add passenger benefit, economic benefits that accrue to wider society, or network level benefits;
- significant schemes to invest in infrastructure would be likely candidates for Committed Obligations;
- less significant investments, services or initiatives may also be appropriate if they come at net cost, or are projected to have small or relatively uncertain revenue benefit – this could include some types of passenger facilities at smaller stations; and

- there may also be a case for offering a Committed Obligation in order to provide additional confidence to the Department that revenue, cost or operational committed can be delivered.

All Committed Obligations shall be recorded in the Part 4 Legal Response and need to include a clearly defined measurable target, an appropriate time limit for delivery and a proportionate Committed Obligation Payment Adjustment (“COPA”) if delivery is delayed.

The final page of each delivery plan should clearly tabulate all Committed Obligations contained within that delivery plan, including target, timescale and COPA.

All Committed Obligations must be robustly and clearly defined in the Franchise Agreement and any obligations should therefore be based on well-understood, easily tested data – ideally independent data such as the National Passenger Survey. The Department reserves the right not to accept or give credit for commitments offered by Bidders if, in the Department’s view, they are framed in a way that may be hard to verify, would increase the need for contract management, or may lead to legal dispute.

3.2.3 Support for Financial Sections of the Bid Submission

Where a specific initiative or commitment is described in the Delivery Plans and it contributes to the delivery of the Subsidy/ Premium line, this should be stated in the Delivery Plan and cross-referred to the Financial Model (FM) or Record of Assumptions (RoA) accordingly. To enable evaluators to easily cross-check it is essential that such £ values are expressed consistently between the FM/ RoA and the Delivery Plan or that an explanation is provided as to how differently expressed numbers can be reconciled.

If required, further guidance can be sought from the Department’s finance team.

3.2.4 Funding requirements

3.2.4.1 Performance Bond

The Bidder shall provide a Performance Bond of £30m (in 2013/14 prices) from the start of the franchise, indexed up at each renewal. This should be provided in accordance with Section 4 of the Franchise Agreement (Performance Bond).

3.2.4.2 Season Ticket Bond

The Bidder shall provide a Season Ticket Bond from the start of the franchise. This will be calculated and provided in accordance with Section 5 of the Franchise Agreement (Season Ticket Bond).

3.2.4.3 Subordinated Loan Facility (SLF)

Bidders shall provide a minimum SLF of £40m from the beginning of the franchise. In the event that the Department determines, after Bids have been received, that an SLF in excess of the minimum of £40m is required, Bidders will be asked to confirm whether the Bidder’s ultimate parent (backed by a suitable bank) is prepared to guarantee the additional funds (on demand) on the terms of the Funding Deed.

Bidders will not be allowed to revise their Bid to offset the impact of such a request by the Department.

3.3 Evaluation Process – Delivery Plans 2 – 11

3.3.1 General

The Department will assess each response according to the Cabinet Office Efficiency Reform Group (the “ERG”) and European Foundation for Quality Management (“EFQM”) guidelines. The franchise will be awarded to the Bidder who offers the Department the best proposition for delivering the Franchise Specification, selected in accordance with the Franchise Evaluation Process Charts.

As stated above, the Department will assess the risk to delivery of overall business performance and the Department's objectives for the Great Western franchise. Delivery Plans are weighted as shown in Table 3-1). Evidence of the deliverability of projected revenues and costs will be used to inform the Department's risk adjusted view of the premium offered by the Bidder, which it will then use in the assessment of the financial risk of the Bid.

Bidders' attention is drawn to the guidance on risk assessment that is set out in paragraph 23 of “A Guide to the Rail Franchise Procurement Process”.

In addition, the Department is keen that Bidders' forecasts of demand and provision of capacity to meet that demand is appropriate. Part of the risk adjustment process will therefore also consider the risk that a Bidder's demand forecast outside London is unjustifiably low and would be likely to lead to future approaches to the Department to negotiate additional capacity through an HLOS capacity intervention or other process during the franchise. Further details of this risk adjustment are set out in Section 4.3.8.1.

The process also includes the possibility of Bidders receiving additional credit for providing more than the minimum capacity specified into Paddington after 2019 as set out in Section 4.3.8.7.

3.3.2 Financial Risk (Evaluation Process Charts 3 & 4)

In accordance with Appendix 4 (Great Western - Supplementary guidance on the risk adjustment process for financial compliance when sizing of the Subordinated Loan Facility), evidence of the deliverability of the projected revenues and costs will be used to inform the Department's risk adjusted view of the Bid which in turn will be used to assess the size of the Subordinated Loan Facility (SLF) required. In the event that the Department requires an SLF in excess of the minimum £40m stated, clarification will be sought from the Bidder to confirm the Bidder's ultimate parent (backed by a suitable bank) is prepared to guarantee the additional funds (on demand) on the terms of the Funding Deed to minimise the risk of franchise default. Where this is not confirmed, the Bid may be deemed to have an unacceptable financial risk to the Department and may be rejected.

Bidders will not be allowed to revise their Bid to offset the impact of such a request by the Department.

3.3.3 Application of RADAR to Delivery Plans 2 – 11

Except where outlined in this ITT in relation to Delivery Plans 1 and 12, the Delivery Plans will be evaluated using the RADAR® process. Bidders are encouraged to identify the RADAR components of their response in respect to each plan, which will be applied as shown in Table 3-2.

Table 3-2 Weighting of RADAR Component for Delivery Plans 2-11

RADAR component	Contents	Weighting Del Plans 2 & 6-11	Weighting Del Plan 3	Weighting Del Plans 4 & 5
Approach	The Bidder's description of the outcomes which will be achieved and why. The linkage to the Department's objectives for the franchise should be described. This component should include analysis of the existing position supporting the approach proposed and the expected future results.	40	60	25
Deployment	How the outcomes proposed by the Bidder will be delivered. In addition to describing what resources are required and how they will be deployed, this component should include evidence that promised improvements can be secured. Where appropriate, promised improvements should be linked to Committed Obligations.	40	20	55
Assessment & Refinement	What Key Performance Indicators the Bidder will measure in order to ensure the delivery of outcomes. How the business is structured and what processes are in place to react if the desired results are not achieved. This component should consider the risks to delivery and how the Bidder would manage and mitigate them, including possible mitigation actions if forecast revenue is not achieved.	20	20	20

The weightings adopted for each RADAR component reflect the application of this system to Delivery Plans for a new business. RADAR® scoring is the evaluation method used to score for the European Quality Award. Because of the particular requirements of the Great Western franchise and the way Delivery Plans 3 – 5 are structured, the Department is adopting a higher weighting for 'Approach' in Delivery Plan 3 and a higher weighting for 'Deployment' for Delivery Plans 4 and 5 to reflect the ways in which they interact with each other.

The Department does not intend to allocate specific weightings to individual elements within a Delivery Plan.

3.3.4 Approach in Delivery Plans 2 – 11

The Department requires evidence that the Delivery Plans are sound and achievable. However, it is also seeking to encourage ambition on the part of Bidders to exceed the requirements of the Franchise Specification and provide innovative solutions to the challenges facing the franchise. Bidders will be expected to provide evidence to demonstrate that the approach is appropriate which may be in the form of relevant examples from other operations, although care should be taken to explain why the approach is suitable for the Great Western franchise.

3.3.5 Deployment in Delivery Plans 2 – 11

Having explained its approach within a Delivery Plan, the Department needs assurance that it can be successfully deployed. The more ambitious the improvement offered by the Bidder or the more innovative its approach, the greater the need for evidence to support the Bid. This evidence of deliverability of the specific plans presented for the new franchise again may be in the form of relevant examples of successful deployment from other operations though the differences and risks related to deploying on the Great Western franchise should be explored.

3.3.6 Overall Deliverability of Delivery Plans 2 – 12

All Bids where the Department is confident of delivery of the Franchise Specification will be judged 'deliverable'. There is no fixed scoring threshold for deliverability but a Bid will be judged 'undeliverable' if, after clarification by the Bidder, the risk to delivery of the Franchise Specification is judged unacceptably high by the Department. The risk to delivery could be unacceptably high if there is an exceptionally low confidence in one Delivery Plan or where there is low confidence in a number of Delivery Plans.

In order to achieve the maximum score available for a Delivery Plan, Bidders will need to demonstrate added value in their Approach, consistent with the Department's objectives for the franchise, in excess of delivery of the Franchise Specification. As explained above, in order to score well Bidders need to evidence that the added value is in itself deliverable.

The scoring matrix for each of the Delivery Plans 2 – 11 is shown under Attachment H.

3.4 Evaluation Process – Delivery Plan 1

Delivery Plan 1 (Starting the new Franchise Seamlessly) will be assessed as a Pass/ Fail Delivery Plan, as opposed to being scored and then possibly contributing to the decision as to which Bidder is successful. The Department expects Bidders should be able to demonstrate their ability to mobilise the Franchise in accordance with the guidance set out in Section 4.1. However, if after clarification by the Department, the Bidder is still unable to provide that assurance then that Bid will be deemed to be undeliverable and will be excluded from the rest of the evaluation process.

The response to this Delivery Plan is not within the Page Limit.

3.5 Evaluation Process – Delivery Plan 12

The Department will assess its confidence in the Bidder's Models and Record of Assumptions in accurately and comprehensively documenting the financial elements of its Bid and score it as a Delivery Plan. Responses to this Delivery Plan should be included as part of the Operating Manual, which is not subject to any page limit. The RADAR components (identified in 3.3.3 Application of RADAR) will not be applied to this Delivery Plan. Instead the weightings shown in Table 3-3 will be applied.

Table 3-3: Weightings applied to Delivery Plan 12

Component	Weighting
Model suite	
Assessment of worked examples and approach to Change	10%
Suitability of Record of Assumptions	35%
Suitability of Financial Model	25%
Suitability of Operational Models	15%
Profit Share	
Improvements to profit sharing / thresholds (see below)	15 %
Total	100%

As shown above, the Department will award up to 15% of points in this Delivery Plan for Bids that offer improvement on either or both of the profit sharing levels or profit sharing thresholds, to the extent that Bidders' financial and/or other Bid submissions commit to any such improvements.

Where Bidders wish to submit proposals that offer enhanced profit sharing levels or thresholds, it is requested that such proposals are laid out clearly in the Record of Assumptions, Franchise Agreement and that those committed offerings are appropriately reflected in the Bidder's Financial Model (although profit share will be evaluated as part of this Delivery Plan and will not contribute towards the NPV of the Premium/Subsidy Bid).

3.6 Selection of winning Bid (Evaluation Process Charts 5 & 6)

Following the Bid evaluation and clarification the Department will follow Franchise Evaluation Process Charts 5 and 6 to select the winning Bid. All Bids which are deemed to have met all of the following criteria, as described in the relevant sections of the ITT, will be considered in the Selection of the leading Bid (Evaluation Process Chart 6):

- is the Bid considered to be compliant?
- is the Bid considered to be deliverable?
- has any new information emerged meaning a previously pre-qualified Bidder would not now pass the legal, financial or safety compliance tests?
- is the Bid affordable?

As set out in Process Charts 5 and 6, the Department will then select the lead Bid through a series of NPV and deliverability ‘gates’. This process is included in the competition so that, where Bids are relatively close in price, the deliverability score will act as the deciding factor in determining the winner of the franchise competition. This provides an additional incentive for bidders to seek every opportunity to increase the quality their proposition offers to the passenger, and provide evidence that their proposition is achievable and robust.

3.7 Value for Money (VfM)

Bidders shall provide their own VfM analysis of the Bid against their own quantified baseline in accordance with 2.16. This will take the form identified in Appendix 3 (Guidance for Bidders in constructing an Economic Case for the Great Western franchise Bids). The Department’s objective is to receive an assessment of the VfM of the proposals made by the Bidder that is consistent with WebTAG guidance.

An analysis of the VfM assessment submitted by the Bidder in accordance with 2.16 will be carried out on the leading Bid only. It will not be used to choose between Bids and will form no other part of the Bid evaluation process other than that the Department may reject the leading Bid on the basis of poor VfM as measured against a fixed threshold Net Present Value (NPV) in the circumstances set out in Appendix 3.

The VfM assessment will be carried out against a ‘do minimum’ that represents the current service offer plus known and committed changes (train service plus quality) rolled forward with the demand grown according to the standard PDFH methodology¹. Bidders are to produce their own quantified baseline in line with the guidance given in Appendix 3.

The Department in conjunction with its’ Technical Advisers will review the submitted VfM assessment and may seek clarification from Bidders where appropriate.

The Department may adjust the VfM of the leading Bid to reflect:

- any errors in the Bidder’s VfM analysis (including but not limited to any non-conformance with Web Tag guidance or with any other of the instructions or requirements given to Bidders in respect of the VfM analysis to be provided); and/or
- the Department’s view of any assessments/assumptions made by the Bidder in its VfM analysis (on the basis set out in Appendix 3).

¹ As described in WebTAG unit 3.15.4D forecasting parameters should be taken from PDFH version 5, except for fares which should use version 4

SECTION 4: THE FRANCHISE SPECIFICATION AND DELIVERY PLANS

In this section the Department sets out the Franchise Specification for the Great Western franchise. It provides background information about each Delivery Plan including some of the obligations that will fall upon the Franchisee. It also sets out what key elements either must or should be included in each Delivery Plan in each Bidder's submission.

4.1 DELIVERY PLAN 1: STARTING THE NEW FRANCHISE SEAMLESSLY

4.1.1 Mobilisation and Migration - Introduction

In this section the Department sets out its expectations for a seamless start to the new franchise and provides some background information on some of the key activities that will need to take place. For clarity, mobilisation activities are interpreted in this document as being those leading up to the commencement of operations. Migration activities are those relating to the transfer and integration of the existing operations, supporting assets, systems and commercial arrangements to create the new Great Western franchise.

Bidders shall demonstrate their capability to carry out an effective mobilisation and migration within the necessary timescales and proceed to commencement of operations on the start date of the new franchise. In particular Bidders should set out their proposed organisation, their approach to managing the interfaces with all other parties and they should provide a set of project plans.

Because this is a Pass/Fail section Bidders need not necessarily use the RADAR approach to writing this. Instead they shall simply provide sufficient evidence to satisfy the Department that they have the capability and resources. This may include reference to previous successful mobilisations with evidence demonstrating how that gives assurance for the Great Western mobilisation.

Note that as stated above, this section is not included within the Page Limit of 1,250 pages.

4.1.1.1 The Department's Objectives

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

- to ensure the integrity and continuity of existing train and other services at the agreed transfer date;
- to work with other TOCs, Network Rail, ORR, the Department and other stakeholders to ensure a successful handover from the incumbent Franchisee by the agreed transfer date.

Successful mobilisation will include, among other things:

- transfer of staff;
- transfer of supporting assets, including relevant agreements;
- acquisition of railway operating licences;
- acquisition of railway safety certification;

- entering into other regulated railway arrangements such as track, station, light maintenance access agreements and connection agreements in relation to light maintenance depots;
- entering into agreements, leases and other arrangements with third parties such as the ROSCOs and Network Rail to ensure provision of rolling stock, beneficial ownership of stations, light maintenance depots and other assets, and services necessary for operation of train services;
- entering into the specific arrangements with BAA under the Great Western franchise in relation to the Heathrow Connect service;
- ensuring, where required in respect of Key Contracts, that Direct Agreements have been entered into;
- ensuring that relevant changes to IT systems have been made;
- entering into such financial bond arrangements as are required by the Franchise Agreement;
- finalisation of commercial arrangements; and
- satisfaction of all the relevant obligations of the Conditions Precedent Agreement supplied to Bidders with the Franchise Agreement.

The Department expects a working group to be established including the Franchisee, the incumbent Franchisee and Department representatives to oversee and monitor progress during the period between selection of the Franchisee and commencement of operations. The main purpose of this group will be to ensure a fair, reasonable and timely migration with the full and active participation of all parties.

Further background information on some of the specific requirements is provided below:

4.1.1.2 Transfer of Staff

Bidders shall assume that transfer of relevant assets and liabilities at the start date of the new franchise agreement will constitute the transfer of an undertaking for the purposes of the Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE). Details will be provided of the First Greater Western Limited employees who will transfer to the Great Western franchise. Details will also be provided of the employees/ posts expected to transfer at a later stage in the Great Western franchise to the new Crossrail TOC.

Train crew for the Heathrow Connect electric train service from Paddington to Heathrow are to be secured via a special agreement with BAA.

4.1.1.3 Transfer of Supporting Assets, including relevant Agreements

Clause 5.1 of the Conditions Precedents Agreement sets out the property, rights and liabilities that would be transferred to the Franchisee via the Start Date Transfer Scheme. Bidders may request for other property, rights and liabilities to be transferred to them via the Start Date Transfer Scheme through the process in clause 5.3 of the Conditions Precedent Agreement.

4.1.1.4 Acquisition of Railway Operating Licences

As a Condition Precedent for the start of the Great Western franchise, the Franchisee shall apply for, and secure, licences and a related Statement of National Regulatory Provisions to operate railway assets within Great Britain. Typically, this process can take up to 120 working days to complete, allowing for consultation and due process. ORR normally requires appropriate safety authorisations to be in place prior to the final issue of these licences.

Before its passenger licence is granted and in order to satisfy requirements of the Franchise Agreement, the Franchisee will need to become a party to the Ticketing & Settlement Agreement (TSA) and a number of associated inter-operator schemes. These are administered by Rail Settlement Plan Ltd (RSP) on behalf of the Association of Train Operating Companies (ATOC).

Further information on the issue and administration of licences can be found at the following website: <http://www.rail-reg.gov.uk/server/show/nav.192>.

4.1.1.5 Acquisition of Railway Safety Certification

The Franchisee shall obtain a Safety Certificate in accordance with the Railways and Other Guided Transport Systems (Safety) Regulations 2006 (“the ROGS Regulations”) as a Condition Precedent to the commencement of the Great Western franchise. The Franchisee will be responsible for maintaining the Safety Certificate for the term of the Great Western franchise.

Bidders shall engage with the ORR during the Bid Preparation Phase in order to ensure that the Safety Certificate will be issued in good time for the start of the franchise. Further information on the requirements and the process for obtaining a railway Safety Certificate can be found on ORR's website via the following link: <http://www.rail-reg.gov.uk/server/show/nav.1520>.

4.1.1.6 Entry into Station, Depot and Track Access Contracts

Bidders shall demonstrate that they will have arrangements in place for gaining access to stations and depots operated by others. These will be covered by access contracts between the Station Facility Owner and the Franchisee. Access contracts, with the exception of those with TfL, are regulated and are subject to approval or direction by ORR, which has produced a number of template access contracts for use by TOCs.

Special access arrangements apply in relation to Greenford station, whose Facility Owner is London Underground.

Special access arrangements also apply in relation to the depot at Old Oak Common used for the maintenance of the Class 360 trains which operate the Heathrow Connect service.

The winning Bidder shall also enter into Connection Agreements for the relevant depots and stabling facilities.

The existing Track Access Contract will be terminated at the end of the current franchise.

The Department is arranging a replacement Track Access Contract which will:

- adopt all the latest model clause amendments made by ORR;
- suspend certain Schedule 5 rights to allow Network Rail to undertake known project work and particular major items of renewals;
- show the rights that will expire at the introduction of Crossrail services in May 2018 and December 2019;
- take effect from Franchise Commencement and run until December 2020.

At the time of issue of this ITT it is anticipated that the replacement Track Access Contract will be about to commence its period of statutory industry consultation.

This revised Track Access Contract does not preclude the winning Bidder, following Franchise Award, from negotiating with Network Rail to gain additional or altered access rights to give effect to its train service proposals, and applying to ORR for a Supplemental Agreement in the normal way. The purpose of the new Track Access Contract is to allow Bidders to develop their proposals in the full knowledge of the anticipated impact of the various infrastructure engineering activities.

The final statement from Network Rail on the access available for the purposes of Bid assumptions is in the data site.

If Network Rail finds that they need additional possession time to complete the works, Schedule 4 payments will be due to compensate for unfulfilled Schedule 5 rights in the normal way. If less possession time is required Network Rail will notify the Franchisee of this fact as soon as they are aware so that the Franchisee may, if time and practical considerations permit, advertise and operate 'normal' services.

Special unregulated track access arrangements apply to the privately-owned network between Crediton and Okehampton in Devon on which the incumbent Franchisee operates summer Sunday services from Exeter on behalf of Devon County Council.

Should the proposed network extension from Bere Alston to Tavistock in Devon be constructed and train services on it be required to be operated as part of the Great Western franchise, network and station access would need to be arranged as appropriate at the time. Bidders for the Great Western franchise need make no assumptions about this for bidding purposes.

4.1.1.7 Securing the Provision of Rolling Stock

The Franchisee shall enter into rolling stock leases and associated contracts for the rolling stock that will enable it to deliver its obligations under the Franchise Agreement. The requirement will be a Condition Precedent to the start of the Great Western franchise. If the Franchisee plans to enter into other rolling stock contracts during the franchise term it must do so one year prior to the cessation of the rolling stock leases of the trains that are intended to be replaced. Failure to do so will be an Event of Default. The plans for mobilisation should be consistent with this requirement.

In relation to the Great Western franchise specifically, it should be noted that some Class 143 trains are Primary Franchise Assets and are therefore not secured via ROSCO leases. The same applies to some shunting locomotives at certain depots.

Use of the Class 360 electric trains used on the Heathrow Connect service is to be secured via a special agreement with BAA, rather than through a ROSCO lease.

4.2 DELIVERY PLAN 2: MANAGING THE FRANCHISE COST EFFECTIVELY & EFFICIENTLY TO DELIVER BETTER VALUE FOR MONEY

4.2.1 Introduction

The Department expects that the new Franchisee will manage the business in a competent and professional manner, supporting economic growth and delivering a balance of commercial and passenger benefit within a framework of achieving best value for money delivering services in a safe, cost-effective and efficient manner.

In this section the Department sets out its expectations as to how the Franchisee will manage the Great Western franchise to meet the Department's objectives and how Bidders should demonstrate this in its submission.

This section includes a number of diverse areas of franchise activity. Except where indicated, this section focuses on the overall, business-wide approach to delivering the activity, with the detail of specific initiatives to be set out in subsequent relevant Delivery Plans.

The Department's objectives for the efficient management of the franchise is organised such that it measures and delivers amongst other things:

- a safe operation;
- the delivery of major change and management of risk;
- improvements to the customer experience;
- employee relations that facilitate the delivery of franchise objectives;
- reductions in unit costs through efficient management of the franchise;
- reductions in unit costs through improved working with Network Rail;
- transparency of cost, performance and other data;
- reductions in the environmental impact of its operations;
- contributions to innovations in technology; and
- increased use of Small and Medium Enterprises (SMEs).

4.2.2 Organisation and Management

In support of the Department's objectives, Bidders shall set out their plans, supported by organisational charts as appropriate, showing how the organisation will deliver appropriate focus on the requirements set out in 4.2.1:

- corporate structure and relationships with parent companies;
- proposed management team and structure;
- teams to manage internal and external interfaces;
- total establishment highlighting any expected changes in numbers, relevant skills and resources by activity and function; and
- details of any proposed outsourcing or sub-contractor arrangements and activities.

A particular area of focus is providing assurance that the team that will actually manage the franchise will fully understand and 'own' the obligations that flow from the Bid that will be written into the Franchise Agreement.

4.2.3 A Safe Operation

The Department has an expectation of full engagement in safety at both Franchisee and parent company level. The Franchisee shall become a member of the Rail Safety & Standards Board (RSSB) and, as such, the Department will expect it to engage proactively as a member of RSSB. In particular, this requires the Franchisee to engage in:

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

Bidders shall confirm that they will participate in industry groups and committees addressing the domestic, European and research safety agenda of the Railway Safety Group.

As safety certification and monitoring is a licence obligation and is part of the remit of the ORR, the Bidder should briefly set out its overall management approach to the delivery of a safe operation, but need not provide any detailed initiatives in this section or elsewhere in the Bid.

4.2.4 The Delivery of Major Change

The Franchisee shall implement or facilitate a number of major projects and the Bidder should demonstrate how the management structure will deliver this successfully. However, the detailed plans in this area should be included in the relevant delivery plans – notably delivery plans 3 and 4.

4.2.5 Improvements to Customer Experience

The Franchisee will be expected to have a continued focus on the need to improve the customer experience, and the Bidder should demonstrate how the management structure will deliver this successfully. However, the detailed plans in this area should be included in the relevant delivery plans – notably Delivery Plan 7.

4.2.6 Employee relations that facilitate the delivery of franchise objectives

The Department acknowledges the importance of positive relations with employees and trade unions.

Bidders shall set out their approaches regarding:

- reward policies;
- pensions (see below);
- relations with trade unions; and
- training and staff development including opportunities in the supply chain for training and apprenticeships. Note that the Franchisee shall submit a report annually which details training and apprenticeships provided by the Franchisee and within their supply chain that directly support the operation of the franchise.

4.2.6.1 Pensions

Bidders shall confirm acceptance of the terms and conditions relating to pensions contained in Schedule 16 (Pensions) of the Franchise Agreement. This confirmation should be included in Part 4: Legal and Compliance.

The Department will not provide any indemnity regarding any payments that may be required under the Railways Pensions (Protection and Designation of Schemes) Order 1994 (SI 1433) or otherwise.

The Franchisee will become the Designated Employer for the active, retired and deferred members of the current shared cost sections of the Railways Pension Scheme (“RPS”) as defined the First Great Western Section (NB the new Franchisee may change the name of the section).

Bidders shall set out their approach to managing the existing pension scheme from the start of the franchise period with all assumptions clearly stated.

Subject to meeting their obligations under the RPS, at the end of the Franchise Period the Franchisee shall have no responsibility for any deficit in the scheme (other than contributions due and payable before and at the end of the Franchise Period by the Franchisee) and have no right to benefit from any surplus which may exist in the relevant section.

4.2.7 Reductions in unit costs through efficient management of its business

The Department expects that the new Franchisee will deliver services in the most cost-effective and efficient manner possible, including considering improving the alignment between Network Rail and the franchise in keeping with the Rail Command Paper *Reforming our railways; putting the customer first* published by the Department in March 2012. This sets out how the Department will reduce the cost of running the railway by £3.5 billion per annum by 2019. The new Franchisee shall work with the Department and Network Rail to support the aim and develop ideas for bringing costs down and improving cooperation between the management of track and train.

4.2.7.1 Reducing Unit Costs

Bidders shall describe how, during the life of the franchise, they plan to reduce the unit costs of the franchised operation. The Department considers that ‘total costs per passenger mile’, presented on an annual basis, is an appropriate measure for unit costs (where ‘total cost’ excludes any Premium payments made to the Department and payments made under the Performance regime with Network Rail). All Bidders shall use the same starting point. Based on the management account data for FY12, as published on the data site, the cost per passenger mile in FY12 was 19.369 pence (in 2011/12 prices), as calculated below.

Total Costs (£'000)	Passenger Miles ('000)	Cost per passenger mile (pence)
£702,791	3,628,420	19.369
(£1,018,928-£331,691- +£15,554)		

Bidders are invited to suggest other unit cost measures in addition to the above if these are also believed to illustrate cost reductions.

A specific Delivery Plan is not required; rather every Delivery Plan should include a section that describes and quantifies the initiatives that the Franchisee shall implement to reduce unit costs whilst meeting the Franchise Specification.

Bidders shall set out in this Delivery Plan a quantitative summary of the reductions for each year of the franchise to demonstrate how they will contribute towards the aims of the Command Paper. The reductions should be linked to initiatives set out in the Delivery Plans throughout the Bid. This should include savings set out in 4.2.8.1 below.

4.2.8 Reductions in unit costs through improved working with Network Rail

4.2.8.1 Working with Network Rail – Partnership Working

The Department considers that the new Franchisee should be given the maximum possible flexibility to work in partnership with Network Rail to optimise performance and drive down unit costs across the railway. The Department will not specify how or where such partnership working should be carried out although the Bidders attention is drawn to Schedule 6.2 of the Franchise Agreement. This Schedule includes an obligation on the new Franchisee to endeavour to work with Network Rail to identify ways in which cooperation can be enhanced, costs reduced and closer working and alignment of incentives can improve value for money within the parameters of the Franchise Agreement.

Bidders should set out plans to increase partnership working with Network Rail within the scope of the current contractual or regulatory framework. Proposed initiatives should include evidence of Network Rail support and where there are savings to be made, these can be included in the financial section of the Bid. Such initiatives should be summarised here, but the details of each should be included in the relevant Delivery Plan.

4.2.8.2 Working with Network Rail – Alliancing

Schedule 6.2 goes on to describe the obligations of the Franchisee where it proposes to enter into an alliance agreement that would require the obligations of the Franchisee under the Franchise Agreement or the regulatory framework to be varied.

Bidders are strongly encouraged to explore with Network Rail alliancing opportunities covering Operations, Maintenance, Renewals and Enhancements, to be implemented during the life of the franchise.

Bidders should be aware that the Department considers that the most appropriate form of an alliance under the terms of Schedule 6.2 will focus on enhancement schemes for at least the first five years of the franchise, or until such time as the major upgrades along the franchise route (including, but not limited to, the electrification programme) are completed. The Department does not expect such an enhancement alliance to include works that are directly related to Crossrail.

Where Bidders choose to use the alliance mechanism which would need a change to the current contractual or regulatory framework as a way to drive efficiencies, they should summarise the overall approach in this section, but set out the details in the relevant Delivery Plan. However, they should not include any savings that they might expect, but instead set out their outline approach for future gain-share.

4.2.8.3 Efficiency Benefit Share

The Efficiency Benefit Share (EBS) mechanism included within the Track Access Contract will be excluded from the financial adjustment process following a Charging Review. This means that from the beginning of CP5 onwards the Franchisee will be on risk for any future changes made to the structure of the EBS by the ORR.

4.2.9 Transparency of cost, performance and other data

Transparency and the provision of open data are an important part of the Government's efficiency and reform agenda. The Franchisee shall be expected to make available to the Department and ORR cost and revenue data during the life of the franchise. These data may be published in a format that allows comparisons to be drawn between unit cost levels in other franchises, providing a reputational incentive for the new Franchisee to reduce costs and enabling identification and adoption of best practice. The Department also expects the new Franchisee to work with the Regulator to allow passengers to compare train operators' performance for individual service groups, overcrowding and passenger complaints.

Bidders shall indicate how they will work with the wider rail industry to adopt and implement any future outcomes from the transparency agenda including the open publishing of timetables, real-time train running and appropriate fares information.

Bidders shall outline within their plans how they will work together with the wider rail industry to incorporate further changes that emerge from work streams arising from the Rail Value for Money study.

4.2.10 Reductions in the environmental impact of its operations

Bidders shall develop plans for measuring and reducing the environmental impact of their rail activities. In this Delivery Plan, the Bid should set out the overall business-wide approach to environment and sustainability management and target setting. Details of individual initiatives should be included in the relevant Delivery Plan.

Where initiatives reduce energy bills or other costs, Bidders should reflect these in lower franchise costs.

Bidders should take account of the sustainability principles developed by the cross-industry Sustainable Rail Programme and reflect these as appropriate in their Bids. They should take account of the environmental best practice document produced by the Sustainable Rail Programme and which is available in the data site. All initiatives should be considered on a whole-life, whole-system cost basis.

The Bidder shall set out its approach to the setting of annual targets as part of their proposals to improve the environmental performance of the franchise. Bidders are free to define such targets but should as a minimum include:

- reductions in energy consumption and CO2 emissions from rail traction and non-traction operations;
- reductions in water use; and
- reductions in total waste to landfill.

Bidders may also want set targets for other areas including noise, emissions of air quality pollutants, land contamination and other environmental impacts.

Bidders shall demonstrate their policies for monitoring and publishing the overall environmental performance of the franchise as an annual progress statement and should comply with the carbon management framework being developed by the Sustainable Rail Programme, in particular reporting energy consumption.

Bidders should explain how environmental issues will be managed within the franchise including:

- by ensuring senior management accountability; and
- introducing ISO14001 accreditation or an equivalent environmental management system.

They should also set out plans for raising awareness of environmental issues among staff and customers and for encouraging and implementing ideas for reducing environmental impacts.

Bidders should demonstrate an awareness of the environmental impact of the goods and services they procure to support their franchise operation and shall develop and implement a sustainable procurement policy to reduce this throughout the life of the franchise. In doing so, they should consider applying the relevant British standard BS 8903.

Bidders should demonstrate their compliance with ISO50001 accreditation or an equivalent energy management system across the franchise. This is intended to help organisations adopt a systematic approach in achieving continual improvement of energy performance, including energy efficiency, energy use and consumption.

4.2.11 Contributions to innovations in technology

The McNulty Rail Value for Money study identified that the GB rail industry has tended to under-invest in innovation compared to other railways and other industries. This has contributed to the continued high cost of running our railways. Consequently, Bidders

should come forward with innovative proposals to reduce the cost of operating the railway and/or to deliver improved capability and performance on a whole system basis.

In this Delivery Plan, the Bid must set out the overall business-wide approach to technical innovation. Details of individual initiatives should be included in the relevant Delivery Plan. This may include proposals to invest in infrastructure or rolling stock and should be referenced in the appropriate Delivery Plan.

During the life of the franchise the Franchisee shall co-operate with the Department and other industry stakeholders in demonstrating and implementing innovative technologies or approaches as these emerge. Bidders should set out plans for keeping track of innovative technologies and participating in industry innovation initiatives such as RIA's Unlocking Innovation scheme.

Bidders should consider appointing an innovation champion within the franchise who would be engaged in the development of technology and/or services and senior enough to bring change if required.

Bidders should take account of the summary of recent industry and the Department's research in the data site when developing their plans.

4.2.12 Increased Opportunities for Small and Medium Enterprises (SMEs)

The Department is committed to removing barriers to Small and Medium Enterprises ("SME") participation in its contracts, and encourages the Franchisee to make their sub-contracts accessible to smaller companies and implement policies which embed SMEs in their supply-chains (see <http://www.dft.gov.uk/about/doing-business-with-us>). Bidders shall demonstrate their policy in this regard. For these purposes "Small and Medium Enterprises" shall have the meaning set out in the Franchise Agreement.

4.3 DELIVERY PLAN 3: DELIVERING APPROPRIATE SOLUTIONS TO ACCOMMODATE PASSENGER GROWTH

4.3.1 Introduction

In this section the Department sets out how the requirements for the Train Service Requirement ('TSR'), which includes a Capacity Requirement ('CR'), are to be met. As background information the Department also summarises the known timetable changes which will flow from the committed projects set out in Delivery Plan 4. These changes are shown in Appendix 2 and further details are in the data site.

In the Delivery Plan, Bidders should set out the following:

- their assessment of the different markets served by the Great Western franchise;
- their assessment of forecast demand for Great Western services in general and to/from principal commuting destinations in particular;
- their strategies for meeting the TSR, the CR and the forecast demand based on:
 - use of demand management initiatives;
 - maximising use of the improved infrastructure;
 - their planned rolling stock strategies; and
 - their timetabling solutions - these solutions should be discussed with Network Rail whose support should be sought. If a Bidder experiences difficulty in securing their support they should discuss this with the Department during the Bid preparation stage.

Bidders are also reminded that they should highlight which of the initiatives they describe in this Delivery Plan will contribute to the summary of franchise cost reduction requested in Delivery Plan 2.

4.3.2 The Train Service Requirement (TSR)

A key objective for the new Great Western franchise is to deliver appropriate capacity for passengers within infrastructure and affordability constraints while providing the new Franchisee with greater flexibility in discharging their obligations. Accordingly the TSR has been drafted to focus on outcomes rather than provide detailed, prescribed inputs.

4.3.2.1 TSR Obligations

There are four sources of obligation relating to the train service levels and the capacity to be provided, which collectively compromise the Train Service Requirement:

- the Service Description which describes the nature and frequency of journey flows, extensions and connections;
- the times (operating day) within which these must operate;
- the number of calls per stations; and
- the Capacity Requirement which describes the obligations relating to the provision of capacity in terms of seats and spaces into key cities during the AM peak.

The TSR, which is provided with this ITT at Attachment A, will also be a schedule to the Franchise Agreement. It broadly comprises the following elements:

- defined end to end service descriptions, plus any 'extensions' beyond the usual end destination;
- a specified minimum frequency of services on all service descriptions in terms of trains per day and/or trains per hour required, across the core operating day, split as appropriate with a weekday metric and a weekend metric (i.e. Saturday & Sunday combined);
- in some cases the TSR allows the Bidder to provide some/all of the described services as 'connecting services' rather than as through trains. Such 'connecting services' need to provide for minimum standards of convenience of interchange as described in the TSR.
- a separate requirement to call a number of times at each station each weekday and each weekend (i.e. Saturday and Sunday combined) which in many cases can be slightly lower compared with today;
- of these total calls, the minimum number of calls that are required to enable morning or afternoon commuting opportunities to the local town or city;
- the requirement to call at some stations is expressed as an aggregate number of calls along a particular route that may be re-allocated between stations to provide a better fit with changing market conditions. Note that no station may be reduced to below less than two calls per weekday in each direction (unless it is already lower than that);
- a time specified before which the first train must depart and after which the last train must run will be set as broadly as now, but the time can be flexed by 30 minutes as long as the length of the operating day is not shortened;
- the level of train services is largely based upon those operated by the incumbent Franchisee, First Great Western (FGW) in the December 2011 timetable with changes for summer 2012 overlaid where applicable. Where such services and calls apply only during the summer, this is indicated on the TSR. The TSR does not include those elements of the FGW Service Level Commitment which are currently provided by other train operators, and in developing its submission, Bidders should assume that such services continue. They should not plan on the basis that any of the TSR requirements are fulfilled by other train operators; and
- some service groups and stations have more than one entry where these are going to change as a result of known projects such as Crossrail.

The TSR is structured to allow give Bidders a greater level of flexibility in developing their Bids and to give the Franchisee a greater level of flexibility than the current SLC in running its business. It allows for flexibility around when trains run, which stations are served by which services and in some cases the start and end points of trains e.g. destinations where there is currently a through service which can now be served via connections. The division of some longer, inter-regional train services into shorter legs in some cases will allow Bidders and the Franchisee to make their own decisions about how best to join up different train services into longer through journeys.

The total numbers of stops makes no distinction between directions although Bidders or the Franchisee will be expected to achieve a sensible balance of services in each direction. The station calls are also not linked to particular train services, so where there is a choice of provision between a local or a longer distance service, Bidders or Franchisee will be free to decide on the optimum solution to best match demand to capacity.

Nothing in the TSR is intended to prevent the Franchisee providing more services or station calls than those specified.

Bidders are free to develop their own system for demonstrating that their proposed timetables meet the requirements of the TSR and should include this within the Part 3, Technical Data element of their submission.

4.3.2.2 Franchise Geography

The Franchise Agreement (paragraph 2.2 of Schedule 1.6), sets out the routes over which the Franchisee is permitted to operate. This has been based on those of the current franchise plus two further routes that have been added following receipt and review of suggestions from Bidders prior to the issue of the ITT. The additional routes over which the Franchisee may also operate if they so wish are:

- Southampton Central to Poole from May 2017 onwards only; and
- Banbury to Stratford upon Avon.

Bidders are free to operate trains over these routes, subject to fulfilling the other requirements of the Franchise Agreement. Such services will not form part of the TSR. By accepting Bids which include plans for such services, the Department does not guarantee it will support future applications for track access on these routes. During Bid assessment the Department may risk adjust revenue or cost assumptions if it believes the Bidder has taken an unreasonable view on any future allocation of track access rights.

4.3.3 Current Local authority Funded Incremental Services

A number of incremental services are currently operating as a result of local authority funding and these are set out in Table 4-1 below. The Department has assessed the Value for Money of these schemes and, with the exception of the summer Sunday services to Okehampton, has agreed that these will form part of the base franchise proposition.

These services are therefore already included in the TSR – where applicable including more detailed prescription on where and when they should be provided to reflect the incremental output that the local authority is seeking to secure.

Bidders should include them in their base propositions and Franchise Payment lines. There is no need for separate pricing of these schemes.

Note that the summer Sunday service to Okehampton, is included in the Devon Metro Specified Priced Option.

Table 4-1: List of services funded by Local Authorities in the Current Franchise

Service Description	Funding Body
Bristol TM to Severn Beach (frequency increase)	Bristol City Council
Bristol TM to Severn Beach	South Gloucestershire Council

(Sundays)	
Truro – Falmouth (all week frequency increase)	Cornwall Council
Exeter – Barnstaple (additional M-F and additional Sundays)	Devon County Council
<i>Okehampton – Exeter (summer Sundays only – included in the current SLC as to be operated if locally funded)</i>	<i>Devon County Council</i>

Bidders should note that First Great Western has agreed to fund an additional late evening return service between Bristol Temple Meads and Avonmouth until the May 2013 timetable change date. This service is not funded by the local authority and is not included in the TSR (service description or station departures). Bristol City Council is keen to see the service continue and Bidders should consider options for this, which could include additional funding secured if there were to be a change to fares on the Severn Beach line (see Section 4.9.2.3).

4.3.4 Sleeper

The TSR includes a minimum requirement for one overnight ‘Sleeper’ service in each direction, between London and Penzance, 6 nights per week (Sunday to Friday). Passenger accommodation should include appropriate, privately enclosed sleeping berths, and WC facilities, as well as appropriate coach seating. The sleeper requirement is included in the TSR service description, but any calls are excluded from the station call requirement.

Bidders are encouraged to consider the most cost-effective way of continuing to provide this service in the long term given the challenges of likely rolling stock life expiry including exploring synergies with other UK sleeper operations. The costs and revenues pertaining to this service offered in the base case submission should be separately identified, and Bidders are welcome to submit alternative proposals for the sleeper as a Bidder Incremental Option.

4.3.5 Seasonal Peaks and Special Events

The TSR includes a table of required seasonal services to operate. Bidders will need to provide these services as part of their base proposition.

Bidders will need to include proposals that provide appropriate capacity to meet summer peak demand. Specific proposals may be contracted as Committed Obligations.

A number of special events take place across the franchise area and Bidders are required to consider the appropriate levels of service to be provided for such events and on public holidays across all routes. Inevitably, over a 15 year franchise, it is not possible to predict a full programme of Special Events, however Bidders should expect to give particular consideration to appropriate arrangements for:

- The Rugby World Cup in 2015;
- Sporting and other events at the Millennium Stadium in Cardiff;
- Cheltenham Racing Festival;
- Cheltenham Music Festival;
- Classic FM Live;
- Glastonbury Festival;
- Reading Festival;
- Henley Regatta and Henley Literary Festival; and
- Dawlish Air Show.

4.3.6 Capacity Requirement - overall

As well as providing the train services required in the TSR, Bidders shall also comply with a Capacity Requirement which requires the provision of sufficient capacity to meet forecast demand. The details of this requirement are set out below.

The basic principle is that Bidders shall assess the markets served by the Great Western franchise and forecast demand taking into account both exogenous factors (such as economic growth) and endogenous factors (such as the Bidder's own franchise initiatives). Bidders shall then demonstrate how they will meet this demand through the use of demand management; infrastructure alterations and enhancements; changes to the rolling stock fleet; and timetable improvements.

The Department's overall capacity guidelines are set out in the Franchise Agreement in Schedule 6.2, and can be summarised that:

- passengers should not have to stand (except by choice) for more than 20 minutes during the peak, and that they should be able to obtain seats in the off-peak; and
- where standing is acceptable (i.e. where passengers are not likely to be able to obtain seats in the first 20 minutes of their journeys) the numbers of seated and standing passengers combined should not exceed the capacity limit of the type of rolling stock that is allocated to the service in question.

The Department's calculations of the seating and standing capacity of all types of rolling stock currently in use on the Great Western franchise are set out in the summary on the data site, and these should also be used by Bidders. Where Bidders plan to deploy rolling stock currently deployed on another franchise the Department will apply the applicable figures on request (if they are not readily available).

Note that where new or refurbished rolling stock is included as part of the submission, the capacity will be calculated on the basis of 0.45m² per passenger of useable floor space. Further details can be found at Appendix 5 (Measurement of Rolling Stock Capacity).

Note that the Department would expect new or refurbished stock to include appropriate toilet provision unless Bidders can demonstrate that the stock is to be dedicated to short distance services only.

The Department does not believe that the franchise includes services after December 2019 that should be planned on the basis of rolling stock where passengers would have to accept a greater level of crowding than 0.45m² per passenger of useable floor space, and this should be the basis for Bids.

However, it is possible that there are services where short, local trips mean that rolling stock could be planned and deployed on the basis that passengers would have to accept a greater level of crowding than 0.45m² per passenger of useable floor space, whilst still meeting the requirement that passengers should have a reasonable expectation of finding a seat within 20 minutes of boarding the train.

If a Bidder believes this is the case and that rolling stock planned on that basis should be permitted on, and dedicated to, such specific services, they should advise the Department within three weeks of the date of issue of this ITT and provide an appropriate level of detail to justify this.

The Department will consider the case made and will either (a) maintain the guidance on this subject unchanged or (b) amend the guidance and advise Bidders accordingly.

The Department acknowledges that there will be circumstances in which the Franchisee will be unable to meet one or both of the guidelines described above, either:

- because the combination of infrastructure limitations and fleet size limitations make it impractical to do so (but see 4.3.7 and 4.3.8 below); or
- because of exceptionally high demand generated by special events or other ‘one-off’ circumstances.

4.3.7 Capacity Requirement – from Franchise Commencement

As well as expecting Bidders to forecast their projections of demand, the Department intends that in the early years of the franchise this principle will be underpinned by specific requirements to provide minimum levels of capacity in the morning peak into certain key destinations.

4.3.7.1 Until December 2016

To allow the Franchisee sufficient time to put its new fleet strategy in place no capacity increases will be mandated before the December timetable change date in December 2016. The Department does not wish to see reductions in capacity on this franchise, and the Bidder shall therefore ensure that its rolling stock proposition does not comprise fewer than the number of vehicles provided by the incumbent Franchisee’s fleet. It is also a mandatory requirement that the Franchisee shall maintain at least the number of standard class seats provided by the incumbent Franchisee (following the introduction of the final CP4 HLOS intervention in summer 2012) in the morning peak (arrivals 0700-0959) to Paddington, Bristol, Cardiff, Exeter, Plymouth and Truro.

This minimum number of seats is set out in the table in Table 4-2.

Table 4-2: Minimum number of seats to be provided in AM peak until December 2016

Arriving 0700-0959 into:	Paddington	Bristol TM	Cardiff C	Exeter St D	Plymouth	Truro
London trains ²	22,319	3,801	3,402	1,890	1,134	1,134
Non-London trains		6,462	1,072	2,164	617	1,224
Total	22,319	10,263	4,474	4,054	1,751	2,358

4.3.7.2 From December 2016

From the December 2016 timetable change date the Bidder shall plan to meet the requirements of the Crowding Limit which is laid out in Schedule 6.2 of the Franchise Agreement and which is described in paragraph 4.3.6 above. The capacity requirement may not be exceeded in any individual city by more than 4.5% in either peak or 3% in both peaks and any crowding should be distributed evenly across routes. .

Bidders should not reduce the overall number of vehicles in the fleet compared to that provided by the incumbent Franchisee's fleet. In the application of this requirement, the increment of electric trains on London suburban network should not be used to allow reductions in the fleet being deployed elsewhere on the franchise.

4.3.7.3 From December 2016 (London Paddington only)

It is recognised that it may be difficult for the Franchisee to comply with the Crowding Limit requirements in respect of peak hours at Paddington. In recognition of this there will be three stages to the Capacity Requirement.

Stage 1: From Franchise Commencement until December 2016, at least the CP4 number of standard class seats shall be provided (as in 4.3.7.1 above).

Stage 2: Between December 2016 and December 2019 there are several developments that will enable or require capacity increases or decreases.

These are:

- increment A: Introduction of electric trains on suburban services in the London area (capacity increase enabled – assumed December 2016);
- increment B: Introduction of Crossrail 4tph Heathrow stopping service to/from Paddington High Level (Great Western capacity decrease – assumed May 2018);
- increment C: Implementation of full IEP fleet (capacity increase – assumed December 2018); and

² London trains comprise both trains destined for Paddington and those that originated at Paddington

- increment D: Implementation of full Crossrail service (capacity decrease - assumed December 2019).

The specific minimum requirements are set out in Table 4-3 below.

Table 4-3: Minimum capacity requirement in AM peak for Paddington

Minimum amount of standard class Total Capacity required arriving at Paddington 0700-0959			
From December 2016	From May 2018	From December 2018	From December 2019
31,200	28,900	30,200	23,900
<i>Included in these numbers are:</i>			
Minimum standard class Total Capacity to be provided on trains arriving 0800-0859			
12,800	11,400	12,300	9,900
Minimum number of standard class seats to be provided on Main Line trains arriving 0700-0959			
18,100	18,100	19,400	19,400
Minimum number of standard class seats to be provided on Main Line trains arriving 0800-0859			
7,700	7,700	8,600	8,600

Notes:

- 1) These figures exclude capacity provided by Heathrow Express, Heathrow Connect and Crossrail;
- 2) The 'Main Line' is defined as a train passing Ealing Broadway on the main line (as opposed to the Relief Line) under normal operating conditions; and
- 3) Standing capacity on Main Line trains cannot be counted towards the overall capacity number.

Stage 3: From December 2019

Capacity shall not be reduced below the December 2019 figures in the table above. However, the Department will not specify any further minimum requirements. Bidders will be expected to produce their own demand forecasts and set out the extent to which they will be able to meet that demand (within the requirements of the Crowding Limit) up to the point at which it becomes impractical, on the grounds that meeting demand would require significant infrastructure enhancement. However, a Bid that provides no more than the stipulated minimum into Paddington will be considered compliant (see Section 4.3.8.7 below).

Bidders should then assess the extent to which they believe that passengers will still use the trains even though crowding levels exceed the Crowding Limit, and explain their assessment and how it has been taken into account in preparation of the revenue forecast.

4.3.8 Delivery Plan Requirements for Bidders

4.3.8.1 Market analysis and Demand Forecast

Bidders should set out their analyses of the markets served by the Great Western franchise, the factors that will affect it during the franchise term (exogenous and endogenous) and the forecast demand that will result. This should be broken down into market segments and geographic area where possible. New opportunities (such as those that flow from airport demand) should be identified.

Because of the importance of this section in driving franchise capacity requirements, costs and revenues, Bidders shall provide detailed justification for their forecasts in order that the Department can be certain that they are realistic. These forecasts should be consistent and cross-referenced with other appropriate areas of the plan, such as increased demand resulting from improved marketing (Delivery Plan 9) and increased demand resulting from car park expansion (Delivery Plan 8).

As mentioned in Section 3.3.1, part of the evaluation process as set out in the Appendices 1A-1F and the risk adjustment process described in Appendix 4 will consider a Bidder's justification for its forecast of future demand outside London and whether it is satisfied with that Bidder's justification. The Department's considerations will include reaching a view of the credibility of the demand assumptions used in the Bid and the level of capacity offered, taking into account the specific characteristics of solution offered.

If the Department considers that this has led to a shortfall in the capacity that should have been included in the Bid, the relevant Bidder may be asked to provide a price for meeting that demand as part of the clarification process together with franchise agreement drafting to contractualise revised outputs and deliverability and other evidence to the same standard as otherwise required by this ITT in relation to Bids. If, following completion of the overall clarification and evaluation process, the Department considers the shortfall identified is still appropriate, this price would then be added to the Bidder's overall submission for the purposes of ranking Bids and the Bid shall be deemed to be amended by the Bidder's response to the clarification. If the Bidder is selected as the leading Bidder, this would be on the basis that the final franchise agreement contractualises the additional capacity outputs and price provided by the Bidder in the capacity clarification process.

The Department reserves the right to not risk adjust Bids for this process if doing so will not affect the outcome of competition in terms of either the overall ranking or making a material difference to extent to which the NPV of the leading Bidder is ahead of the NPV of its competitors.

4.3.8.2 Demand management

If the Bidder proposes to use demand management techniques to manage peak or high peak demand (i.e. through spreading demand) that relate to fares and ticketing initiatives these should be described at a high level in this section with a more detailed description set out and cross-referred to in Delivery Plan 10. Delivery Plan 3 should, however, detail the expected impact on peak demand forecasts. If the Department believes that the change in demand projected by the Bidder is unrealistic and is not supported by evidence within the submission then the submission may be adjusted by the Department in accordance with the process outlined in Section 4.3.8.1 above.

4.3.8.3 Use of Infrastructure to Deliver Appropriate Capacity

By 2019 the Franchisee will have available significantly enhanced infrastructure compared with the position at Franchise Commencement. In this section Bidders are asked to set out their strategy for how they would *use* the enhanced infrastructure (in tandem with rolling stock and timetable changes) to provide the required capacity. Note the contrast with Delivery Plan 4 where Bidders will set out how they intend to manage the successful *delivery* of the various infrastructure schemes and manage the disruption expected during that time.

4.3.8.4 Use of Rolling Stock to Deliver Appropriate Capacity

By 2019 the Franchisee will have available a very different fleet mix from that inherited at Franchise Commencement. Not only should the IEP fleet be in full operation but there will also be electric rolling stock to make use of the newly electrified suburban routes out of London. In this section Bidders are asked to set out their overall rolling stock strategy for procuring, leasing, cascading and re-furbishing rolling stock (in tandem with infrastructure and timetable changes) to provide the required capacity.

In particular, Bidders should set out their rolling stock strategies, including a fleet plan showing the number of vehicles of each class and the period of the franchise for which they will be leased.

The rationale for the chosen plan shall also be set out in detail in the plan and shall cover, as a minimum, the decisions listed below:

A) The composition of the fleet to operate the London suburban services from December 2016 and in subsequent years. Bidders shall explain the reasons for choosing:

- between new and cascaded fleets;
- the performance of the rolling stock including top speed capability (e.g. 90mph, 100, 110, 125 etc) and acceleration and braking rates;
- the mix of diesel and electric sets;
- which displaced vehicles will be redeployed within the franchise and which vehicles will be returned to their owning ROSCOs when Crossrail takes over services in May 2018 and December 2019; and
- continued operation of DOO where it is in operation at the date of this ITT.

It should be noted that Network Rail believes that vehicles capable of 110mph running are necessary to maximise the benefits of the overall infrastructure investments on the route. Bidders should come to their own assessments of this view.

B) The composition of the fleet to operate the inter-urban and rural services from December 2016 and in subsequent years. It is accepted that the opportunities to bolster the fleet will be limited (possibly non-existent) before December 2016, although earlier fleet expansion plans would, nevertheless, be welcome. Bidders shall explain the reasons for choosing:

- between new and cascaded fleets;
- the performance of the rolling stock including top speed capability and acceleration and braking rates;
- the mix of diesel and electric sets; and
- which, if any, vehicles are planned to be returned to their owning ROSCOs, and when.

C) The composition of the fleet to operate long-distance services from May 2018. Bidders shall explain the reasons for choosing:

- the deployment pattern for the IEP fleet; and
- the fleet class(es) and deployment pattern for long-distance services not operated by IEP.

Note the contrast with Delivery Plan 5 where Bidders will set out how the detailed programme of how they intend to *deliver* the various rolling stock changes.

4.3.8.5 Use of Timetable Changes to Deliver Appropriate Capacity

Bidders will be expected to maximise the use of the infrastructure and fleet changes to deliver their ideas for timetable changes within the constraints provided by the TSR and to satisfy the Capacity Requirement. In this section Bidders are asked to set out the detail of their changes (in tandem with infrastructure and rolling stock changes) to provide the required capacity. These changes should be discussed with Network Rail and whose support should be sought. If a Bidder experiences difficulty in securing their support they should discuss this with the Department during Bid preparation.

4.3.8.6 Summarising the Capacity provided

In order to evaluate and compare the capacity provided the Department is likely to stipulate a common format for Bidders to summarise what their proposal will deliver. This will shortly be provided on the data site.

Each change in capacity should be cross-referenced to one or more of the changes described in the narrative.

The Department would intend to contract the amount of capacity delivered at each incremental change, but not necessarily how it would be delivered given the need to retain future flexibility.

4.3.8.7 Reaching the infrastructure limit

Where a Bidder believes it has reached the limit of being able to provide further additional capacity due to the fact that to do so would require infrastructure investment that is not currently committed and will not earn a commercial return under the investment 'rules' described in Delivery Plan 4, then it should be indicated where, when and why this occurs.

The Department recognises this situation might well apply particularly on commuter services into Paddington. As mentioned in section 4.3.7.3, a Bid that offers no more than

the minimum requirement from December 2019 into Paddington shall nonetheless be considered to be compliant.

However, the Department wants to encourage as much innovative thinking as possible to deliver the appropriate level of capacity and has developed the following approach (although the concept and value given below are subject to final confirmation).

The approach is that Bidders who are able to offer more capacity than the minimum specified from December 2019 (or any later date) in the High Peak hour between 08.00 and 08.59 will receive additional credit for this within the evaluation providing the proposal is deliverable, committed and supported by Network Rail. For credit to be received, the Bidder must demonstrate that the capacity is genuinely additional and does not rely on an unjustified reduction of capacity outside the high peak – for example re-timing a train from outside the high peak to inside the high peak would not be included.

This additional credit will be scored under the 'Approach' marking of the evaluation. In addition the Department intends to credit such a Bidder's premium or subsidy line with an additional £2,000 (in 2013/14 prices) per annum per additional space. This adjustment would be for the purpose of Bid ranking only and would not be adjusted in the financial lines contracted, although in order to receive such credit, the additional capacity will become a contractual commitment.

4.3.9 Timetable Submissions

When proposing their future timetable plans, attention is drawn to the requirement to support any proposal for change with evidence to prove the proposal's deliverability, and it is reasonable to assume that detailed timetable and/or rolling stock deployment plans will be useful to provide this supporting evidence for each major proposed change. Such timetable plans shall show how other train operators' services (assuming a similar level of service to that applying in 2012) will be accommodated. This applies to both passenger and freight services.

Bidders should provide such proposals in full working timetable format as a .pif file in order for Network Rail to be able to import the timetable into its Timetable Planning System, thus enabling compatibility with other train operators' services to be assessed. Bidders are advised to test, prior to submission of the Bid, that the .pif file will be compatible with Network Rail's train planning system – ITPS. It will also be necessary to supply both public and working timetable versions for the use of the Department's evaluators and their technical advisers.

In developing timetables, Bidders should consider with Network Rail what infrastructure changes might be required to deliver greater capacity and improve franchise performance e.g. to deliver better punctuality, reduced journey time, increased resilience etc.

4.3.10 Other Considerations

Bidders will also be expected to have considered the relevant options outlined in Network Rail's Great Western, LSE, Wales, Wessex, Sussex, West Midlands and Chilterns Route Utilisation Strategies and also the Network and Freight Rail Utilisation Strategies.

As well as providing additional capacity the timetable and other changes would be expected to contribute to:

- better operational performance and punctuality;
- increased resilience to and improved recovery from disruption;
- reduced energy consumption;
- increased frequency & reduced journey times;
- improved connectivity;
- the meeting of stakeholder requirements; and
- a material contribution to the financial performance of the Franchisee.

These benefits should be highlighted here but should also be included in the relevant Delivery Plan.

Where it is proposed that there should be timetable changes, it will be for the Franchisee to carry out public consultation in accordance with the provisions of paragraph 4 of Schedule 1.1 of the Franchise Agreement and to secure the necessary track access rights.

4.4 DELIVERY PLAN 4: MANAGEMENT AND DELIVERY OF INFRASTRUCTURE CHANGE

4.4.1. Introduction

In this section the Department sets out how its understanding of the many major projects will affect the Great Western franchise, especially in its early years. It also flags other projects which are not committed but may happen in the franchise term. Further details of many of these schemes are in the data site.

These sections also set out the assumptions Bidders should make and what they should and should not price within their Bids. The Department requires as much certainty as is possible that the Great Western Franchisee has the requisite knowledge about the schemes: and the skills and resources to ensure that in tandem with the delivery partners the schemes are delivered successfully, on time and within budget.

Bidders are referred to the section 4.1.1.6 which sets out the assumptions in terms of the level of track access that shall be factored into the Bids.

The final statement from Network Rail on the access available for the purposes of Bid assumptions is in the data site.

In the Delivery Plan, Bidders should aim to set out the following:

- their understanding of each scheme;
- confirmation of their understanding about what they have and have not priced within the Bid (including where necessary cross references to the Financial Model and Record of Assumptions);
- how they will manage the changes within and across the franchise;
- how they will work together with Network Rail - including the Bidder's plan for an enhancement alliance - and how they will work together with delivery partners;
- how they will work to mitigate the impact of enhancement works on passengers; and
- how they will work to foresee and mitigate the risk of late delivery.

Note that maximising the benefits of the infrastructure schemes is not covered here but should be included in Delivery Plan 3.

Bidders are also reminded that they should highlight which of the initiatives they describe in this Delivery Plan will contribute to the summary of franchise cost reduction requested in Delivery Plan 2.

4.4.2 Reading Station

A number of transitional layouts and possessions will be in place at Reading until 2015 as the new layout is constructed and commissioned. Major possessions are planned for Easter 2013 and Easter 2015. It is not now expected that any trains will have to be removed from the timetable despite the limitations of the layout at the western end of the station. In particular the absence of a facility to loop freight trains means that such trains will have to be kept moving and nominated slots have been reserved in the timetable to ensure that this can happen.

The three new north side platforms and the new dive under at Reading station will be equipped with steel sleepers to facilitate third rail electrification.

The transition timetable and the accompanying traincrew and rolling stock diagrams for this period will have been implemented by the incumbent Franchisee and it is recommended that this timetable should be retained until January 2015.

4.4.3 Reading Depot

The Reading Station area re-development requires the existing Great Western train care depot to be relocated to allow the construction of the new layout. The new depot, already under construction, is located on a new site to the north of the railway at Reading West.

The depot layout and facilities are being constructed flexibly to stable and maintain a range of fleet types including both diesel and electric stock. How the depot is to be used, and how any further enhancements will be delivered and financed, should be detailed in Delivery Plan 5.

Migration from the old depot to the new will take place during 2013 and the new Franchisee shall complete the migration as one of the first project activities of the new franchise. Details of the facilities are in the data site.

4.4.4 Great Western Electrification

4.4.4.1 GWML Electrification

The Great Western Main Line is currently partially electrified from London Paddington to Heathrow Airport Junction (to the north of Heathrow). The route west from Airport Junction will be progressively electrified between 2013 and 2018 with wires energised as soon as possible. The Electric Trains programme will:

- electrify Platforms 1 and 2 at Paddington and Royal Oak Sidings;
- modernise the existing electrification between North Pole and Airport Junction for higher speed (125mph) operation and to accept pantograph spacing of multiple short set IEP operations;
- electrify between Airport Junction to Newbury, Basingstoke, Oxford, Bristol Temple Meads (via Bath and Bristol Parkway), Cardiff and Swansea;
- electrify to Marlow via Bourne End; to Windsor & Eton and Henley;
- electrify the goods loops between Acton West Junction and Acton Wells Junction and the West Coast Main Line;
- ensure designs are compatible with Heathrow Western Connection;
- install Auto Transformer power equipment at Didcot, Kensal Green, Imperial Park and Melksham and sized for possible 140mph operations at a later date;
- ensure compatibility with the Electric Spine programme to electrify south of Basingstoke and north of Oxford to Coventry and Milton Keynes/Bedford;
- provide a new power feed at Bramley instead of additional capabilities at Didcot to provide sufficient power for the Electric Spine;
- renew the layout at Bristol East Junction and reinstate four tracks between Lawrence Hill and Filton Abbey Wood;

- provide additional capacity at Temple Meads. Reinstating the two platforms in the Brunel shed is currently the industry's favoured option;
- install a fourth platform at Bristol Parkway;
- implement platform extensions to facilitate longer EMU operations between London, Newbury and Oxford where SDO may also be used;
- design the electrification infrastructure to accommodate a wide range of modern EMU types that might sensibly be used on the route; and
- consider the redevelopment of Oxford station reconstruction in the designs.

The Department has asked Network Rail to ensure that electric passenger services between London, Oxford and Newbury can commence by the December 2016 timetable change date³. Taking into account the revised IEP delivery schedule and the possessions at Bristol required to re-signal and renew Bristol East Junction, it is expected that full electric services to Bristol would commence in spring 2017. The Department has asked Network Rail to try and ensure that Swansea is ready for the start of an electric timetable in May 2018 when sufficient IEPs should be ready for service by that date. Network Rail have also been asked to ensure that designs at Cardiff are commensurate with electrification of the Valleys lines.

The Department has asked Network Rail to deliver line speed improvements at the same time as electrification including 125mph on the slow lines between Reading and Didcot. Platform extensions to Paddington 11 and 12 may also be considered.

The exact lines that will be electrified will be defined during the GRIP3 process which Network Rail expect to complete in autumn 2012. Bidders should expect all main running lines, depots and depot connections between London, Oxford, Newbury, Basingstoke, Bristol, Cardiff and Swansea to be wired and energised ready for the start of passenger service. Specifically these will include Reading depot, Maliphant carriage sidings at Swansea, Oxford carriage sidings, Cardiff Canton in conjunction with Valley Lines electrification and Stoke Gifford. The project will consider electrification of chords, goods loops and reception roads on a case by case basis subject to a business case and availability of funding.

Bidders should expect the design of electrification to reflect possible onward extensions subject to funding in future Control Periods. This applies to Newbury, Westerleigh Junction and the south end of Bristol Temple Meads station.

The electrification infrastructure will be designed to facilitate future 140mph running by higher tensioning of the main lines between Airport Junction and Bristol Parkway.

The Department has asked Network Rail to minimise the disruption to passengers and in particular blockades. Possessions dates remain subject to development by Network Rail and will depend on announcements in the HLOS, continued development of GRIP3 and 4 and the performance of the High Output Train, but the assumptions to be taken into account for the Bid are as detailed in Network Rail's 'Access Presentation' the latest version of which is available in the data site.

³ Works between Airport Junction and Maidenhead are being overseen by Crossrail Ltd, as part of the Crossrail programme.

Certain infrastructure enhancements may be funded by the use of Network Rail's Regulatory Asset Base (RAB). Further guidance on the applicable use of the RAB for infrastructure schemes is available in the data site.

4.4.4.2 *Electric Spine Programme*

As part of the CP 5 HLOS announcement, the Government confirmed plans to install 25kv wiring on the freight route from Southampton Port to Reading via Basingstoke, connecting to existing wiring via Didcot to the West Midlands and via Oxford, Bletchley and Bedford to the Midland Main Line, where new wiring will continue from Bedford to Nottingham, Derby and Sheffield. This will result in a significantly enhanced freight and passenger capacity freight corridor across the GWML route enabling increased electric freight haulage including on East West Rail.

4.4.5 Great Western Main Line gauge enhancement

The electrification programme will clear routes to W10 to allow W10 gauge operations for 9ft 6in high containers to be conveyed on conventional wagons between south Wales, the Bristol ports and Acton Yard for onwards connections to the cross-London gauge cleared routes. By connecting with the Southampton to West Coast cleared route at Didcot and Reading a wider W10 gauge cleared freight network will be achieved. Works to structures to achieve W12 will be considered on a case by case basis.

4.4.6 Southampton to West Coast Main Line capacity improvements

In addition to the gauge clearance and train lengthening schemes completed in CP4, the Strategic Freight Network (SFN) steering group has identified growth in the deep sea container market which will require an increase in capacity on the route between Southampton and the West Coast Main Line. The scheme is currently in development and is considering capacity solutions as well as diversionary options.

4.4.7 Re-signalling programme

A major re-signalling renewal programme has commenced on the Western route, spanning a number of Control Periods.

In CP5 conventional re-signalling is planned for the Bristol, Swindon and Oxford areas in advance of electrification of the GWML.

The Western Operating Strategy proposes the acceleration of three Re-signalling Projects in CP5 to deliver significant operational and OPEX benefits:

- Plymouth – Penzance Re-signalling (2017);
- Worcester Area (2018); and
- Greenford Re-signalling (2018).

The re-signalling will result in control of the above areas migrating to the Western Route Operating Centre at Didcot.

Whilst development of these projects is in the early stages it is anticipated that they will involve a 'hybrid' approach involving both modular and conventional signalling

technologies. Recoveries and re-modelling is also envisaged for each project – with a reduction in Signal Equivalent Unit's being a primary source of funding infrastructure changes to deliver improved capacity and capability.

4.4.8 European Train Control System (ETCS)

ETCS is an in-cab signalling and train control system that provides:

- automatic Train Protection (ATP) to supervise trains to a safe speed limit; and
- in-cab signalling to provide a movement authority directly and continuously to the driver through the driver's desk display.

ETCS Level 2 can provide continuous updates of the movement authority using the Global System for Mobile Communication – Railway (GSM-R).

ETCS Level 2 is expected to be a key enabler in the development of the future railway. It will underpin enhancements to railway operations and support capacity improvements, beginning in CP6.

ETCS Level 2 will become the standard technology for re-signalling schemes, with the GWML rollout expected from 2017, commencing as an overlay application, on the Paddington to Heathrow Airport Junction section in 2017, with the route to Bristol and Newbury expected to be fully commissioned by 2019. Line side signals and AWS / TPWS train protection systems will be removed from Paddington to Bristol during 2025 and 2026. The Great Western ATP system, which is reaching life expiry, will be withdrawn from service from the end of 2020, once ETCS is in operational service for the complete area currently equipped with Great Western ATP.

Following CP5 ETCS will be progressively rolled out across the remainder of the route, with the first line side signals being decommissioned (from Bristol to Gloucester) in 2021.

Details of the programme for ETCS implementation and the removal of line-side signals are available on the data site.

The Great Western IEP fleet will be delivered ready-fitted with ETCS and Great Western ATP equipment. The system will have achieved appropriate authorisations and approvals needed to enter operational service.

The Franchisee shall include on-board ETCS equipment on any new trains they intend to procure.

It will be the train operator's responsibility to ensure that all its train drivers and staff are trained in the use of ETCS in sufficient time to permit the decommissioning of BR-ATP and introduction on ETCS with no line-side signals. Bidders shall include the following arrangements as part of the base Bid:

- staff and driver training to enable operations under ETCS control; and
- provision in the fleet plan of rolling stock arrangements where cover will be required for stock while it is being fitted and tested.

4.4.8.1 Specified Priced Option – GW9

Network Rail will be funded to provide the first of class designs for a number of retrofitment of ETCS to existing rolling stock fleets including those currently in use on the route. Bidders shall provide as a Specified Priced Option the costs for the design, supply, installation, testing, commissioning, approvals, maintenance, disposal and warranty support for any ETCS equipment they propose to retro-fit to rolling stock. The Franchisee shall be expected to cooperate with Network Rail and the ROSCOs in the procurement of train borne ETCS equipment. This Option effectively removes the fitment of onboard ETCS, and its consequential business impacts from the G1 Network Change process and no compensation would then be available for this project

The Bidders price for this option will be added to the overall financial proposition with a weighting of 50%.

Bidders should supply a mark-up of the relevant section of the Franchise Agreement.

4.4.9 Swindon to Kemble redoubling

To improve capacity and performance on the Swindon to Kemble route and the wider route, this scheme will redouble a 12 mile section of single line. It is scheduled for commissioning in spring 2014. This will enable an improvement in reliability and the better use of this section of the railway as a key diversionary route for South Wales when the main line route via the Severn Tunnel is closed. In its current role, the single line section restricts service development, diversionary capacity and performance.

4.4.10 Crossrail

4.4.10.1 Overall Description of the Project

The Crossrail Project delivers a major new piece of railway infrastructure for London and the wider south east with an estimated total construction cost of £14.5bn. Crossrail Services will run both on the existing Network Rail-owned network to the east and west of London, the BAA-owned infrastructure between Airport Junction and Heathrow, and though a newly constructed and largely tunnelled section in Central London. At peak times the central section will see 24 trains per hour operate in each direction, with the potential for this to increase to up to 30 trains per hour at a later date.

Services on Crossrail will be operated by a concessionaire appointed by TfL (known here as CTOC). It is expected that TfL will take revenue risk associated with these services. A number of stations currently managed by Great Western will transfer to CTOC management during the term of the franchise. The CTOC is expected to be appointed by TfL in autumn 2014.

The introduction of the full Crossrail timetable is expected in 2019 although a phased opening is expected. The introduction of Crossrail services will have a significant impact on the Franchisee both on the operational timetable and accessibility and thus attractiveness of Paddington station as a transport hub. The Franchisee's track access rights will be reduced during certain periods of Crossrail construction, as shown in the revised Schedule 5 of the Track Access Contract. These impacts should be taken in to account in the submitted Bid.

The Franchisee shall work closely with CTOC, Crossrail Limited and TfL throughout the implementation of the Crossrail project. The Bidder should propose how they would interface with the parties involved in delivering the Crossrail project including how the interface will be managed and who will lead the Franchisee's liaison team.

4.4.10.2 Train Service Issues

The broad final pattern of Crossrail services to destinations on the Great Western route are:

- four trains per hour to/from Heathrow Terminal Four; and
- four trains per hour to/from Maidenhead.

These will be supplemented by a 2 trains per hour peak service to / from West Drayton. Destinations in the East will include Abbey Wood and Shenfield. Details of the service and stopping patterns are contained in the data site.

The Crossrail service is expected to be implemented in phases as set out in Table 4-4.

Table 4-4: Crossrail – planned phased Implementation:

April 2015	Crossrail takes over the operation of the Greater Anglia Franchisee's stopping services from Liverpool Street to Shenfield
May 2018	The Heathrow Connect service will cease and Crossrail will operate a stopping service between Heathrow Terminal 4 and Paddington High Level which, from this date, will double in frequency to 4tph
Dec 2018	Crossrail services commence between Paddington Low Level and Abbey Wood
May 2019	Crossrail service from Paddington Low Level to destinations on the Great Eastern route
Dec 2019	Full Crossrail service including through running from the Great Western route

Bidders should note that the Joint Sponsors of the Crossrail project (the Department and TfL) have set as a requirement that the target operational performance level of Crossrail services shall not be less than 95% PPM on a moving annual average, all day, basis. Bidders should be aware that any proposals to increase the number of services operating on the Relief Lines above that included in the Track Access Option Timetable (Iteration 3 which is in the data site) must not cause a decrease in the modelled Crossrail performance. Bidders will be expected to demonstrate that their proposals do not impact upon this baselined Crossrail performance.

The following sections detail the main impacts of Crossrail on the Great Western route.

May 2018 - Heathrow Connect replacement by Crossrail

The Heathrow Connect stopping service between Paddington and Heathrow Terminal Four is operated by the Franchisee between Paddington and Hayes & Harlington. Heathrow Express Operating Company Limited operates the service from Hayes & Harlington into the airport.

Bidders should assume that the Heathrow Connect service will cease at the timetable change date in May 2018 and be replaced by a 4 trains per hour Crossrail service operating into London Paddington High Level. This service will be operated with Class 345 Crossrail trains of 205m length. It is expected that the performance of these trains will allow this service to call at all stations within the timings currently employed for Class 360 trains.

As part of this change the rights for the Franchisee to operate the Heathrow Connect service will cease to operate in May 2018. Any costs associated with this should be included in the Bid.

Bidders should note that it has been assumed (and noted elsewhere within the ITT) that the Greenford to London Paddington service will be truncated to terminate at West Ealing in the new bay platform to be provided by Crossrail no later than December 2016.

The introduction of the Crossrail fleet will require the operation of 205m Crossrail trains into Paddington High Level. This will require a number of operational changes so that these trains can be accommodated at appropriate length platforms. The Franchisee shall work with CTOC and Network Rail to deliver these requirements. The timings of these trains will allow all 4tph to operate off a single platform. This will only be possible if Crossrail services will be constrained to operating from 1 platform in the peak periods at Paddington and the 4tph Crossrail trains will need to arrive and depart at an equally and regularly spaced frequency during the hour.

It should be assumed that Crossrail Rolling Stock will replace the existing Heathrow Connect rolling stock in May 2018. The Franchisee will not be required make any provision for rolling stock associated with this service after May 2018.

Staff that operate the Heathrow Connect service are employees of the Heathrow Express Operating Company Limited and thus any staff issues associated with this transfer are not a matter for the Great Western Franchise.

December 2019 – Full Implementation of Crossrail

The full Crossrail service will require a major change to the Relief Line timetable between Maidenhead and Paddington and there may need to be some minor consequential alterations to Main Line services. The most recent iteration of the Crossrail timetable (known as Iteration 3 and showing paths that are assumed to be available for residual Great Western franchise Relief Line services) is available in the data site and it should be assumed that this timetable represents the basis of the Crossrail service that will operate from December 2019. A separate document available in the data site lists the minor alterations Crossrail expects to include in a further iteration of the timetable.

An initial assessment is that the provisions of TUPE will not cause any Great Western franchise drivers to transfer automatically to CTOC. Bidders will need to take their own view of this assessment in developing their traincrew strategies and should clearly set out the basis for their strategy in their Bid. It is expected that station staff will transfer to CTOC under the provisions of TUPE and Bidders should set out their assumptions regarding station staff and associated management team transfers to CTOC in December 2017.

4.4.10.3 Fares, Ticketing and Crossrail

Principles associated with fare setting for Crossrail services have been agreed between TfL and the Department and details of these will be contained within a document available on the data site. Bidders should use these in developing their revenue forecasts and fare and ticketing strategies. Bidders should note that TfL agree that fares on Crossrail services will be consistent with those set by the Franchisee. Details of when these fare setting arrangements will come into force are also contained within this document and are in the data site.

4.4.10.4 Network Benefits, Smart Ticketing / ITSO / Oyster / CPAY

The Department and TfL have agreed a package of Network Benefits that CTOC will deliver as part of that concession. Bidders should note the obligations that apply to the Franchisee as a result of this agreement. Full details are provided in the data site with some key elements noted here.

- all train services operated by CTOC will accept ITSO cards loaded with suitable products and CTOC will participate in and cooperate with the Department / ATOC interoperable smart ticketing schemes;
- all train services operated by CTOC will also accept Oyster cards and associated products;
- all national rail stations served by CTOC (including those operated by both CTOC⁴ and Great Western) will be required to retail and load both ITSO and Oyster products; and
- subject to satisfactory conclusion of the CPAY negotiations covering contactless technology, CTOC will participate in the CPAY agreement.

4.4.10.5 Crossrail Depot and Stabling

Crossrail rolling stock will be maintained using a new depot at Old Oak Common which is planned to be available from May 2017. This depot will not be a regulated asset and will be for the sole use of Crossrail.

The design of the facility and approach tracks allows for independent access to the Crossrail depot avoiding conflicts with movements to or from the existing Great Western Old Oak Common depot or the adjacent Heathrow Express (HEX) depot.

⁴ There will be a number of London Underground stations that CTOC will serve that will not be operated by CTOC and so these elements do not apply.

The Crossrail project will also be constructing six new stabling sidings at Maidenhead to accommodate Crossrail rolling stock. It should be assumed that these will not be available to the Franchisee.

4.4.10.6 Contingency Arrangements for Alternative Commencement Dates of the Full Crossrail Service

The planned timetable for the introduction of Crossrail services has been set out above, but given that tunnelling has only recently commenced there is a risk that that the project may not be completed on schedule with both an earlier or later opening possible. The successful Bidder shall work with RfL to review the likely delivery risks and opportunities associated with the implementation of the full Crossrail service on Great Western in 2019. The first risk review will commence in 2016 and will be reviewed at least annually thereafter. This joint risk review will be led by RfL with the objective of ensuring that there will not be any degradation of services or loss capacity (from pre December 2019 levels) from December 2019 as a result of full Crossrail being delayed. Opportunities for possible enhanced capacity over and above pre December 2019 levels will also need to be considered. The review will need to include the following considerations:

- the impacts and opportunities of any expected delay in the implementation of the full Crossrail service on the service that could be provided by the Great Western franchise;
- what interim services could be provided by CTOC / Great Western franchise considering the forecast completion of infrastructure and forecast availability of rolling stock known at the time of the review and subsequent reviews;
- seek out opportunities for acquiring additional rolling stock to supplement the forecast available fleet at the required time, if it is anticipated that there maybe a shortfall of vehicles for operating the planned Crossrail services. CTOC / Great Western franchise will need to consider where vehicles could be sourced and the forecast commercial implications;
- the minimum infrastructure requirements (including any changes to currently planned infrastructure), to maintain pre December 2019 capacity or to accommodate possible enhanced capacity during any interim service period between December 2019 and the then forecast full Crossrail service date; and
- any operational and staffing issues etc that may need to be resolved between CTOC / Great Western franchise prior to any interim service commencing.

4.4.10.7 Stations

The Station Facility Owner (SFO) responsibilities for the following stations will transfer to the CTOC operator at the timetable change date in December 2017:

- Acton Main Line;
- Burnham;
- Ealing Broadway;
- Hanwell;
- Hayes & Harlington;
- Iver;
- Langley;
- Southall;

- Taplow;
- West Drayton; and
- West Ealing.

London Paddington High Level will remain as a Network Rail managed station but London Paddington Low Level will be managed by CTOC.

For the stations listed above the existing contract arrangements will be maintained regarding repair and maintenance. The Franchisee shall enter into a lease for these stations only until the transfer date in December 2017. For stations that transfer to CTOC the Bidders should be aware that the franchise includes non-frustration provisions in respect of the delivery of this transfer.

Bidders shall make provision for the transfer of these stations as part of their Bid and should include costs relating to the project management and implementation of these activities including separating ticket retail and information distribution and broadcast systems, servers and networks. Bidders should also allow sufficient time for the orderly transfer of these responsibilities. In the period preceding the transfer date and notwithstanding the general requirement to cooperate, detailed discussions will be needed between CTOC and the Franchisee as to how the transfer will occur, including any transitional arrangements.

Slough and Maidenhead will remain under the management of the Franchisee although some special requirements will need to be put in place at Maidenhead given that this is the terminating point for Crossrail services. Bidders should note that a common high standard of customer experience for passengers travelling on Crossrail is a key objective. Staff at Maidenhead and Slough stations will be expected to participate in the delivery of this objective. CTOC will provide training prior to the commencement of the service and subsequently provide briefing material to be included within the normal staff briefing arrangements for staff at these stations.

The Franchisee will be expected to make staff available, without compensation, for this training. Assumptions relating to revenue protection and gateline operations at Slough and Maidenhead should be clearly stated.

Given the planned transfer of stations to CTOC, Bidders should not enter into any contracts at the transferring stations that run past the station transfer date. CTOC will enter into its own contracts at these stations after December 2017. For assets at these stations designated primary franchise assets, these will need to be transferred using a business transfer agreement.

A significant package of enhancements is planned at all Crossrail stations served by Crossrail as part of the On Network works delivered by Network Rail. Details of the Network Rail upgrade plans are available on the data site. The Franchisee shall cooperate with Network Rail to allow the efficient achievement of the programme for these works and will be expected to agree to appropriate Station and Network Change requests in consultation with Rail for London as appropriate. The regulatory process will be followed for Station and Network Change at all Crossrail stations but Bidders will need to allow for the commercial impact of Station and Network Change arising as a result of the Crossrail Programme within their Bid.

Paddington Station

London Paddington High Level will remain as a Network Rail managed station but London Paddington Low Level will be managed by CTOC. A limited number of early morning and late evening Crossrail trains will use Paddington High Level.

Bidders should be aware that works to deliver Crossrail will have several differing impacts on the operation of Paddington High Level station. These include changes to the advance ticket windows at Paddington station; alterations to train servicing; concourse works in connection with the construction of the Bakerloo line link; and impacts on the Station Managers Office and Train crew accommodation. Details of these changes are contained within the data site.

Ealing Broadway Station

Bidders should note that the rebuilding of this station (including the provision of step free access) is planned to be undertaken between 2014 and 2018 and will result in the loss of third party retailing opportunities period during construction and a reduction in overall provision on completion of the work. Remodelling of the station forecourt will remove the existing car parking spaces. This should be taken into account in the Bid.

Maidenhead Station

Network Rail are delivering a series of enhancements to the station as part of their overall remit for Crossrail-On-Network works and will work with the Franchisee to provide additional systems associated with the reconfiguration of the station. Bidders will be required to work with Crossrail, Rail for London and Network Rail in the development of the plans for the station. These include the provision of a new platform for the Bourne End/Marlow trains, turnback and stabling facilities and a train crew depot for Crossrail. The Franchisee shall work closely with Rail for London and CTOC as detailed operational plans are developed and when these plans become operational, and to develop Station Access Contract to address the operational arrangements required for the efficient operation of the Crossrail service.

Other Current Great Western Stations

At Acton Main Line, West Ealing, Southall, Hayes & Harlington and West Drayton schemes to provide step free access schemes will result in a rebuilding of station facilities (primarily entrances and ticket halls).

Station Systems

At all stations listed at the start in section 4.4.10.7 and at Slough & Maidenhead, CCTV, Help Points and Public Address equipment is to be upgraded by Network Rail as part of the On Network works in preparation for through running of Crossrail services. Additional Driver Only Operation (DOO) equipment will be provided at all stations comprising platform mounted cameras together with transmission equipment to display platform images in the cab for DOO operation of Crossrail Class 345 rolling stock. Existing DOO equipment (and any subsequent upgrades to that equipment) will remain in place.

4.4.10.8 Contractual Issues and CTOC

The ITT for the Crossrail Operating Concession is expected to be issued in summer 2013. The Franchisee shall support TfL's Concession Letting Process by the provision of appropriate information relating to the stations and services that will transfer to CTOC, alongside management visits and access to facilities and stations etc. The provision of this information and arrangement of visits will be provided at no additional cost to the Department or Transport for London and will be similar to the cooperation requirements that apply toward the end of the franchise term to facilitate the re-letting of the franchise.

The Franchisee will need to permit CTOC drivers to travel in its driving cabs from 2016 so that its drivers can learn the route between London Paddington (High Level) and Maidenhead.

4.4.10.9 Pension arrangements and transferring employees

The Crossrail Sponsors Agreement between the Secretary of State and Transport for London sets out the arrangements for Pensions and TUPE in relation to the establishment of Crossrail services. The Pensions and TUPE extract of the Sponsor Agreement is on the data site.

4.4.11 Oxford corridor and Oxford Station

The Oxford corridor provides the key strategic link for passenger and freight traffic between the south coast and the WCML and the north, in addition to acting as a branch of the east-west GWML for outer Thames Valley and Cotswold Line traffic. A large proportion of passenger train arrivals at Oxford from the south terminate there, and turn back for Reading and London Paddington.

The Oxford corridor also forms part of the SFN. To facilitate predicted growth in passenger and freight traffic through Oxford a package of schemes were reviewed following recommendation in the Great Western RUS to increase capacity and route availability as well as introduce higher line-speeds bringing journey time benefits. Electrification works in 2015/16 together with the 'Electric Spine' programme mean that Network Rail, Oxford City Council and Oxfordshire County Council are reviewing a number of options for Oxford station with which the Franchisee will be expected to co-operate.

4.4.12 Greater Bristol capacity improvements

To reduce journey times, increase capacity and service frequency in and around Bristol, a programme of improvements is being developed following their recommendation in the Great Western RUS. The programme aims to provide the infrastructure that could support an IEP service level of four trains per hour between Bristol and London Paddington should Bidders choose to implement such a service level. Whilst the exact scope of works remains subject to confirmation it is likely to include four tracking of Filton Bank and would take place prior to energisation in December 2016. The delivery schedule and implementation dates will be agreed over the next few months.

4.4.13 Hereford Station Area Improvements

A scheme to provide a new turn back facility at Hereford station, as presented in the West Midlands & Chiltern RUS, is being reviewed which would utilise the existing platform formations to accommodate the train service levels predicted with future growth. The additional infrastructure would also enable a more efficient and flexible operation of the station area in line with Network Access requirements. This is likely to be implemented as a Network Rail Development Fund scheme before the end of CP4.

4.4.14 High Speed Two (HS2)

The proposed high speed line designated High Speed Two (HS2) will run from London Euston to a new station in Birmingham and on to Manchester and Leeds via a new sub-surface station at Old Oak Common. The proposed Old Oak Common complex includes a new surface station on the GWML itself which would allow all trains on the GWML to call there. Network Rail will be developing network opportunities offering greater national and international connectivity and journey time benefits to Europe via a potential direct link line to High Speed 1 (HS1) and the Channel Tunnel, to the West Coast Main Line via a potential link line, the West London Line and Crossrail for central London and London Heathrow Airport. HS2 is proposed to be operational by 2026.

Bidders should not include the consequences of, and possible opportunities from, HS2 for the Great Western franchise in their Bid.

4.4.15 Heathrow Airport – Access from London and from the West

London Heathrow is the largest airport in the country with around 70 million passengers per annum. With the opening of Terminal 5 in 2008, the airport's capacity grew to accommodate a further 30 million passengers per year. The Government places a high priority on the provision of fast, frequent premium services between London Paddington and Heathrow Airport, for which guaranteed access rights are provided until June 2023.

However, there is also growing demand, particularly from the business community who currently account for a third of the passenger numbers using the airport, for improved rail access from the south west. Network Rail are developing options to deliver this. The London & South East RUS recognised that whilst Heathrow Airport primarily serves the south east of England, with rail links to and from London by Heathrow Express, Heathrow Connect services and London Underground services, rail access to the airport from the west is presently by road from Reading, or by interchange from Thames Valley stopping services at Hayes & Harlington and then via the Heathrow Connect services, or by interchange from long distance high speed services from further west at London Paddington and via Heathrow Express services. The lack of Western Rail Access was recognised as a 'Strategic Gap'.

A more direct link to Heathrow Airport from the GWML has been identified as a longer-term option and Network Rail will be exploring options to identify the most suitable corridor east of Slough to link the two.

In the Government's HLOS statement of 16 July 2012, Western Rail Access was identified as a scheme for development during CP5 and for implementation in CP6.

Bidders should not include the consequences of and possible opportunities from Western Rail Access for the Great Western franchise in their Bid.

4.4.16 East West Rail

The East West Rail initiative is a third party proposal to reintroduce direct passenger services from Oxford and Aylesbury to Bletchley and Milton Keynes Central. The primary objective of this initiative is to improve east-west connectivity, providing a local transport link to support growth and development. It may also have potential as a trunk freight route. It is seen as a means of easing traffic congestion problems in Oxford, Bletchley and Milton Keynes.

Bidders should not include the consequences of and possible opportunities from East West Rail for the Great Western franchise in their Bid.

4.4.17 Delivery Plan Requirements

In the Delivery Plan, Bidders should aim to set out the following:

4.4.17.1 Understanding of each scheme

The foregoing paragraphs include the current best understanding of the impacts of committed projects on the Great Western franchise. Bidders should be aware that, as the detailed plans for delivery of committed projects develop, flexibility may be required and implementation dates or other requirements may change.

4.4.17.2 Pricing of each scheme

Bidders should confirm their understanding about what they have and have not priced within the Bid (including where necessary cross references to the Financial Model and Record of Assumptions).

4.4.17.3 Management of projects within the franchise

Bidders shall demonstrate that they have sufficient resources to manage changes of the type, complexity and magnitude referred to in the foregoing paragraphs. This will require provision of project support with the expected level of expertise to include, but not be limited to, project management, train operations (including driver training), train planning, depot and station management, communications and safety (including signal sighting) to support the development and implementation of the projects.

4.4.17.4 Working with Network Rail and others to deliver the Projects

Bidders shall set out how they will work together with Network Rail - including the Bidder's plan for an enhancement alliance - and how they will work together with delivery partners. When setting out their future plans for working with Network Rail, Bidders should follow the guidance in 4.2.8 above as to what should and shouldn't be included.

4.4.17.5 Managing the Interface with Passengers

The projects detailed in this section will inevitably involve disruption to passenger journeys over a prolonged time horizon. In Section 4.7.6 Bidders are asked to set out their proposals for dealing with Planned Disruption.

However, the scale of disruption on the core of the franchise route in the early years of the Franchise Term is such that it will require its own particular response. Whilst cross-referencing the plans in 4.7.6, Bidders should provide a detailed proposal as to the extra initiatives that they will implement to manage this issue in respect of these major projects and the very long possessions that they sometimes entail.

4.4.17.6 Planning to prevent Project Slippage and dealing with it when it happens

Bidders are not required to plan into their submission any additional cost to deal with delay to the projects described in this section. Instead, the Franchisee shall participate in a formal process of regular contingency planning meetings in respect of the infrastructure projects described in this section and will be required to develop, agree and implement contingency arrangements with their delivery partners as soon as practicable. Bidders should set out their proposals for participating in such a process.

If there is:

- a delay to electrification;
- delay to acceptance of IEP sets; or
- delay to the transfer of Crossrail stations.

which is not caused by the actions of the Franchisee then it is expected that such delay will be treated as a Qualifying Change. The Department intends to issue drafting which will describe these circumstances more precisely for the Franchise Agreement.

Bidders are referred to Schedule 9 of the Franchise Agreement for a detailed explanation of how changes caused by later delivery of the major projects will be dealt with. Until the conclusion of the major projects of IEP, electrification and Crossrail, any change in the franchise (including project delay) will be made with reference to the financial model at Bid. Once the major projects are all completed, any change will be made with reference to the services operating at the time of the change, although the Department will retain the right to switch to this approach earlier.

Bidders will be required to demonstrate they can manage any Price Changes as part of the Modelling Change evaluation of the Models, Records of Assumptions and Operating Manuals. This will be evaluated under Delivery Plan 12 where further information on these requirements may be found.

4.5 DELIVERY PLAN 5: MANAGEMENT AND DELIVERY OF ROLLING STOCK CHANGE

4.5.1 Introduction

In Delivery Plan 3, Bidders were asked to set out their rationale for choosing the type, number and other characteristics of their proposed train fleet in order to deliver the TSR.

In this section, the Department provides some background information and requirements relevant to the fleet choices that the Bidders may make.

In this Delivery Plan, Bidders shall set out:

- how the fleet plan will meet future statutory and technical requirements;
- how the fleet plan will meet the Department's requirements for passenger load counting and monitoring;
- how they will actually deliver the rolling stock changes set out in their fleet plans outlined in Delivery Plan 3;
- how they will meet the Department's requirements for increased transparency of rolling stock lease costs;
- their maintenance strategy and how any changes will be delivered;
- their plans for depots and stabling; and
- how their rolling stock and depot maintenance strategies will contribute to improvements in operational performance.

Bidders are also reminded that they should highlight which of the initiatives they describe in this Delivery Plan will contribute to the summary of franchise cost reduction requested in Delivery Plan 2.

4.5.2 Background information – Intercity Express Programme

The Intercity Express Programme (IEP) provides a new generation of trains catering for longer distance travel on interurban and outer suburban routes, replacing the majority of the current High Speed Train (HST) fleet. In respect of IEP, the Franchisee will be obliged to enter into the Train Availability and Reliability Agreement (TARA) and Relevant Operator Direct Agreement (RODA) with Agility Trains West Limited and accede to the Dispute Resolution Agreement (DRA) with Agility Trains West Ltd and the Secretary of State. Redacted copies of the TARA, RODA and the Master Availability and Reliability Agreement (MARA) are available on the Great Western data site and the DRA will follow shortly. Un-redacted copies will be placed on the data site as soon as possible after financial close.

The current expectation is that the Great Western IEP fleet will be delivered from 2017 onwards and will comprise electric trains in 9-car formations for operation on the London Paddington to Bristol and Swansea routes and bi-mode trains in 5-car formations. The 5-car sets will be capable of operating in 10-car formation to meet peak demand. Bi-mode trains will be capable of operating over non-electrified parts of the network, continuing to provide through connectivity between electrified and non-electrified routes. The enhanced capabilities and qualities of the new rolling stock will benefit passengers through improved end-to-end journey times and improved service environment.

With the combination of the new train specifications, the implementation of electrification and the omission of some intermediate stops, journey times on long distance services could be reduced by up to 22 minutes between Bristol and London and up to 17 minutes between Cardiff and London if the Bidders choose to do so.

Under IEP, the Secretary of State will enter into the MARA with Agility. The Franchise Agreement will prescribe how certain rights and obligations identified as being the responsibility of the Relevant Operator under the MARA shall be performed or exercised by the Franchisee for example around train acceptance.

The IEP fleet will be maintained and operated from the existing North Pole Depot (West London), Maliphant Depot (Swansea) and from a new depot at Stoke Gifford (West of Bristol Parkway).

As noted above, it is a mandatory requirement that the Franchisee shall enter into the TARA, RODA and accede to the DRA at the same time as signing the Franchise Agreement and take on the new IEP fleet once the trains are accepted.

The MARA includes an agreed form Initial TARA and RODA and allows the Franchisee to make changes that are within the flexibility contained in the Rules of the Depot and the Rules of the Fleet.

However, under Schedule 8 of the MARA the Secretary of State can vary the MARA (and TARA) in certain circumstances and to the extent that a Bidder wishes to develop proposals that may involve:

- alteration of the Rules of the Fleet and/or Rules of the Depot;
- changes to the maintenance or any facility where the maintenance provider carries out stabling of the IEP Fleet or minor or routine maintenance of the IEP Fleet;
- re-marshalling of the sets comprised in the IEP Fleet as long as this is still compliant with the Train Technical Description and the Train Technical Specification (as both terms are defined under the MARA);
- minor changes to the performance capabilities of a set or any vehicle comprised in a set; and
- changes to the passenger environment of a set (including in respect of the catering areas).

If Bidders wish to develop proposals that involve variations to the IEP contract that would need to go through the process in Schedule 8 of the MARA, then:

- Bidders will need to present fully worked up proposals that have the full and unequivocal backing of Agility Trains Limited that they are deliverable within the timescales set out in their Bid. This will include suitable assurances regarding any changes needed to financing arrangements;
- Bidders will need to make clear that they are taking on the risk that the eventual prices of the variations proposed are different to those which are set out in their franchise Bid; and
- Bidders will need to either secure the Department's agreement that such changes that are proposed are beneficial and should continue beyond the end of the

Franchise term or set out what arrangements they propose to put in place at the end of the Franchise Term (including in the event of early termination).

The Department will need a significant level of assurance about the deliverability of any innovative proposals which form the basis of a bid submission, and Bidders are strongly advised to discuss such proposals with the Department at the earliest opportunity.

Bidders shall set out their plan for the introduction of the IEP sets in line with the responsibilities set out in the TARA.

The Department considers that Bidders shall retain each unit of existing (HST) rolling stock for four weeks beyond the planned introduction date of the IEP unit that will replace it.

The suite of IEP contracts will give rise to a number of obligations and commitments on the Franchisee which will be reflected in the Franchise Agreement as appropriate. Soon after IEP financial close has been confirmed, Bidders will be provided with an updated version of this section of the ITT and the relevant sections of the Franchise Agreement together with any further guidance the Department considers appropriate.

4.5.3 Background information – Other Fleets

Bidders should be aware of other mandatory requirements concerning the rolling stock fleet. These are:

- a Section 54 agreement covering the 5 x 5-car Class 180 DMUs. This requires that Bidders shall allow in their cost lines for payment of the lease costs of the Class 180s at least until the end of the section 54 agreement on 31st December 2016;
- a Section 54 agreement covering the loan payments in respect of engine improvements on the High Speed Train fleet until 31st March 2016.

4.5.4 How the fleet plan will meet future statutory, technical and environmental requirements

When setting out their fleet plans, Bidders shall be explicit about the following requirements:

- Bidders will be expected to maximise use of the newly installed electrified railway with use of diesel trains running under wires minimised as far as practicable;
- whether vehicles will achieve compliance with the PRM TSI before the legal requirement date (01.01.2020) or whether they will be released from the franchise before that date (see 4.5.7 below for further details);
- when vehicles operating services on any part of the route between London and Bristol will be fitted with ETCS equipment.

Should Bidders propose the introduction of new-build rolling stock they shall demonstrate that they have taken account of the rail industry's Key Technical Requirements. These represent best practice that experience has demonstrated not to be adequately covered by mandatory standards. Bidders are also invited to set out proposals for collaborating with other operators or industry stakeholders to deliver economies of scale or other options for delivering better value for money.

Where Bidders are proposing a major refurbishment of rolling stock it is expected that they will comply with relevant European legislation and with existing industry standards and guidance as published by the RSSB (www.RSSB.co.uk) for the fitment of European Railway Traffic Management System (ERTMS) and GSM-R. In addition, Bidders are encouraged to propose improvements to the performance, attractiveness and energy efficiency of existing rolling stock as well as options for reducing its impact on the infrastructure and providing the infrastructure manager with robust and timely information on infrastructure condition. Again, Bidders should take account of the industry's Key Technical Requirements and consider collaborating with other operators or industry stakeholders to deliver economies of scale or other options for delivering better value for money. Examples of initiatives Bidders may want to consider include:

- fitment of energy meters and driver advisory systems;
- lower weight, lower stiffness bogies;
- traction efficiency improvements e.g. diesel engine and transmission modifications, enabling of regenerative braking on EMUs;
- non-traction efficiency improvements e.g. fitment of intelligent, low energy lighting, heating and air conditioning systems;
- fitment of flush inhibit systems/retention toilets;
- pantograph cameras/OLE monitoring systems;
- technical and operational approaches to improve rolling stock reliability and availability, including enhanced resilience to extreme weather events.

Bidders shall set out plans for providing Network Rail with sufficiently accurate information on traction electricity consumption for billing purposes, for example through the fitment of onboard electricity consumption meters, and for helping the infrastructure manager monitor the performance of the electrification infrastructure.

4.5.5 Passenger Counting and Load Monitoring

The Government wants accurate data on train loadings and crowding levels to inform decisions about pricing and capacity.

The Department's annual minimum data requirement will be specified at the beginning of each calendar year.

The Franchisee shall provide, in line with the annual data requirement that will be issued by the Department, detailed passenger counts for all services where passengers are counted by automatic equipment. This information shall be supplied in a format compatible with the Department's rail passenger counts database (detailed in the data exchange specification). The Franchisee shall provide all information the train generates where Automatic Passenger Count (APC) equipment exists. Where and when there are gaps in data coverage, additional manual counts will be required. In the absence of APC data, Franchisees should expect to be asked for a full programme of manual counts.

Bidders are expected to maintain, as a minimum, the current level of automatic load monitoring equipment that is fitted to the existing rolling stock fleet and to ensure that it operates in good working order and is correctly calibrated as quickly as possible and in any case no later than 1 April 2016.

In addition to this requirement, the Department expects that not less than 30% of vehicles of each main rolling stock vehicle type should be fitted with this equipment by this date, unless such rolling stock type does not feature in the long term fleet plan (i.e. after December 2019). Bidders shall be clear about where such exemptions apply, how the shortfall in data will be mitigated and at what point the requirement will be complied with.

It will be necessary for APC equipment to be fitted to any new rolling stock in order to comply with these requirements.

4.5.6 Implementing the rolling stock changes

Bidders set out how they will deliver the rolling stock changes set out in their fleet plan outlined in Delivery Plan 3. For at least their initial fleet, the Bidder's proposals shall be accompanied by term sheets from the relevant vehicle owners.

The Department is keen to encourage innovative rolling stock proposals. However, if Bidders intend to include in their rolling stock strategy a plan to lease rolling stock that is, at present, in use on another franchise they should explain, in confidence, their proposals to the Department as early as possible in the Bidding process. The Department will assess any such proposals against the impact on the donor franchise.

Where a Bidder is planning to take a fleet from the start date of another franchise, then it shall demonstrate that there will be sufficient suitable fleet off-lease in the market to enable Bidders for that other franchise to secure a replacement fleet to operate from Day 1 of that franchise. This is likely to be possible where a fleet is being taken to enable a similar number of trains of a similar type to be cascaded from Great Western. It is unlikely to be possible if the incoming fleet is being taken on for growth and no similar trains are being cascaded from Great Western.

Where Bidders are able to demonstrate that there would be sufficient replacement fleet, they shall also demonstrate that there is a workable transition plan that would deal with the risks that will inevitably arise from trying to implement such a major rolling stock change at or around the time that a new franchisee is taking over the operations of the 'donor' franchise.

For any such fleet that the Bidder (or Franchisee if post franchise commencement) intends to take on lease, the Department will require that the relevant lease should contain a provision to sub-lease (at cost) the vehicles concerned back to the donor TOC for up to three years.

If this step is taken the Department will specify the terms of future Franchise Agreements and approve leases to include, where appropriate, the same provisions of sub-lease to the Great Western franchise.

In circumstances where the Department requires there to be a delay to the cascade of a fleet to the Franchisee, this will be a Change. However, the Change will be on the basis that the only adjustments made in respect of such Change (assuming that it is Qualifying Change) would be in respect of the impact upon the rolling stock lease rates and applicable variable track usage charges. Any changes in other costs and revenue resulting from the delayed introduction of rolling stock would not be included. However, the Department would agree to derogations against any capacity, performance or other

obligations that had been committed to as part the introduction of the new fleet. These provisions will be included in the Franchise Agreement.

Bidders are not required to provide term sheets for rolling stock that is intended to be used later in the franchise term, although they are obviously free to do so. However, the Franchisee shall enter leases for incoming replacement rolling stock one year before the end of the lease of the rolling stock that is being replaced. Failure to do so will be an Event of Default. Bidders shall also make clear how they will ensure that the TSR and CR will continue to be met after the fleet in question goes 'off lease'.

For the Bid proposal, the following will apply:

- where the Bidders can show contractual terms have been reached – including in relation to existing Great Western stock – this will be contracted in the usual way, with specific fleet identification numbers. This will apply to the fleet used from the start date and may also apply to new/cascaded stock introduced later in the franchise term; and/or
- where the Bidder has no stock committed, or has a number of alternative heads of terms which it proposes to negotiate later, we will contract in terms of relevant characteristics, decided in light of the Bid. This could include carrying capacity (seats for intercity, or seats plus standing for commuter fleet), speed, diesel/electric, and whether the fleet is new, refurbished or cascaded. In principle, committed features must include any features that the Bidder wishes to have taken into account. In the case of alternative fleets, the Department reserves the right to determine which fleet is most appropriate to assess for the evaluation. It would then reserve the right to contract the “worst” potential outcomes (e.g. the slowest speed, the least capacity) even if these outcomes are drawn from two mutually exclusive fleets, on the grounds that we should not give credit for better outcomes.

If capacity uplifts are offered as committed obligations in the AM peak above our contracted figure, we would expect to contract these as additions to the Capacity Requirement tables set out in the TSR.

4.5.7 Train Accessibility

Attention is drawn to the Rail Vehicle Accessibility (Interoperable Rail System) Regulations 2008 which set a date of 1 January 2020, by which time all trains should be accessible to persons with reduced mobility. The Department has been working with ROSCOs to define what this means for the fleets that they own and this information is available to Bidders in the data site.

Bidders shall work with ROSCOs and identify in their Bid when the corrective work that has been identified by the Department as being necessary (if any) will take place, for the fleets they intend to be operating 1 January 2020. Wherever possible, use should be made of planned maintenance downtime for any refurbishment or upgrade to address areas of non-compliance. Bidders shall detail how their proposals will fully deliver the degree of accessibility required by 2020, using the compliance checklists agreed with ROSCOs as the basis for agreement of outstanding work with the Department.

Bidders shall indicate in their Bid that they will comply with the rail vehicle accessibility standards in the Persons with Reduced Mobility – Technical Specification for Interoperability (“PRM TSI”) when undertaking work during the franchise that does not trigger the full authorisation process of the Railways (Interoperability) Regulations 2011. Where it can be shown that is not reasonably practicable to comply with individual

standards when undertaking such “minor” work, the Franchisee should seek agreement from the Department not to undertake that aspect of the work.

The Department recognises that Bidders may wish to add capacity to some summer services using vehicles that are out of use for the remainder of the year. Bidders may propose a lower level of access work for those seasonal vehicles, for consideration by the Department and its advisers, provided that the services they are augmenting are made fully accessible. Bidders should provide their estimate of the savings such an approach would deliver.

4.5.8 Rolling Stock Leasing and Transparency

In December 2011 the Association of Train Operating Companies (ATOC) published a discussion paper on Rolling stock and Value for Money. ATOC and the ROSCOs are continuing to develop these proposals to deliver and demonstrate Value for Money and Bidders should take note in particular of the information requirements.

The Department fully supports the industry in this objective and we wish to see Bids demonstrate how this has been achieved.

Note the evidence requested to support this section is excluded from the page count.

4.5.8.1 New Procurements

All terms of the proposal from financiers to the Bidder shall be included in the response to the Franchise Bid, with full supporting documentation - including the disclosure of full cash flows over the life of the asset which will need to be appended to the lease at contract execution.

4.5.8.2 Existing Fleets

Bidders shall provide all supporting data which is provided to them by Asset Owners as required by the Competition Order which came into effect February 2010.

Bidders should also provide all letters of offer provided by the ROSCO and any Side Letters or other agreements which relate, or could relate, to the rolling stock irrespective of the formal legal counterparties to such documents.

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

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

The Bidder shall provide an outline of the rolling stock strategy they have used to achieve best value for money and demonstrate how they have achieved this.

This should include at a minimum:

- an explanation of any change in lease rentals compared to the prices in the previous lease;
- evidence of iteration from original offer letters to final offer letters to demonstrate the benefits of the negotiations they have had;
- demonstration of beneficial contract terms through the reduction of risk to the tax payer;
- setting out the level of value of refurbishments and other modifications which are not rentalised by Asset Owner; and
- clarity around the life and amortisation period of any proposed modifications, as considered in the ATOC/ROSCOs initiative referred to above.

Such supporting documents are to be provided as an Appendix that is exempt from the overall page count limit.

Modifications and Improvements

Where improvements are to be made to rolling stock leased from ROSCOs and the funding rate agreed with the ROSCOs for the purposes of the Bid is that such improvements would be rentalised in the rolling stock lease for the franchise length the Department shall require (through its approval of Rolling Stock Leases under paragraph 2.1 of Schedule 2.2 (Security of Access Agreements, Rolling Stock Leases, Station and Depot Leases) of the Franchise Agreement that any Rolling Stock lease entered into by the Bidder reflects such agreed funding rate. There will be no Residual Value payment from the next Franchisee. The Department would be content for ROSCOs to take Residual Value risk beyond the Franchise Term where the works are demonstrably related to PRM-TSI compliance.

Maintenance

It is recognised that Maintenance costs are a substantial part of the cost of a Bid and form an important part of the Bidder fleet strategy for the franchise. It is important that a Bidder clearly sets out the strategy they are following and the reason they are following this strategy.

This should include:

- all supporting documents provided by Maintainer which should be from original offer until the final offer which is used in the Bid to set out clearly the benefit of the negotiation. Such supporting documents are to be provided as an Appendix that is exempt from the overall page count limit;
- the savings of the strategy they are following compared to the other options which were open to them which shows clearly heavy maintenance / light maintenance comparators if applicable;
- value of Train Service Agreements managed by a Maintainer compared to overhaul by the Franchisee with some form of technical support; and
- explanation of how have they benchmarked their proposals to demonstrate how they have achieved value for money.

4.5.8.3 Whole Life Costs

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

4.5.8.4 Standardisation

The Bidder should demonstrate how their fleet strategy helps to achieve greater standardisation as set out as Measure 7 in the ATOC discussion paper Rolling stock and Value for Money issued December 2011.

4.5.9 Maintenance Strategy, Depot and Stabling Plans

4.5.9.1 Maintenance Strategy

Bidders shall set out a detailed plan to cover the train maintenance strategy for the franchise. Where appropriate their plans should cover their approach and delivery of;

- heavy and Light maintenance;
- preventative maintenance;
- reactive maintenance;
- cost assumptions; and
- management, staffing and quality assurance.

4.5.9.2 Train Cleaning Delivery

It is recognised that train cleaning forms a part of depot and stabling workload and the delivery of standards committed to in fulfilment of the NPS targets described in Delivery Plan 7 and these should be explained here if appropriate.

4.5.9.3 Depots

Bidders should be explicit about their plans for the future use and development of the following depots:

- Old Oak Common⁵ (noting that the depot site is likely to be required for HS2 development from December 2018);
- Reading;
- Bristol (St Philips Marsh);
- Swansea (Landore);
- Exeter;
- Plymouth (Laira); and
- Penzance (Long Rock).

⁵ Excludes the planned Crossrail Depot

Particular reference should be made for how and when maintenance of individual fleets will be transferred from one depot to another, if such transfers are planned. Bidders should note that the routes to, and the depot at, St Philips Marsh will not be electrified.

Bidders should detail any depot enhancements that may be required and when and how these would be carried out. They should also detail how any enhancements would be funded.

For non-traction energy Bidders should consider improving the energy performance of depots through, for example, better insulation, more efficient and intelligent lighting and heating systems and the use of micro-generation. Any new depot should deliver at least an “excellent” rating using the BREEAM assessment methodology.

4.5.9.4 Stabling

Bidders should assume that no additional provision for stabling will be made by Network Rail, although Royal Oak sidings (Paddington) and Oxford Carriage Sidings will all be electrified. Bidders should assume the stabling provided at Maidenhead as part of Crossrail will not be available to them.

It is expected that some additional stabling capacity will be required during the course of the franchise at the Franchisee’s expense. Bidders should propose what additional stabling would be required (and where), the facilities needed at such location and how it will be funded.

4.6 DELIVERY PLAN 6: ACHIEVING RELIABLE & PUNCTUAL TRAIN PERFORMANCE

4.6.1 Introduction

The Department places great importance on the provision of reliable and punctual train services.

The performance of the franchise has been broadly consistent with national trends and across business segments (Thames Valley, long distance, and West of England services) showing significant reliability problems in the early years of the franchise, followed by gradual improvement from 2006, and a slight deterioration since 2009. First Great Western's Public Performance Measure (PPM), measured as a Moving Annual Average (MAA), rose from 82.8% to a peak of 92.4% in 2009. At the time of publication, FGW PPM MAA was 90.6% against an industry average PPM MAA of 91.5% (May 2012).

In this section the Department sets out its expectations for performance and Bidders must show how they will meet those expectations. Throughout this section, references to performance include not only punctuality, but also cancellations and significant lateness.

In view of the great importance the Government attaches to the provision of reliable and punctual train services, the Government's High Level Output Specification (HLOS) and Statement of Funds Available (SoFA) set the overall strategic outputs the Government is seeking. This includes the improvements to railway operational performance the Government wishes to see. Joint Performance Improvement Plans (JPIP) are the main way individual train operators contribute towards, and are measured against, these wider national outcomes. JPIPs incorporate non-contractual 'stretch' targets. The Office of Rail Regulation regulates Network Rail's contributions to the national performance outcomes.

As part of the wider governmental drive towards greater transparency, the Department proposes greater transparency of reporting of performance information for the whole of the rail industry. It is in particular supporting plans by Network Rail and the Office of Rail Regulation for the publication of more detailed disaggregated PPM information, and for the release of information about 'right time' performance.

Bidders are reminded that in general they should concentrate on explaining the changes they would expect to implement if that is what they intend to do (as stated in section 3.2).

Bidders are also reminded that they should highlight which of the initiatives they describe in this Delivery Plan will contribute to the summary of franchise cost reduction requested in Delivery Plan 2.

4.6.1.1 Management of operational performance - General

Bidders shall explain how they plan to maintain and improve operational performance in the Great Western franchise in line with the Government's wider expectations. In a franchise such as Great Western covering a large geographical area with many different service groups, it is recognised that differences will exist in performance between different parts.

The Government does not consider, however, that very material discrepancy between routes within the overall average is desirable. Bidders shall therefore express their plans in sufficient detail and at sufficient levels of disaggregation that it is clear how they propose to improve performance on poorer performing routes and ensure that better performing routes do not deteriorate.

In framing their plans, Bidders should fully take account of all the factors described in subparagraphs 4.6.1.2 to 4.6.1.10 below. For the avoidance of doubt, the Department does not expect Bidders to develop or to commit to JPIPs for the Great Western franchise Bid.

4.6.1.2 Management of operational performance – Staffing

Staffing arrangements and training have the potential to have a significant influence on operational performance.

Therefore in this Delivery Plan, Bidders should set out their Traincrew Strategy as well as their strategies for other staff who have an impact on performance, for example platform despatch staff. Where appropriate, there should be cross-references to other relevant Delivery Plans (e.g. Better Stations and Access).

4.6.1.3 The performance impacts of the major projects

The Department recognises that the major projects planned for the Great Western Main Line (GWML) during the franchise have the potential to impact negatively on operational performance. It therefore also recognises that there will be challenges in maintaining current levels of performance on those parts of the franchise affected by the projects. Bidders must be clear in their plans how they propose to address the challenges posed by the GWML projects. In doing so, Bidders shall explain how they propose to identify root causes which will remain within in their control and how they propose to maintain and improve performance in relation to them. In recognition of the fact that some geographical areas of the Great Western franchise will not be affected by the GWML projects, Bidders shall also explain how they propose to maintain and improve operational performance in those areas.

The GWML projects will involve the Franchisee in implementing the final overall train service, for example, replacing the existing diesel multiple unit trains in the Thames Valley with electric trains. Bidders must explain how they will ensure their implementation plans are robust in respect of their impact on operational performance and, where relevant, how they propose to manage performance risks arising from them. These plans must cover all aspects of the Franchisee's implementation of the major projects.

Bidders shall outline their approach to managing and recovering from disruption and provide detailed proposals as to their approach to managing unplanned disruption, including steps to minimise the delay per incident. Specific attention should be placed on contingency plans for overruns of planned possessions and associated communications strategies along with how they will work with other train operators to minimise disruption during planned engineering works.

4.6.1.4 Interface with Network Rail

Bidders shall explain how they propose to work with Network Rail to maintain and improve performance. Consideration should be given to both the daily operational interfaces and the longer-term planning interfaces. This should include Network Rail's role as the owner and operator of the Major Stations as well as of the rail network.

4.6.1.5 Interfaces with other train operators

The Great Western franchise has significant operational interfaces with other passenger train operators, in particular Heathrow Express, CrossCountry, South West Trains, Arriva Trains Wales, Chiltern Railways and London Midland, and with the freight train operators. Later in the Great Western franchise there will be a significant interface with the concession operator which TfL plans to appoint to operate the Crossrail train services (CTOC). Bidders must explain how they plan to work with other train operators in relation to the TOC-on-TOC aspects of the maintenance and improvement of performance, including in relation to the GWML projects. This should include consideration of train operating interfaces and stations, both where the Franchisee is the station operator and where it is an access beneficiary.

4.6.1.6 Management of risks to performance

Bidders shall describe their approaches to identifying new emerging risks to performance and how they would plan and implement suitable mitigations. This should include consideration of risks to performance posed by the implementation of any Committed Obligations or other initiatives proposed by the Bidder.

4.6.1.7 Performance benchmark regime

The performance benchmark regime in the Franchise Agreement will provide a contractual mechanism which allows the Secretary of State, in the event of unacceptably poor levels of performance by the Franchisee, either to require remedial action by the Franchisee or to take enforcement action. It should not be viewed by Bidders as representing a baseline acceptable to the Secretary of State or acting as performance targets.

Bidders shall propose Performance benchmark levels for the franchise. The levels in the Appendices to Schedule 7.1 (Performance Benchmarks) of the Franchise Agreement represent the absolute minimum performance benchmarks the Department is willing to contract.

Bidders are invited to propose levels that are more challenging than those provided. Should Bidders choose to offer more challenging levels they are expected to provide evidence, in particular referencing their wider performance improvement plans, as to how during the life of the franchise these more challenging levels will be delivered, and reassurance that they are unlikely to result in breach or default of the benchmarks. This more challenging level will then form the basis of the Franchise Agreement. Offering to contract a more challenging level will receive credit during the Bid evaluation.

The starting point for all proposed benchmark levels has been based on existing benchmarks and recent available performance data and calibrated accordingly. Where major operational events have occurred during the period used for finalising the service

delivery and cancellations targets, and they are events which in the Department's view are exceptional, the effect of any such events may have been excluded from the calculation of the final proposed levels. Equally, events covered by the Service Recovery protocol may have been excluded.

4.6.1.8 Publishing Performance Data

Bidders shall publish disaggregated punctuality figures for different parts of the franchise and are expected to demonstrate how they will deliver improved punctuality at intermediate stations where connections, including to other train operators' services, are particularly important.

The Franchisee shall publish information for Thames Valley, Long Distance and West of England routes within twelve months of the start of the contract. It will be for Bidders to propose exactly how they will publish this information, but as a minimum it is expected to involve publication on the company website and at stations to a standard and frequency to be proposed by Bidders. The information to be published is the percentage of trains arriving at destination within 9 minutes and 59 seconds of the advertised time having called at all stations for long distance services with a 10 minute PPM threshold and 4 minutes 59 seconds for all services with a 5 minute PPM threshold. Services are to be monitored over a 4 week rail period and through a Moving Annual Average. It is envisaged that the Franchisee will at some point also be expected to publish right time information on a similar basis, in line with the emerging plans for greater transparency.

For the purpose of assessing these disaggregated punctuality figures it is assumed that individual service groups will be monitored, details of which will be provided separately.

4.6.1.9 Bidder assumptions on cost/revenue implications of performance projections

In their calculations for payments under Schedule 8 of the Track Access Contract and in forecasts of any associated revenue effect, Bidders should use their own projections for Delay Minutes attributable to Network Rail and they should provide satisfactory evidence of the reasons behind this. Bidders should use their own methodology for the calculation of Average Minutes Lateness and the Franchisee will be responsible for the cost and revenue implications of such calculations of any mismatch between their projections of Network Rail performance and actual Network Rail performance.

4.6.1.10 New Performance Measures

Bidders shall take into account that the Franchisee will be expected to assist the industry, ORR and the Department in setting and aligning targets for any new regulatory performance measures that may be introduced in Control Period 5, or beyond that period.

4.7 DELIVERY PLAN 7: IMPROVING THE CUSTOMER OFFER AND EXPERIENCE

4.7.1 Introduction

In this section, the Department sets out its expectations for the areas of customer offer that it would expect to see covered in this plan and how the measurement of service quality will be undertaken through the National Passenger Survey.

In response the Bidder should explain its:

- customer service strategy;
- how it will meet the NPS targets (cross referring to specific initiatives both later in this plan and in other Delivery Plans if necessary);
- the on-train facilities and services;
- passenger information – generally;
- managing planned disruption;
- passenger information during unplanned disruption;
- customer care & support; and
- approach to security Issues including working with the British Transport Police.

Initiatives related to Stations and wider access to the network should be included in Delivery Plan 8, Better Stations and Access to the Network, apart from those related to provision of passenger information (both generally and at times of disruption) which should be included here.

Some of these subjects (particularly the on-train facilities and services) will have a strong link to Delivery Plan 9, Marketing, Fares and Other Revenue. The plans should be consistent and cross-referenced where necessary.

Bidders are reminded that in general they should concentrate on explaining the changes they would expect to implement if that is what they intend to do (as stated in section 3.2).

Bidders are also reminded that they should highlight which of the initiatives they describe in this Delivery Plan will contribute to the summary of franchise cost reduction requested in Delivery Plan 2.

4.7.2 The Customer Service Strategy

The Department is seeking to achieve tangible and perceived improvements in the overall quality of journey provided to passengers in keeping with Franchise Objective 3: “Ensure the overall passenger experience improves throughout the life of the Franchise”.

In Delivery Plan 2, the Bidder will have set out how the franchise will be organised to focus on the Customer Offer and Experience. This section should set out in more detail how service quality will be managed, including its approach to customer service staffing and management and any proposed Service Quality Management System (SQMS).

4.7.3 National Passenger Survey Targets

Bidders should note that it is the Department's intention that a twice yearly National Passenger Survey ("NPS") of the Great Western franchise will be conducted by Passenger Focus.

Bidders shall demonstrate how they will improve passenger satisfaction over the life of the franchise.

The franchise will be monitored against a number of disaggregated NPS targets based on four NPS measures which will be assessed against separate targets for three Service Groups (Long Distance, Thames Valley and Western).

The four measures are:

- stations;
- train services;
- train facilities; and
- customer service and Information.

There will therefore be 12 targets against which performance will be assessed in total.

Each measure will contain a number of weighted indicators and these are set out in the Passenger Focus document 'Passenger Survey Methodology for Great Western' which is available in the data site.

Bidders shall set their own targets for each metric taking into account the improvements being sought as part of this ITT. It is expected that current performance levels for Stations, Train Services, Train Facilities and Customer Service and Information will at least be maintained, over the initial 6 years of the franchise while route upgrade works for electrification, Crossrail and IEP are delivered, unless good evidence can be provided as to why this is not achievable. Targets will be assessed on an annual basis.

Historic NPS data, split between the metrics highlighted above, is detailed within the data site. Passenger Focus has committed in future to publish disaggregated NPS scores based on the metrics noted above. The Department has decided that each element will be partially based on a number of aggregated NPS scores using weightings based on localised assessment of satisfaction and dissatisfaction. Given the duration of the franchise, the transfer of some stations out of Great Western and the potential for significantly different service provision over this period the weightings shall be re-established at year 5 and year 10 of the franchise to be applied from years 6 and 11 respectively. This is in order that passengers' changing priorities can be reflected over the longer Franchise term. It also reflects the schedule of planned upgrade work.

The NPS score for each measure, and associated targets must be displayed at all Category A-C staffed stations, alongside other performance measures, and otherwise provided on request. It is expected that such information will start to be published by NPS Survey Wave 30, spring 2014 at latest.

Where the targets are not achieved Bidders shall set out an improvement plan, with a level of expenditure of up to £250,000 per annum for each target not achieved.

Bidders should summarise how they intend to meet their targets by reference to initiatives either elsewhere in this Delivery Plan or in other Delivery Plans (e.g. achievement of the stations target could summarise and then cross-refer to the Better Stations and Access Delivery Plan).

4.7.4 On-train Facilities and Services

Bidders should set out their strategy for on-board services, including catering and telecommunications. This should set out the approach to provision of these services, pricing (where charged for), and the revenue that will be generated.

4.7.4.1 Mobile communications

Some of the rolling stock fleet for the franchise may be capable of providing Wi-Fi services for rail passengers in 2013 (WiFi is being fitted to the Class 180s by the current Franchisee) and on-board entertainment currently exists on the HST and Sleeper fleets. Bidders should consider mobile communications more generally. Government is placing increased importance upon improving mobile communication services for passengers travelling by rail (*reference the National Infrastructure Plan 2011 sections 2.18 and 3.105*), in particular through better co-ordination between the rail sector and mobile operators. The Rail Safety and Standards Board (RSSB) have recently concluded research looking at mobile services (for both operational applications and passenger use) – this is now available on the RSSB website. It outlines various technology options and supporting business cases for improving mobile communication services. In addition, Ofcom have published a study on improving mobile coverage on trains; this report is available on their website at www.ofcom.org.uk. The publication of the Autumn 2011 National Passenger Survey shows levels of passenger satisfaction with mobiles communication services both on-board trains and at stations. There is a wide variation between operators and passenger satisfaction is significantly lower for mobile services on-board trains including those provided by Great Western. With this in mind, Bidders are expected to work with mobile network operators and the telecommunications industry to consider methods for improving seamless voice and data mobile communications for Great Western passengers.

4.7.4.2 Catering

Bidders should assess the appropriate level of on-board services including catering provision to be provided on Great Western services and demonstrate how they will deliver their proposal. They should include any proposed changes to on board staffing arrangements, responsibilities and numbers in this plan.

Bidders should propose whether there is core minimum level of service which they would commit to provide.

4.7.5 Passenger Information - General

Passenger demands for quality information at stations about train times and platforms should be addressed. Bidders shall provide details of how they will maintain and improve

on information provision, particularly in terms of consistently reliable technology, to meet customer requirements for quality information in respect of train times, backed up by well-informed staff. Bidders are also encouraged to propose new ways in which they will communicate with passengers off the network.

Bidders may propose enhancements in information provision across the franchise and should demonstrate how any gaps in the provision of real-time information at stations may be remedied.

Bidders should demonstrate how they may adopt practices in the National Rail Enquiries good practice guides on passenger information.

Bidders may wish to consider linking information on rail journeys on their websites with Transport Direct website services to allow door to door journey planning.

Reliability and availability of information screens should be routinely monitored as part of any Service Quality monitoring regime and Bidders shall demonstrate that they have processes in place to deal quickly and effectively with any defects, including any inconsistencies with PA announcements.

4.7.6 Managing Planned Disruption for Passengers

In this section Bidders should set out how it will deal with Network Rail's requirements for engineering access to the network.

Specific attention should be placed on:

- information prior to possessions & possession planning;
- information during possessions;
- staff availability at stations during possessions;
- management, delivery and information pertaining to rail replacement services;
- quality of rail replacement services; and
- approach to alternative rail service patterns.

These plans should set out how Bidders propose to keep customers informed about planned engineering works and any timetable changes, including the best ways of using new or existing communication channels, such as Passenger Information Systems (PIS), to keep customers informed.

The Department is keen that Bidders demonstrate how they will minimise disruption for passengers. Given the diversionary routes available, Bidders will be expected to demonstrate how they will work together with Network Rail and other passenger and freight operators to minimise inconvenience to passenger journeys and to minimise the use of rail replacement bus services.

Bidders shall also set out how, if no diversionary route exists, frequent, high-quality, accessible and well-managed rail replacement services are to be provided during periods of disruption. Where such road services are unavoidable Bidders should demonstrate how standards of service provision to passengers will be maintained.

The measures set out here may be cross-referenced as part of the response to Section 4.4.17.4. However, in that section Bidders shall also set out their special measures as to how they will manage the disruption in the early years of the franchise caused by the major infrastructure works that are scheduled for the core of the route.

4.7.7 Managing Unplanned Disruption for Passengers

Bidders shall demonstrate how they will utilise existing channels of communication, such as real time information both at station and on train to provide accurate and up to date information especially when things go wrong.

Bidders shall demonstrate that they will operate in line with the principles of Passenger Information During Disruption (PIDD) guidance.

Bidders should set out how they will co-operate with other train operators in the event of disruption to its own services or those of those operators.

4.7.8 Customer Care & Support

4.7.8.1 Delay Repay / Passenger's Charter

Bidders will be required to produce a Passenger's Charter including a Delay Repay compensation scheme based on delays to journeys. The Delay Repay compensation scheme should apply to all ticket types from daily tickets through to annual season ticket holders irrespective of what caused the delay.

The value of compensation should be calculated on an equitable basis for all, with an entitlement to claim compensation of 50% of the fare for the affected journey for passengers delayed by between 30 and 59 minutes, 100% of the fare for the affected journey for delays of 60-119 minutes and 100% of the return fare for delays of 120 minutes or more. For season tickets, compensation would be calculated using the proportional daily cost of the ticket. Compensation would be provided in National Rail Travel Vouchers with cash instead if vouchers were not accepted. Claims would be "postage-paid".

Bidders should demonstrate a commitment to a proactive policy of informing passengers of their right to claim in any given situation and to set out the procedures that will be adopted to make it easier to claim. Should a period of sustained poor "peak" performance be experienced (as measured by the number of trains arriving at their final destination within 15 minutes of their scheduled time), Bidders should consider compensating season ticket holders over and above the arrangements outlined above. In doing so, Bidders should consult Passenger Focus and, where applicable, London TravelWatch.

Bidders should provide a definition of "sustained poor peak performance" and state how this will be assessed and by what route types.

For Delay Repay purposes, 'Peak' is defined as arrivals into London Paddington between 07:00 and 09:59, into Reading between 07:30 and 09:30, and arrivals at Bristol Temple Meads, Cardiff Central, Plymouth and Exeter St Davids / Exeter Central between 08:00 and 08:59, Mondays to Fridays (excluding Bank Holidays). This definition of "peak" does not apply to fares or to the Capacity Requirements.

In the event that an emergency timetable is introduced, compensation entitlements will be based on the timetable that is offered with due consideration also given as to what timetable a season ticket holder could have reasonably expected at the time of purchase. Holders of other tickets will, as now, be entitled to refunds on tickets that have not been used under the provisions of the National Rail Conditions of Carriage.

For season tickets valid between 1 month and 1 year purchased before the start of the new franchise, Bidders are expected to honour in full any discounts which are due on renewal. Delay Repay will not be claimable on these tickets. Delay Repay will apply after the first renewal of the season ticket after the start of the new franchise.

4.7.8.2 Customer Care and Support

Bidders should set out their plans for managing customer care and support, including their approach to handling complaints and communicating their performance in meeting targets that it sets itself for dealing with complaints. Customer care and support for those with disabilities should also be included in this section.

4.7.8.3 Service accessibility for disabled customers

Bidders' attention is drawn to the current requirements in the Equality Act 2010 which places a duty on service providers, including station and train operators, to provide reasonable access to their services.

Bidders shall demonstrate in their proposals how they will ensure compliance with these duties and shall describe in detail their compliance strategy applicable to both stations and trains. Bidders shall comply with the licence condition requirement to have a Disabled People's Protection Policy (DPPP) in place and the commitment within the DPPP to follow the Code of Practice. Bidders shall detail how they will consult with disabled people to ensure the reasonable needs of disabled customers are identified and addressed, both within existing facilities and where enhancements are planned.

Bidders should also outline their plans for staff training in disability awareness and detail their procedures for the sale of tickets to disabled customers. Bidders shall outline plans of how they will provide an Assisted Passenger Reservation Service including any improvements proposed. It is expected that the assisted persons' helpline will be provided free of charge.

4.7.9 Security

The Department expects the rail network to provide a secure environment for passengers and staff.

Bidders should consider the findings in Passenger Focus' "Passenger perceptions of personal security on the railways" and consider how best to address them within their plans.

4.7.9.1 Secure Station Accreditation

Bidders shall set out throughout the franchise period, their plan to provide security at stations, including security at car parking and cycle storage. Bidders shall confirm that they will maintain the current status of Secure Station Accreditation (“SSA”) at those stations where it currently applies, for the duration of the franchise period (apart from those stations that transfer to Crossrail) including the role and application of CCTV and systems to support accreditations such as the ‘Park Mark’ award and set out whether their coverage will be extended.

4.7.9.2 Train and Station Security

The Franchisee will be responsible for security on board its trains and at its stations. Bidders shall include a brief assessment of current security arrangements at all levels from theft and assault to the threat of terrorism and may propose measures to make improvements.

Bidders shall confirm their commitment to comply with the legal requirements for, and act upon the guidance to, station owners and operators and train operators to protect railway assets, staff and customers from acts of terrorism as set out in the National Railways Security Programme (“NRSP”). The NRSP incorporates the requirements of Instructions served on station and train operators under section 119 of the Railways Act 1993.

4.7.10 Working with the British Transport Police

Bidders shall outline how they will work in partnership with the British Transport Police (“BTP”) with regard to specific areas of concern over the safety and security of passengers and staff, reduction in delay and crimes against property. In doing so, Bidders should explain how they influence where appropriate resources are deployed, such as in areas where particular security issues are most prevalent and clearly set out any likely incremental costs.

Once appointed the Franchisee should assess with the BTP the security/crime risk at all stations in the franchise and ensure that their proposals include the prioritisation of all the identified high risk locations. Where new CCTV is provided or existing systems replaced, the Franchisee shall propose CCTV compatible with systems employed by the BTP.

Bidders should be aware of proposed changes to the British Transport Police Authority Police Services Agreement (“PSA”). The current PSA will not be continued within the new Great Western franchise and Bidders should include the cost implications of moving to this new PSA within their Bids. It is intended that the new PSA will start in April 2013. The proposed new PSA is available on the data site alongside indications of the likely charges. Bidders should in the first instance request contact details for the relevant person at BTP from the Department in order to progress this.

4.8 DELIVERY PLAN 8: BETTER STATIONS & ACCESS TO THE NETWORK

4.8.1 Introduction

In this Section the Department sets out its expectations for improving stations and access to the network and provides some relevant background information.

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

Bidders should note that some items related to stations should be covered elsewhere, namely:

- ticket office and retailing changes should be covered in Delivery Plan 10;
- passenger information at stations should be covered in the wider sections on this area in Delivery Plan 7; and
- security at stations should be covered in the wider section on this area in Delivery Plan 7.

Bidders are reminded that in general they should concentrate on explaining the changes they would expect to implement if that is what they intend to do (as stated in section 3.2).

Bidders are also reminded that they should highlight which of the initiatives they describe in this Delivery Plan will contribute to the summary of franchise cost reduction requested in Delivery Plan 2.

4.8.2. Stations – Background Information

The new Franchisee is expected to be the Station Facility Owner (“SFO”) for 208 stations (before taking into account any future changes as described below) and trains may call at approximately a further 62, which are managed by a mix of TOCs and Network Rail. More information can be found in the data site. These stations vary widely in their size, facilities and patronage and therefore the approaches to stations may vary accordingly.

It has now been formally agreed between the Department for Transport and Network Rail that Bristol Temple Meads and Reading station will become Network Rail managed stations. The Franchisee will be required to facilitate this change from 1 April 2014, and Bidders should set out their plans for so doing.

Bidders should be aware that the Franchisee is currently in discussions with Stagecoach South West Trains regarding the potential transfer of Station Facility Ownership of Dean, Mottisfont & Dunbridge and Romsey stations to Stagecoach South Western Trains Limited. No Great Western franchise trains currently call at Dean or Mottisfont & Dunbridge stations. This change should be assumed to have taken place before franchise commencement. Bidders should also note the requirement to transfer stations to CTOC in 2017 as part of the Crossrail Project (see Section 4.4.10.7).

4.8.3 Property/station retail revenue

Bidders should set out their plans to manage property and station retail revenue.

4.8.4 Management and Staffing of Stations

Bidders should plan and construct their Bids on the basis of the existing contractual and regulatory framework for stations.

Once in place, the Franchisee shall work together with Network Rail to develop proposals for reducing the costs of managing and maintaining stations, whilst improving the provision of services to passengers. These proposals may well include changes to leasing and management arrangements which, if agreed between the parties, the Department and ORR would expect to facilitate.

In addition, Bidders will be expected to reflect industry best practice in their proposals to measure, monitor and manage their non-traction energy consumption. For non-traction energy Bidders may wish to consider improving the energy performance of stations through, for example, better insulation, more efficient lighting and heating and the use of micro-generation. Any new stations should deliver at least an “excellent” rating using the BREEAM assessment methodology.

As set out in Delivery Plan 10 below, it is expected that changes in the nature of ticket retailing seen over the last few years will continue. The Bidder’s proposals in this area should be included in a more extensive section in this Delivery Plan that sets out the Bidder’s vision for station staffing and its role in revenue protection, and the customer offer. This will then feed through into the achievement of the relevant NPS target measures.

To improve the level of information available to passengers when staff are not available at stations, Bidders are to consider maintaining the existing coverage of Help Points at stations and will be expected to propose what level of Help Point coverage will be achieved in the future and by when.

4.8.5 Stations Investment – Committed Schemes

This section sets out the station improvement schemes currently committed under various programmes⁶.

4.8.5.1 Stations Commercial Project Facility (SCPF)

As part of the Stations Commercial Project Facility Programme managed by Network Rail, enhancements will be undertaken at:

- car park enhancements: Bristol Parkway, Charlbury, Kemble, Langleigh, Pangbourne, Pershore and Radley.; and
- gate-line enhancements: Bath Spa.

⁶ Bidders should also note the various station enhancements that will be delivered as part of the Crossrail scheme and noted elsewhere.

Bidders should expect that further stations may be included in Tranche 3 of the SCPF Programme.

4.8.5.2 National Stations Improvement Programme

A number of stations on the Great Western franchise area are included in the National Stations Improvement Programme (“NSIP”), the £150 million fund to improve approximately 150 medium-sized stations.

Agreed schemes where Great Western is the SFO are identified in the data site including estimated value(s) for increase in Long Term Charge. Bidders should make provision for these and for changes in operational costs arising from these changed facilities and should expect to reasonably co-operate with the implementation of these schemes.

Where a Great Western station is confirmed on the Programme, it is expected that the successful Bidder will proceed with the scheme as designed. Information on the Great Western candidate stations along with proposed implementation dates and scope of works are included within the data site.

4.8.5.3 HLOS 1 – related investment

Gate-lines will be introduced at Cheltenham Spa, Didcot Parkway, Gloucester, Newbury and Taunton stations prior to the start of the new franchise.

4.8.5.4 Better Rail Stations

A review of station standards conducted by Chris Green and Sir Peter Hall in November 2009 highlighted the importance of stations and identified priorities for investment. Furthermore Didcot Parkway appears within the list of the top 30 stations highlighted for enhancements.

Network Rail have been working with local partners to assess what improvements can be delivered at some of these stations.

4.8.6 Future Station Investment Proposals

It will be for Bidders to consider what appropriate enhancements should be made at stations. However, they will be expected to have considered how best to enhance the quality of the station portfolio in their proposals and are also encouraged to facilitate any enhancements proposed in as cost-effective a manner as possible, including through the use of 3rd party funding.

In developing their plans, Bidders should demonstrate how they have taken account of anticipated passenger growth over the life of the franchise. Where appropriate they should propose measures for effectively managing increasing passenger numbers whilst still protecting revenue which could include:

- reconfiguring station layouts to improve passenger flow;
- changes to, or removal of, gate-lines and/or ticketing systems to increase passenger throughput; and
- station expansion.

Contractual provisions are included that will allow franchisees to receive value for investment in franchise assets, where these assets improve the value of the franchised business and where they have a value at the end of the Franchise. Assets that meet the appropriate criteria may be designated as Investment Assets and the Franchisee will then be required to purchase these assets at a price that reflects their ongoing value to the Franchise.

Bidders should include station enhancement initiatives with a payback within the period of the franchise length within their Franchise Specification Submission. Where Bidders have identified station enhancement initiatives, which they consider to be of merit, but which have failed to achieve the Bidder's financial criteria for inclusion in the Franchise Specification Submission, they are encouraged to submit the initiatives as Bidder Incremental Options, if they can be proven to be Value for Money and must demonstrate a financial benefit within a 30 year period. These would not form part of the analysis of the main Bid, but Bidders should be aware of the Department's particular interest in any such proposals and the Department will consider purchasing the Incremental Options offered by the winning Bidder subject to affordability constraints and economic appraisal criteria.

The Franchise Agreement makes provision for schemes to be developed during the life of the franchise with longer payback periods than the Franchise term through discussion with the Department.

Bidders will be expected to outline in their Bids their approach to working with stakeholders to develop future schemes.

4.8.6.1 Local Authority Station Proposals

Devon County Council has developed proposals for a new station at Marsh Barton. Bidders are invited to engage with the Council to consider whether and how the proposed new station could be served at no additional cost to the franchise, should Devon County Council be able to secure funding to build the station at some point during the life of the franchise.

Worcestershire County Council are developing proposals to provide a new parkway station for South Worcestershire. The proposal is strongly supported by key stakeholders, including the Worcestershire Local Economic Partnership, local members and Worcestershire MPs. An assessment of the financial and economic benefits of the proposed station has been undertaken on behalf of Worcestershire County Council and shared with the Department and Bidders. The business case work is showing a positive financial and economic case for the proposed parkway. Bidders shall engage with Worcestershire County Council on this scheme and propose how the station could be served at no additional cost to the franchise, should Worcestershire County Council be able to secure funding to build the station at some point during the life of the franchise. It should, however, be noted that Network Rail have concerns about the scheme's potential impact on capacity utilisation and journey times.

Worcestershire County Council also have aspirations for enhanced infrastructure at Worcester Foregate Street and associated interchange facilities, with the initial phase of works funded via the Worcester Transport Strategy Major Scheme Bid. Bidders are similarly expected to engage with the Council to discuss how subsequent phases of these proposals could be developed. The Department requires the reasonable cooperation of the new Franchisee with the future development of both schemes.

For the avoidance of doubt, Bidder submissions on these station proposals do not count towards the evaluation of the Bid.

4.8.7 Stations – Improving Access

4.8.7.1 Station Travel Plans

Station Travel Plans can provide important passenger benefits by integrating rail more effectively with other forms of transport (including low carbon modes). Station Travel Plans focus on access and egress at stations for all modes including on foot. These plans are currently being piloted by the Association of Train Operating Companies (ATOC), and a number of pilot studies are currently underway, including at Digby & Sowton, Truro and Bristol Parkway stations.

Bidders should consider the development and implementation of Station Travel Plans over the lifespan of the Great Western franchise, and should draw on the experiences and results of the pilots.

The specific locations of any Station Travel Plans proposed are a matter for Bidders to determine but the locations chosen should be informed by discussions with local authorities, other public transport operators, Network Rail, local user representatives and local employers to examine ways in which overall access to stations can be improved.

Bidders shall set out their priority locations for development of Station Travel Plans, together with the contribution they expect to make to the development and implementation of any proposed plans.

4.8.7.2 Cycling

The Government fully recognises the benefits cycling can bring as a low carbon and active form of transport, providing environmental and health benefits as well as helping to relieve road congestion. Provisions for cyclists are important for integrated journeys and for mitigating the overall environmental impact of the franchise.

The Government encourages all train operators to carry folding bikes at all times and to carry non-folding bikes wherever possible, whilst recognising that in peak periods there may be circumstances where it is in the best interests of the majority of passengers not to do so. The Department encourages franchisees to develop initiatives to promote cycling including providing cycle parking at railway stations.

Bidders shall set out their proposals for improving facilities at stations for cyclists to encourage greater cycle use by customers. It is for Bidders to decide upon the locations of any additional secure spaces in consultation with stakeholders, reflecting current provision

and overall need. When defining any type of cycle parking facilities to be provided, the Department's cycle policy and approaches developed by the Cycle Rail Working Group should be considered.

4.8.7.3 Car Parking

Car parking is seen as a constraint in many locations because of limited capacity, and Bidders should set out their strategy for car parking, including pricing, provision of any additional capacity, and the revenue that will be generated.

It is recognised that provision of additional car parking spaces will be a key factor in some locations to realising the forecast demand that then underpins the capacity provision assumed in Delivery Plan 3. These links should be consistent and made clear in the submission.

The specific locations of any spaces proposed are a matter for Bidders to determine but the locations chosen must be informed by current and future levels of car park utilisation.

Any increases proposed in the number of car parking spaces in the franchise area should be considered alongside other modes and environmental concerns, together with how it fits with the policies of the relevant local authorities. Bidders should also be mindful of planning issues as part of the wider issue of access to stations. Where additional parking is planned, consideration should be given to providing recharging facilities for electric and hybrid vehicles, and to the benefits of implementation of a Station Travel Plan.

Bidders should make reference to the provision of Blue Badge spaces in line with the Department's "Accessible Train and Station Design for Disabled People: A Code of Practice".

4.8.7.4 Plus Bus and Multimodal Travel Initiatives

Bidders should set out their approach to the Plus Bus initiative and will be expected to participate in multi-modal schemes in accordance with the provisions of paragraph 10 of Schedule 13 (Information and Industry Initiatives) of the Franchise Agreement. Bidders should also set out any other initiatives and programmes to encourage multi-modal transport.

4.8.7.5 Railways for All

The Railways for All Strategy describes what the rail industry will be doing to improve disabled access. A key part of this is the £370m Access for All funding to deliver access improvements. Bidders will be expected to detail how they will co-operate with and reasonably assist and facilitate the implementation of the Programme. Further information can be found at the following website: <http://www.dft.gov.uk/topics/access>.

Access for all stations currently in progress include are:

Station	Estimated Completion
Gloucester	2012
Burnham	2013
Chippenham	2013
Severn Tunnel Junction	2013
Worcester Shrub Hill	2013
St Erth	2014

Bidders should make provision for additional operating and maintenance costs resulting from these new facilities.

Bidders shall include within their Bids a separately identified Minor Works budget for improving accessibility and mobility to the value of £300,000 per annum. Bidders' attention is drawn to Schedule 4, paragraph 2.7 of the Franchise Agreement which requires the Franchisee to establish and manage the Minor Works Budget to fund the carrying out of the Minor Works.

4.8.7.6 Network Rail sponsored Station Enhancements

A number of potential development opportunities have been identified by Network Rail at stations across the area; namely Newbury, Swindon, Taunton, Exeter St Davids, Paignton and Plymouth. To date Network Rail have worked with the existing Franchisee to identify and specify initial requirements in order to create project definitions to engage commercial developers. Each development is at a different phase and in most cases negotiations are in their early stages with basic principles for developments and enhancements agreed between all parties in the form of master plans. A summary description and outline plan details have been provided for each scheme in the data site.

Bidders are encouraged to review the potential proposals and their adequacy and consider how they may work with Network Rail and other partners to bring forward station enhancements across the franchise. Bidders would be expected to cooperate with the development of schemes that take account of operational, commercial and customer impacts (including car park provision) and represent good Value for Money.

4.8.7.7 Rationalisation of Car Parks for station developments

In relation to the station developments above, at a number of locations Network Rail are reviewing the rationalisation of existing surface car parks into Multi-Storey Car Parks (MSCP) in order to redevelop station areas and fund further station enhancements contributing to local regeneration. Whilst there is interest from third party developers to regenerate these station areas the cost of replacement parking solutions without the benefit of the parking income can be prohibitive. Because under current arrangements car parking spaces and income remain with the Franchisee, meaning the developer does not benefit from returns on the investment, a different arrangement may be necessary if these schemes are to be made viable. The Department therefore encourages Bidders to consider alliancing opportunities with Network Rail to explore a rail industry business case to unlock these schemes.

4.9 DELIVERY PLAN 9: FARES POLICY AND MARKETING

4.9.1 Introduction

In this Section the Department sets out the assumptions that should be used for Fares Policy in the Bids. Bidders should set out how their response to this and then describe how they will market the services offered by the Great Western franchise.

Bidders are reminded that in general they should concentrate on explaining the changes they would expect to implement if that is what they intend to do (as stated in section 3.2).

Bidders are also reminded that they should highlight which of the initiatives they describe in this Delivery Plan will contribute to the summary of franchise cost reduction requested in Delivery Plan 2.

4.9.2 Fares

4.9.2.1 Fares Policy

Bidders shall prepare their Bids based on the current regulated fares policy, as set out in the Franchise Agreement, being applied to the Greater Western franchise. All baskets will be subject to a fares policy, which increases the permitted aggregate value of the fares baskets by RPI+3% for the years 2013 and 2014 and by RPI+1 thereafter.

Should these assumptions change during the re-franchising process, the Department reserves the right to ask Bidders to change their assumptions or to conclude the re-franchising process on the basis of the original assumptions and thereafter adjust the leading Bid (or, if necessary, leading bids) on the same basis as would be the case if the change in fares policy occurred after franchise agreement signature and the Change mechanism was applied to determine its effects using the form of Change mechanism set out in Part A of Schedule 9 of the Franchise Agreement.

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

Bidders should be aware that the Department is undertaking a review of fares policy in line with the recommendation of the McNulty Report. The results of this review may be implemented on the Great Western franchise prior to the commencement of the new franchise.

4.9.2.2 Lead Operator

Lead Operator status changes for services affected by Crossrail are available in the data site. There are no planned changes to Lead Operator status on other parts the Great Western franchise.

4.9.2.3 Zonal Fares

Bidders are free to propose the development of zonal fare schemes outside of the London area as they see fit and should in their Bid plans consider the continued operation of the zonal fares and pricing structure schemes currently in force on the franchise.

Bidders should note that stakeholders, including the Severnside Community Rail Partnership, have identified issues about low fares on the Bristol Temple Meads to Severn Beach line, where a zonal fare scheme is already in place. Bidders may wish to consider restructuring proposals for fares on this line.

The Severn Beach Line has a formal community rail designation from the Secretary of State. The Department's community rail strategy explicitly covers flexibility compared to standard arrangements. The current zonal fares structure was put in place by special approval taking account of this flexibility in the light of the Secretary of State's community rail strategy. If Bidders want to propose changes that would need special approval, because they would fall outside current fares regulation, they should make this clear in the Bid, including identifying what changes would be necessary, when and how they would wish to implement them and any benefits (and downsides) that flow from the changes.

4.9.3 Marketing

4.9.3.1 Introduction

The level of investment and change expected on the Great Western franchise provides a rare opportunity to deliver a step change in perceptions and demand for rail travel. The changes in Capacity, Timetables, Rolling Stock and Customer Offer (described in Delivery Plans 3, 5 and 7 amongst others) will underpin the new franchise.

However, a key element to delivering the increased usage is how the new franchise offer is marketed to the public.

4.9.3.2 The Marketing Plan

Bidders shall set out detailed plans of how they will utilise marketing techniques to increase passenger usage and revenue. These plans should clearly describe initiatives targeting existing passengers and initiatives designed to attract new users, and retain them as repeat customers. The way in which these schemes target the various markets served by the franchise should be described.

Where these initiatives feed into increased demand forecasts, these should be consistent and cross-referenced with the demand forecasts in Delivery Plan 3.

Where these initiatives are forecast to deliver an increase in usage and revenue, credible evidence to support the rates of return, including by reference to evidence from previous, relevant examples should be provided.

Bidders should set out their strategy for how passenger revenue will be increased, and also provide an overview of the exogenous factors that may increase revenue and the level of revenue and passenger demand that will result from their strategy.

However, this plan does not need to provide a detailed explanation of Bidders' demand and revenue forecasts, which should be provided in the Record of Assumptions.

In addition, Bidders should explain their approach to branding and communications (including internet, poster and other forms of communication, as appropriate).

4.9.3.3 Fares Structure as part of Marketing

Bidders should explain their approach to the fares structure as it affects their market offer, e.g. premium, off peak and advanced fares. Where appropriate, cross reference can be made to other integrated aspects of the customer offer as it affects their marketing and revenue (e.g. inclusion of catering within a fare).

4.9.4 Other revenue

Bidders should set out their plans to generate revenue from other sources.

4.10 DELIVERY PLAN 10: TICKET SALES & REVENUE PROTECTION

4.10.1 Introduction

In this Section the Department sets out its requirements around ticketing, including the introduction of smart ticketing technology. Bidders should set out how they will deliver those requirements, together with their own initiatives in this area. They should also explain how tackle the issue of ticketless travel.

Bidders are reminded that in general they should concentrate on explaining the changes they would expect to implement if that is what they intend to do (as stated in section 3.2).

Bidders are also reminded that they should highlight which of the initiatives they describe in this Delivery Plan will contribute to the summary of franchise cost reduction requested in Delivery Plan 2.

4.10.2 Ticketing

The rail command paper, “Reforming our Railways: Putting the Customer First” (March 2012) states “Government supports the introduction of smart ticketing technology, such as smart cards, to tackle industry costs, manage demand and make travelling by rail more attractive to passengers.” Bidders shall propose an ITSO compliant smart and integrated ticketing scheme for the franchise in accordance with the requirements of the Franchise Agreement. This scheme shall make use of smart and integrated ticketing to manage demand, deliver both capital and operating cost efficiencies and improve the passenger experience. Such a scheme shall, as a minimum be able to retail, issue, accept and validate all valid ticketing products on any valid ITSO customer media, in accordance with the ITSO Operating Licence.

The Bidder requirements in respect of an ITSO-compliant scheme do not preclude Bidders from proposing further innovative ways of ticket retail, fulfilment and use, inter alia, the use of the internet, mobile telephone with barcode and/or Near Field Communication (NFC), contactless bank cards and home printing.

The Franchisee may implement their smart ticketing scheme earlier than the dates set out below.

4.10.2.1 South East Flexible Ticketing Programme

Through the South East Flexible Ticketing Programme (SEFT), the Department is introducing smart and integrated ticketing technology across this region. Bidders shall assume that smart ticketing equipment will be funded on core London facing commuter routes – principally Didcot Parkway-Reading, Newbury-Reading and Reading-London. Bidders should assume that SEFT will deliver equipment and systems for the provision of an ITSO based smart ticketing scheme by January 2014 in accordance with meeting the definition of Acceptance in the model SEFT Delivery Agreement. This definition can be found in Appendix 6 and the SEFT Delivery Agreement can be found in the data site.

It is probable that Acceptance under the SEFT Delivery Agreement will not be achieved by the current Franchisee by the franchise Start Date. Therefore, some or all of the SEFT Delivery Agreement responsibilities will be required to be delivered by the successful

Bidder under funding arrangements associated with the SEFT Delivery Agreement. Accordingly the successful Bidder shall be required to enter into a SEFT Delivery Agreement as a Condition Precedent to the Franchise Agreement.

Information on the current programme and milestones for implementing the SEFT Delivery Agreement and the equipment specification are available in the data site.

The Franchisee will be responsible for the ongoing maintenance and operation of SEFT infrastructure, where fitted and from the date of Acceptance whenever that occurs from the Franchise Start Date. Bidders shall provide appropriate plans to meet this obligation. Bidders shall also include for the management and maintenance of flexible ticketing.

4.10.2.2 ITSO Ticketing

The Franchisee will be required to introduce ITSO compliant ticketing throughout the franchise area in accordance with the requirements of Schedule 6.2 of the Franchise Agreement for all fare types no later than five years after franchise start, retaining inter-availability where it currently exists.

The Franchisee is required to introduce ITSO compliant ticketing throughout the franchise area in accordance with the requirements of Schedule 6.2 of the Franchise Agreement for the following fare types no later than two years after franchise start, retaining inter-availability where it currently exists;

- Anytime both Period and Day, Single and Return;
- Off Peak both Period and Day, Single and Return;
- Super Off Peak both Period and Day, Single and Return;
- Advance;
- Season Tickets; and
- London Travelcard.

The Franchisee should work with local authorities within the franchise area who may wish to implement smart rail or multi-modal ticketing schemes. The Franchisee shall not unreasonably withhold consent to such propositions.

The Franchisee should promote demand management and passenger benefits by:

- participating in the SEFT Programme and implement common smart products and common rules of use for those products as developed by SEFT; and
- making proposals for the development and implementation of new Smart/Flexible products.

The Bidder should note that (inter-alia) reservations, warrants, supplements, excess fares, penalty fares, concessionary travel and railcard-supported tickets form fundamental aspects of ticketing. The Franchisee shall work with the broader industry to co-ordinate their approach to addressing these issues.

The Franchisee shall promote the inter-availability of fares and tickets and join all relevant ATOC/Department/Rail Settlement Plan approved smart ticketing schemes including, where appropriate, adopting ATOC supported generic ticketing products.

As a minimum, the Bidder shall ensure there is appropriate provision of an ITSO-compliant ticketing system for use across the franchise. This could include ticket issuing equipment, readers, validators and gating appropriate to the diverse services and stations in the Great Western franchise. They should co-operate with other train operators and the infrastructure provider to meet these requirements at locations where they are not SFO.

4.10.3 Ticket Vending Machines

Bidders are free to propose locations for additional ticket machines in their Bids clearly stating the underlying reasons for their selection. Bidders should also consider extending the functionality of Ticket Vending Machines to improve the passenger experience and work on solutions to enable passengers to view the ticketing products and associated itineraries loaded onto their ITSO customer media at points on their journey.

4.10.4 Passenger Uptake Targets

Bidders shall demonstrate how they will ensure growth in passenger journeys undertaken on ITSO compliant ticketing. Bidders shall propose targets for passenger uptake and levels of committed spend in the event that such targets are not achieved in accordance with Franchise Agreement.

The specific actions to achieve uptake targets shall include marketing to: increase the uptake of journeys undertaken on ITSO compliant ticketing and contribute to increased customer satisfaction. The Delivery Plan shall clearly state initiatives targeting existing passengers and initiatives designed to attract new users and retain them as repeat customers.

The Franchisee will be able to propose variations to these targets during the Franchise Term if these are justified by future developments of innovative ticketing technology.

4.10.5 Implementation Plan and cost benefit analysis

Bidders shall provide an implementation plan for their ITSO ticketing scheme, demonstrating its phasing and how the required implementation will be achieved within five years. This will be contractualised.

Bidders shall provide an analysis of the costs and benefits of their scheme, taking into account the effects on capital and operational costs, implications for franchise revenue and the predicted effects on passenger experience and behaviour (including on patronage).

4.10.6 New and Alternative Retailing Methods

Bidders are encouraged to propose new and alternative ways of retailing tickets and may wish to consider selling via local shops, internet, mobile telephone and home printing amongst others. Bidders may also wish to consider how contactless EMV payment cards might be utilised alongside other alternative ways of retailing.

4.10.7 Access to Season Tickets

Bidders should consider how best to promote the use of season tickets including allowing passengers who travel regularly but not every weekday or not to a standard pattern to benefit from some season ticket discount.

Proposals may be linked to the adoption of ITSO compliant ticketing and might include payment methods not normally used by national rail, for example, direct debit.

4.10.8 Ticket Retailing at Stations

It is for Bidders to define the balance of resources at each station between the various functions to deliver the most effective results.

Smartcard ticketing and new retailing methods through such channels as the Internet have considerably reduced the need for passengers to use ticket offices. Bidders should consider the possible consequences of this although they should continue to assume that any proposed changes to ticket office opening hours during the franchise will be subject to the current industry arrangements as set out in the Ticketing and Settlement Agreement.

Bidder proposals in this area should feed into the wider plan for management and staffing of stations in Delivery Plan 8.

4.10.9 Revenue Protection

Bidders shall set out how they will ensure that suitable retailing, inspection and other arrangements are in place to minimise the level of ticketless travel.

These arrangements can include use of existing gatelines, introduction of new gatelines, mobile revenue protection staff, penalty fare schemes and innovations based on new technology.

The Department does not require detailed plans in this area, but Bidders should provide sufficient evidence of the impact of changes to existing arrangements to enable the Department to undertake its risk adjustment assessment.

4.11 DELIVERY PLAN 11: MANAGING STAKEHOLDER RELATIONS & DECENTRALISATION

4.11.1 Introduction

This Delivery Plan is focused on the way in which the Franchisee will work with stakeholders to give effect to the Department's desire to improve the responsiveness of local rail services to local needs as part of the Government's wider localism agenda. On 8 March 2012, the Department published a consultation document 'Rail decentralisation: devolving decision-making on passenger rail services in England'. The consultation closed and the Government expects to publish its response later this year.

The local services that are the main focus of this Delivery Plan were operated by the former Wessex franchise, until they became part of the larger Greater Western franchise in 2006 in order to simplify the franchise map and take advantage of economies of operation.

Against some expectations, and after a difficult start, the local services have thrived, with the current Franchisee working in partnership with local authorities, Community Rail Partnerships, other stakeholders, Network Rail and the Department to operate additional services and capacity. This, together with improved marketing and other initiatives has led to exceptional growth in passenger numbers.

The Department, Local Authorities and other stakeholders consider it a priority for the new Franchisee to continue this work, whilst also using innovative approaches to reduce the net cost of operating local services.

In Delivery Plan 3, Bidders will have set out their forecast for demand growth during the Franchise Term and how it will be met, including for local services and for summer and special events.

The requirements of this Delivery Plan break down into three main areas as follows:

- Bidders shall set out their overall approach to stakeholder engagement and management;
- Bidders shall respond to a series of Specified Options that have been developed with local authorities and stakeholders; and
- Bidders should set out any proposals that they have to meet localism agenda and for reducing the net cost of local services.

Bidders are reminded that in general they should concentrate on explaining the changes they would expect to implement if that is what they intend to do (as stated in section 3.2).

Bidders are also reminded that they should highlight which of the initiatives they describe in this Delivery Plan will contribute to the summary of franchise cost reduction requested in Delivery Plan 2.

4.11.2 Stakeholder Relations and Decentralisation

The Franchisee shall work closely and effectively with all stakeholders throughout the franchise. Bidders shall confirm that they will co-operate with key stakeholders over the life of the franchise to facilitate efficient development of major projects, service and accessibility improvements, to support the development and trials of innovative technologies and approaches and any other industry changes.

4.11.3 Stakeholder Engagement and Consultation

4.11.3.1 Passenger Focus

Passenger Focus is an independent public body set up by the Government to protect the interests of Britain's rail passengers. Bidders should detail how they will engage with Passenger Focus and what planned regular involvement this will entail, including proposals to consult with Passenger Focus on key franchise issues. Where applicable, London TravelWatch should also be consulted.

4.11.3.2 Other Relevant Groups

Bidders should demonstrate how they will work effectively with other TOCs. Given the geographical nature of the franchise, Local Authorities and Local Economic Partnerships should be widely consulted for views. Local authorities have an ongoing aspiration for improvement in communication to help facilitate change, and as part of ongoing local initiatives including the development of Station Travel Plans. The Department will expect Bidders to highlight how they will encourage effective dialogue with groups such as these and others such as the Cycle Rail Working Group and Community Rail partnerships, and Public Interest organisations such as Travelwatch Southwest who represent over 80 affiliated stakeholder organisations.

4.11.3.3 General Public

Bidders should state how they will keep the general public informed of key decisions and outline how they will make consultation effective, visible and transparent. In particular given the level of disruption likely due to the major infrastructure projects already identified, Bidders should outline a clear communications strategy, cross-referenced as necessary with Delivery Plan 4.

4.11.3.4 Community Rail

The Great Western franchise has a demonstrable track record of the contribution that Community Rail Partnerships (CRPs) and Rail Users Groups can make in particular to the success and growth in patronage of branch lines. The Government is keen to see ongoing involvement of CRPs and Rail User Groups with an interest in the franchise.

The Department expects the Bidders for the new Great Western franchise to demonstrate a commitment to work with any new partnerships that develop over time and to indicate how they propose to work with communities over the life of the franchise. The following lines and services have been formally designated under the Department's Community Rail Strategy:

- Atlantic Coast Line (Newquay – Par);
- Heart of Wessex (Bristol – Weymouth);
- Looe Valley Line (Looe – Liskeard);
- Maritime Line (Falmouth – Truro);
- Severn Beach Line (Bristol – Severn Beach);
- St Ives Bay Line (St Ives – St Erth);
- Tamar Valley Line (Gunnislake – Plymouth); and
- Tarka Line (Exeter – Barnstaple).

The Department started consultation on possible designation of the Avocet Line (Exeter St Davids to Exmouth) on 4 May 2012.

Community Rail Partnerships for lines or services that have been formally designated under the Department's Community Rail Strategy will be defined as statutory consultees in the Franchise Agreement.

4.11.4 Rail Decentralisation – Local Authority Incremental Services

The Department already has an established process whereby local authorities can specify and pay for incremental service enhancements, either as part of the re-franchising process or during the franchise term (equally it is possible to specify service decrements and receive the financial benefit).

Section 4.3.3 sets out the approach to local authority incremental services that are operated as part of the current franchise.

The following section sets out the incremental services that the Department has agreed will be priced by Bidders as part of the re-franchising process.

4.11.5 Specified Priced Options

The Department has agreed that Bidders should price the future service increments summarised below as Specified Priced Options.

Bidders shall provide a price for operation of each scheme from its assumed start date for the rest of the Franchise Term. Bidders should set out the date by which the scheme would need to be called by.

After three years of operation a VfM assessment will take place after which point the Department will fund the services, the Local Authorities will fund the services or they will cease.

Weightings have been assigned to each Specified Priced Option. As described in Section 2.10 above, the incremental price for each Specified Priced Option shall be separately identified by Bidders. The weighting will then be applied to the price and this weighted price will be added to the Bidder's overall price of the Franchise Specification.

Note that for two further incremental services (Option GW1 TransWilts Rail and Option GW2 Riviera Line strengthening) funds have been committed by the sponsors and discussions are taking place with the current Franchisee to ascertain the extent to which

the schemes can be prepared for (or indeed introduced) within the current Franchise Term.

Because the funds are committed, these two schemes will have a 100% weighting. Any change to the assumed start dates as a result of the discussions with the current Franchisee will be advised to Bidders.

Where a Specified Priced Option requires additional rolling stock above the Base submission this should be made clear, and the intended source of that rolling stock should be described. If there is no such source available at the assumed start date, this should be stated, and an earliest possible start date given instead. For the purposes of bid evaluation, if Bidders offer different start dates for the same scheme, these differences will be normalized by the Department.

4.11.5.1 Option GW1 - TransWilts Rail (Phase 1)

Wiltshire County Council have been working to develop rail connectivity across the county, with a particular focus on providing an improved level of service for the town of Melksham.

This scheme seeks to introduce additional weekday rail services, and reinstate Sunday services between Westbury and Swindon via Melksham.

This Priced Option requires the provision of the following specification:

- Monday-Friday: six additional trains in each direction, one train approximately every two hours between 08:00 and 19:30 with at least one arrival into Swindon (Northbound) and Westbury (Southbound) before 08:50; and at least one departure from Westbury after 19:15 and one departure from Swindon after 18:00;
- Saturday: six additional trains in each direction, as per Monday-Friday with the addition that one late service must depart Swindon after 19:00; and
- Sunday: four additional trains year round, with at least one arriving into and one departing from Swindon by 12:00, and at least one service departing from Westbury after 18:00, and one departing Swindon after 18:00. Additional seasonal extension from Swindon to connect with a Westbury-Weymouth service at Westbury, before 11:00, and one Westbury-Swindon service to connect with a Weymouth-Westbury service departing Weymouth after 16.59.

Assumed start date: December 2013 subject to rolling stock availability. If rolling stock is a constraint, Bidders should indicate this in the submission and start the service from the earliest achievable timetable change date.

Weighting: 100%

Further information can be found at www.transwiltsrail.org.uk and from Wiltshire County Council. Because this scheme is at an advanced stage of development and has secured 3rd party funding, it may be the case that the current Franchisee and promoter are able to mobilise and introduce the service before the end of the current franchise. In this case a revised assumed start date will be advised to Bidders.

4.11.5.2 Option GW2 - Riviera Line strengthening

Rail services in Devon have seen strong growth in passenger numbers particularly on the radial routes around Exeter. Devon County Council has demonstrated excellent support for rail services in the past through its sponsorship of additional trains on the Barnstaple line and to Okehampton on summer Sundays. The options GW2, GW3A – 3C and GW 4 below are those that are to be included as Specified Priced Options.

As stated above, Option GW2 has committed funding and is being discussed with the current Franchisee. This Option involves the creation of a two train per hour off peak service between Newton Abbot and Paignton, calling at all stations

This Priced Option requires the provision of the following specification:

- Mondays-Fridays: additional one train per hour between 08:50 and 16:30, with a 08:50 departure from Newton Abbott (Southbound) and 09:30 Paignton (Northbound). Last additional train to depart Newton Abbott 16:00 and Paignton 16:30 (thereby creating two trains per hour overall);
- Saturdays and Sundays; unchanged; and
- additional trains to have at least 70 seated capacity.

Assumed start date: December 2013 subject to rolling stock availability. If rolling stock is a constraint, Bidders should indicate this in the submission and start the service from the earliest achievable timetable change date.

Weighting: 100%

Further information can be obtained from Devon County Council who are the scheme's sponsors. Because this scheme is at an advanced stage of development and has secured 3rd party funding, it may be the case that the current Franchisee and promoter are able to mobilise and introduce the service before the end of the current franchise. In this case a revised assumed start date will be advised to Bidders.

4.11.5.3 Options GW3A – 3C - Devon Metro

Devon Metro seeks to establish a regular pattern of local services into Exeter, from Exmouth, Barnstaple, Newton Abbot and Paignton. It also proposes additional, new services on the South West Trains (SWT) route to/from Axminster. A full operational and economic appraisal was published by Devon County Council in January 2011 setting out the infrastructure and rolling stock implications of each element of the schemes, and is available at www.devon.gov.uk/eldf-devonmetroappraisal.pdf. Note that Network Rail have not validated this study.

For the franchise competition, the Department has agreed with Devon County Council to seek a priced option for Devon Metro, with separate prices required for the three key sub elements set out below.

Accordingly, this priced option requires the provision of the following specification:

Option GW3A - Exeter - Okehampton

- Monday – Sunday - Operation of eight trains per day in each direction between Exeter St David's and Okehampton services calling at all stations between 06:30 and 20:30 from Exeter St David's.

Assumed start date: December 2014 subject to rolling stock availability. If rolling stock is a constraint, Bidders should indicate this in the submission and start the service from the earliest achievable timetable change date.

Weighting: 75%

Option GW3B – Exeter - Axminster

- Monday – Saturday: operation of five additional trains per day, at a rate of one additional train every two hours, to supplement the current SWT service: achieving a total of three trains every two hours, in each direction between Exeter and Axminster calling all stations including a new station stop at Cranbrook, between 08.05 (Exeter Central to Honiton only) and 15.41. These services are to be in addition of those provided by SWT.

Assumed start date: December 2014 subject to rolling stock availability. If rolling stock is a constraint, Bidders should indicate this in the submission and start the service from the earliest achievable timetable change date.

Weighting: 75%

Option GW3C Exeter - Exmouth (Avocet Line)

- Sundays: one additional train per hour between 10.00 and 19.00 (all year round) so as to achieve two trains per hour in total, calling all stations. This service is to be funded by the Avocet Line Community Rail Partnership.

Assumed start date: December 2014 subject to rolling stock availability. If rolling stock is a constraint, Bidders should indicate this in the submission and start the service from the earliest achievable timetable change date.

Weighting: 75%

4.11.5.4 Option GW4 – Tavistock - Bere Alston reopening

This project supported by Bere Alston and Tavistock Community Rail, and Kilbride Development as well as Devon and Cornwall CRP, is expected to deliver a new 9km section of railway, and initial funding for services, from a site south of new residential development south of Tavistock, connecting to the Tamar Valley line at Bere Alston. The proposal was introduced in 2008 and is currently at an advanced stage of development. Subject to planning consent and rolling stock availability it could potentially operate from 2016 with funding provided for an initial period of 3 years in the usual way.

This Priced Option requires the provision of the following specification:

- Mondays to Sundays: operation of eight trains per day in each direction between Plymouth and Tavistock between 05.30 and 21.53 calling at all intermediate stations using at least a two carriage train.

Assumed start date: December 2016 subject to rolling stock availability. If rolling stock is a constraint, Bidders should indicate this in the submission and start the service from the earliest achievable timetable change date.

A Condition Precedent of this Priced Option being enacted is the re-opening of the railway to Tavistock into passenger service, and the opening of a new station at Tavistock.

Bidders should note that the TSR requirement for the Tamar Valley line between Plymouth and Gunnislake will not be reduced to accommodate this service.

The Franchisee will not be expected to fund the infrastructure provision, but will be required to co-operate in the successful delivery of the scheme.

Further information is available from Devon County council or the Kilbride development Group: www.kilbridegroup.com.

Weighting: 50%

4.11.5.5 Option GW 5 - Bristol Metro Phase 1

Local commuter services around Bristol have experienced extremely high growth in recent years, fuelled by changing employment patterns including the developments around Bristol Temple Meads and Filton Abbey Wood, which are set to continue. The local authority has provided support to improve services on the Severn Beach line and extra capacity has also been funded by the Government through its recent HLOS agreement with the current Franchisee.

Bristol Metro is an advanced scheme developed by the West of England Partnership with considerable public and political support, and accounted for one third of responses to the Department's Great Western Franchise Consultation.

Both the Greater Bristol Metro and Portishead line were identified in the West of England Partnership's Joint Local Transport Plan 3 2011 to 2026 as future priority schemes for capital funding. Subject to future major transport scheme funding allocations and a new prioritisation process the West of England Partnership will confirm its support for funding the Greater Bristol Metro in September 2012. The West of England Partnership's Joint Transport Executive Committee formally resolved at its meeting on 19 June 2012 that it will be willing to take up 'priced options' for the Greater Bristol Metro subject to the prices being reasonable and acceptable.

This priced option is for Phase 1 of the project and requires the provision of the following specification for 18 hours per day Monday to Saturday and 9 hours per day on Sunday:

- Severn Beach – Bath Spa: one train per hour from Severn Beach to Bath Spa (calling at all stations). This provides an additional hourly service between Bath and Bristol & therefore two trains per hour overall at Keynsham and Oldfield Park;
- Severn Beach – Portishead: one train per hour from Severn Beach to Portishead (calling at all stations); and
- Portishead – Bristol Temple Meads: one train per hour from Bristol Temple Meads to Portishead (calling at all stations). This provides two trains per hour service on Portishead line in combination with the Severn Beach – Portishead service above.

Assumed start date: December 2017.

Weighting: 75%

If implemented, the obligations in this Priced Option will replace the requirements in the TSR relating to the Severn Beach branch.

A Condition Precedent of this Priced Option being enacted is the re-opening of the railway to Portishead into passenger service, and the opening of a new station at Portishead and Pill, and a potential future station at Ashton Gate.

The Franchisee will not be expected to fund the infrastructure provision, but will be required to co-operate in the successful delivery of the scheme.

Operational and costings analysis has been carried out by Halcrow and they are currently undertaking additional work to support the case for the Metro including a more detailed network capacity assessment, the economic development impact, demand forecasting and wider regional linkages. The West of England Partnership will be happy to share this and previous Halcrow work with Bidders.

A key factor in the likely success of the project, and whether it is able to progress to Phase 2 is the inclusion of Filton Bank 4-tracking in the HLOS programme for Control Period 5. The concept was introduced in 2008 and it is likely the service could begin to operate from December 2017. For further information Bidders should see www.travelwest.info/GWFranchise and www.greaterbristolrail.com. Bidders shall work with Network Rail to ensure that the plans are compatible with the needs of other users in the Greater Bristol area.

4.11.5.6 Option GW6A & 6B Cornish Main Line service enhancements

Cornwall Council has an excellent track record of investment and sponsorship of local rail services. In recent years, these services have seen strong growth in passenger numbers, both on the branch lines and on the mainline between Plymouth and Penzance helped by the work of County Council, CRP, other stakeholders, the train operators and Network Rail. The Department is keen to see this continue;

Train services on the mainline in Cornwall broadly perform two main functions;

- to provide connectivity to the rest of the country through long distance services for residents, business travellers and visitors; and

- to provide local services for local people to travel between stations along the main line within the county.

The Great Western franchise provides the bulk of these services with Cross Country providing the rest.

The task for the next franchise is to strike the right balance between how these markets are best served. The current Franchisee provides more through London services than are required by its Service Level Commitment. However, a consequence of this is that 125mph-capable trains with a lot of First Class accommodation and catering vehicles are being used to provide relatively short, essentially local, journeys with frequent stops. Another side effect is that westbound local journeys in Cornwall can be delayed or cancelled due to incidents affecting train services hundreds of miles away.

The Government policy of allowing more flexible franchises, seeks to place the responsibility for making the decision about how to balance these different needs with the market, whilst protecting a core minimum of service, and the TSR reflects this.

However, the Department also wants the Bidders to explore with stakeholders and Network Rail how a higher frequency, higher quality local service in Cornwall can be provided in order to get that balance right.

To this end it requires Bidders to develop two Priced Options for the Cornish Main Line.

Option GW6A – Increased London – Penzance services

The overall level of services between Plymouth and Penzance is specified in the TSR at current levels. However, discussions with Bidders and analysis of loadings have suggested that within this level a TSR minimum level of six weekday through services between London and Penzance would be provide a better balance of local versus long distance provision.

However, stakeholders have stressed the value of this connectivity, and the Department is therefore this Priced Option requires the provision of the following specification:

- nine weekday through services each way between London and Penzance. These services can be provided instead of local services as long as the overall TSR minimum is met.

Weighting: 50%

Assumed start date: December 2013 (or from whatever date within the base submission fewer than nine through trains are provided.

Option GW6B – Enhanced Plymouth – Penzance local services

From December 2017, it is expected that Network Rail will have undertaken a programme of signalling renewal and enhancement of the Cornish main line. This is intended to provide additional capacity, and is concurrent with a number of projects elsewhere on the Great Western franchise geography. The Department would like to develop synergy with

the delivery of projects on other parts of the franchise geography to deliver a significant increase in the number of services between Plymouth and Penzance.

Bidders are invited to consult a report entitled Cross Cornwall Rail Connection, prepared by Network Rail and Cornwall Council to inform them of the likely scope of the infrastructure enhancement.

This Priced Option (which is incremental to the TSR requirement of six London through services) requires the provision of the following specification:

- Two trains per hour operating between Plymouth and Penzance during the core operating day (i.e. 07.00 – 18.59). Services operated beyond Plymouth may be included within this requirement, including/ apart from those operated by Cross Country Trains Ltd.

Weighting: 50%

Assumed start date: December 2017

Note that Option 6A and 6B cannot be called together. For the purposes of adding weighted Option prices to the overall price, Option 6A will be added to December 2017, and Option 6B thereafter.

4.11.5.7 Options GW7A & 7B Cornish Branch Line service enhancements

Cornwall Council wishes to see Priced Options for improvements to services on two of its branch lines as follows:

Option 7A - St Ives Trains extended to Penzance

This Priced Option requires the provision of the following specification:

- Monday – Saturday - extension of the 28 trains per day in the TSR on the St Ives Bay Line from St Erth to Penzance in two scenarios:
 - a) Summer only (May TT change to the first Engineering Change Date in September); and
 - b) The rest of the year not covered by 1a.
- Sunday: No change.

Assumed start date: May 2014 subject to rolling stock availability. If rolling stock is a constraint, Bidders should indicate this in the submission and start the service from the earliest achievable timetable change date.

Weighting: Option 7A has no weighting for financial evaluation purposes because it is incompatible with Option 6B.

Option 7B - Additional Looe Valley Services

This Priced Option requires the provision of the following specification:

- Monday - Saturday high summer only. Increase of two trains per day on the Looe Valley Line (from 12 in the TSR to 14) to extend the operating day from 20.00 to 22.00 (resulting in and later evening services during July and August); and
- Sundays: Extension of the existing Sunday service pattern from Easter (calendar date) to mid October.

Weighting: 75%

Assumed start date: Easter 2014 subject to rolling stock availability. If rolling stock is a constraint, Bidders should indicate this in the submission and start the service from the earliest achievable timetable change date.

For further information see the 'Cornwall Rail Manifesto' published March 2012 by Cornwall Council.

4.11.5.8 Option GW8 - Heart of Wessex Line Service Optimisation

This proposal would deliver a much strengthened service on the Heart of Wessex line between Bristol and Weymouth and in particular, would create rail commuting opportunities into Yeovil Pen Mill from both the north and south and 'there and back' Sunday journeys. The proposal is supported by all the transport authorities and by district councils along the route, including Dorset County Council, Somerset County Council, Wiltshire Council, Bath & North East Somerset Council and South Somerset District Council. ImageRail Consultancy has carried out operational analysis on behalf of the Heart of Wessex Community Rail Partnership. The 'Optimisation' scenario creates a strengthened calling pattern requiring one additional train set, but concludes that the additional revenue would negate any increase in subsidy making the scheme cost neutral. Subject to rolling stock availability, the service could commence from summer 2014. The Heart of Wessex Line Service Optimisation and the Bristol Metro Phase 1 do not conflict with one another and, indeed, there could be efficiencies if the two were taken together.

This Priced Option requires the provision of the following specification:

- Monday – Saturday: operation of eight more trains per day above that specified in the TSR creating an hourly, clock-face service between Westbury and Weymouth between 07.15 and 21.15; and
- Sunday: A strengthened service as set out in Appendix 6 of the 2011 Imagerail Report.

Weighting: 50%

Assumed start date: May 2014 subject to rolling stock availability. If rolling stock is a constraint, Bidders should indicate this in the submission and start the service from the earliest achievable timetable change date.

4.11.6 Future Decentralisation

In line with its aspirations for greater localism, the Government is seeking to devolve, where appropriate, more accountability and decision-making related to local rail services to sub-national bodies, such as local authorities and Passenger Transport Executives.

The Government set out its approach and possible options for different models of decentralisation in its Consultation paper 'Rail Decentralisation – Devolving decision-making on passenger rail services in England' which it published on 8 March 2012. <http://assets.dft.gov.uk/consultations/dft-2012-10/main-document.pdf>.

The consultation closed on 28 June 2012. The Department is now assessing the responses including those from authorities in the Great Western franchise area.

Until these responses are assessed, it is not possible to say whether the Great Western Franchise Agreement will need to include provisions that would ensure that future changes are not precluded. The Department's initial view is that providing for the possibility of more radical changes may well need additional requirements of the procurement process and the Franchise Agreement.

The Department may therefore issue further instructions, documentation and/or amendments to the Franchise Agreement during the Bid preparation phase to reflect the emerging position.

4.11.7 Bidder Proposals for Greater Localism

Notwithstanding the possibility of future decentralisation proposals being required by the Department in response to the consultation process, the Department is keen that Bidders develop their own proposals and approach to meet the aspirations for greater localism and devolved decision-making. In addition the Rail Value for Money study suggested that such decentralisation could open up opportunities to provide these local services in a more cost effective manner.

Bidders should therefore develop and set out their own proposals for meeting these aspirations. These proposals should clearly set out:

- those which could be achieved within the existing provisions of the Franchise Agreement and the procurement process and those which could not; and
- those which have assumed financial impacts that have been included in the Franchise Payments and those which have not been. Given the nature of the need to agree these changes with third parties, Bidders may instead choose to offer such proposals as Bidder Incremental Options.

4.12 DELIVERY PLAN 12: MODELLING CHANGE & PROFIT SHARING

4.12.1 Modelling Change and Profit Sharing

This Delivery Plan is described in sections 3.4 and 5.5 of this ITT.

SECTION 5: THE BID: FINANCIAL ELEMENTS

5.1 Introduction

This section describes the requirement for Bidders to submit a Financial Model and Operational Models (together “the Models”). The Models must be supported by a comprehensive Record of Assumptions and an Operating Manual. The requirement to provide other financial information is also described.

The Models will be used during Bid evaluation to compare overall pricing, review detailed projections of revenues and costs and to test the financial resilience of Bidder solutions. The successful Bidder's Models will be subject to an independent Model Audit and placed in Escrow after contract signature.

Schedule 9 of the GW franchise agreement operates in two different ways depending when the relevant Change occurs.

Prior to completion of specified major projects (or earlier at the discretion of the Department) the Part A Change mechanism will apply. Subsequently the Part B Change mechanism will apply.

Part A operates by applying “model changes” and “revised inputs” to the Financial Model.

Part B operates by:

- establishing a “change model” in respect of the Change. This will be a new model incremental to, but separate from, the Financial Model (and constructed in substantially in the same form) and created for the purpose of the Change;
- establishing “baseline inputs” and “change inputs” in respect of the Change;
- applying the baseline inputs and the change inputs to the change model and carrying out a “run of the change model” to generate “baseline totals” and “change totals” and using the baseline totals and change totals to calculate any “change adjustment” required; and
- adjusting each annual franchise component by the amount of the corresponding change adjustment.

Bidders should refer to Schedule 9 of the template franchise agreement to understand precisely how Schedule 9 will work.

The evaluation of bid deliverability will include an assessment of the fitness for purpose of the Models, Record of Assumptions and Operating Manual to price changes (as part of Delivery Plan 12).

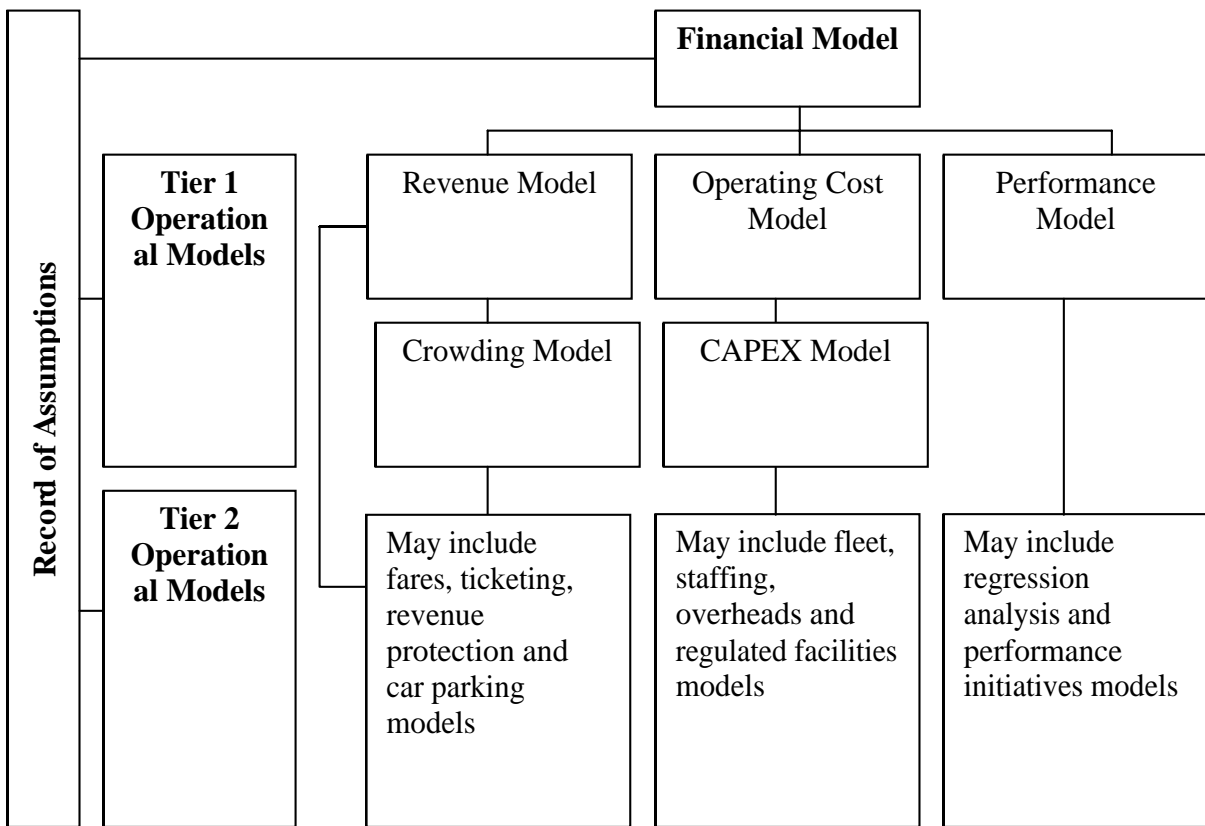
The output schedules of the Financial Model should be in the format of the Templates provided in Attachment E (the Templates). Bidders shall follow modelling best practice requirements and other constraints that have been made clear in this section of the ITT, for example, in relation to model size. The Department recognises that some flexibility in modelling requirements may produce the most effective overall solution; as a consequence the scope of the model audit has been restricted and the ability for Bidders

to apply, prior to Bid submission, for derogations from specific elements of the instructions has been included.

5.2 Model Requirements and Constraints

5.2.1 General

Each Bidder is required to submit and include, as part of their Bid, a Financial Model and all Operational Models that support that Financial Model. These must demonstrate the financial consequences of the Bidder’s business and operational plans over the Franchise Term. All Models will be placed in Escrow under the Franchise Agreement. The Department anticipates that Models will be structured as illustrated below. However, combining or disaggregating the components shown here is also acceptable provided that the process maps and operating manuals make it transparent how information flows through the modelling suite.



The minimum review standards that apply to each group of models are described in Section 5.8.

The Models should be presented in Microsoft Excel 2003 format, with workings and formulae intact (i.e. non input cells should not be ‘hard-coded’ with values), and be capable of running on Microsoft Office 2003 version software.

No rows, columns, cells or worksheets of the Models should be hidden or password protected. Protecting worksheets without passwords to avoid accidental changes to inputs or calculations is allowed, provided it does not reduce the transparency or usability of the

Models. Grouping rows or columns is permissible, but hiding rows, columns or worksheets is not permissible.

The Department wishes to receive models that are efficient in their operation and use of memory. A maximum file size of 75MB is permitted, and smaller Excel workbooks are encouraged. Any workbook taking up more than 75MB of disk space will be deemed to be non-compliant unless a derogation has been granted (see section 5.7 below for more information on derogations).

Bidders are to avoid the use of macros in order to aid model transparency. The use of macros should be limited to areas where their use adds to the user friendliness of the Models (e.g. print macro) or aid the achievement of other requirements of the Models (e.g. avoid circularity or to transfer data between Models). Where macros are required, their function should be clearly explained within the Operating Manual.

In order to aid transparency, use of the INDIRECT and OFFSET functions is prohibited, except where a derogation has been granted.

The Financial Model Templates and worksheets of Tier 1 Operational Models that directly interface with Financial Model or other Tier 1 Operational Models should also be submitted in PDF format. This should include the Financial Statements for all Specified Priced Options (and Incremental Options if submitted). No hard copies of Models are required.

The Models submitted by Bidders must be in line with best practice in accordance with the requirements set out in Section 5.8.1 and employ the accepted principles of Separation, Consistency, Integrity and Linearity, unless a derogation has been granted.

Although best practice would dictate that a consistent formula is used in each column, there are a number of circumstances where a model can be made more transparent by changing the formulae across an array. Provided it is made clear (even when printed out and the formulae cannot be seen) that the calculation method is different, the following two cases have been identified when the formulae can differ:

- to allow a different approach to the treatment of forecasts before the franchise commences on 21 July 2013, part years and any extensions as laid out in the Financial Templates; and
- to allow units, indices and other useful modelling 'flags' to be included in the columns to the left of the first modelled year.

Bidders do not need to seek derogation from the Department should the Models deviate from Best Practice in either of the two cases described above.

Cross-links between the Models should not be formed using direct references. Rather, outputs from one Model should be copied to a dedicated paste area in the other, with the origins and destinations of transferred data clearly identified within the Models. All Operational Models that support the inputs to and calculations within the Financial Model are required to be submitted.

5.2.2 Financial Model

The calculations required to produce other outputs for inclusion in the Franchise Agreement are included in the Templates provided to Bidders. These outputs are calculated on the basis of the Financial Statements populated by Bidders:

- Franchise Payments (the Appendix to Schedule 8.2 (Annual Franchise Payments) of the Franchise Agreement);
- modified Revenue and Actual Operating Costs (Schedule 12 (Financial Obligations and Covenants) to the Franchise Agreement);
- Performance Bond and Season Ticket Bond values (Schedule 12 (Financial Obligations and Covenants) to the Franchise Agreement); and
- profit share thresholds (An Appendix to Schedule 8 of the Franchise Agreement).

These outputs should change automatically following the running of any sensitivity or changed inputs.

The Financial Model should incorporate the GDP Risk Adjustment Mechanism as set out in the Franchise Agreement (For this purpose, Bidders should use the GDP assumptions set out by the Department in the Franchise Agreement). It should also have the functionality to freeze the Annual Franchise Payments and profit share thresholds so as to allow the impact on profit sharing, GDP adjustment payments and profit levels of any sensitivities applied to be observed.

The Department will conduct sensitivity analysis on the Financial Model as part of its evaluation process to aid understanding of the model, but Bidders are not required to submit a set of standard sensitivity tests. However, the Department encourages Bidders to include within their modelling suite user-friendly functionality which allows basic sensitivities to be run. In particular, the Department would like to be able to apply a given percentage exogenous increase (decrease) to revenue and/or to costs (at the P&L3 level in the financial model) in:

- a. every year;
- b. a specified range of years.

Whilst this is not an obligation, availability of this functionality would be appreciated. The Department, in requesting this, is seeking to understand the way in which changes to costs and revenues flow through the financial model and impact profit levels, profit sharing, debt draw downs, financial ratios and dividend distributions.

In addition, where a Bidder (for internal purposes) uses an input to represent a drawdown of funds to ensure that the lock-up ratios (set out in Schedule 12 (Financial Obligations and Covenants) of the Franchise Agreement) are met after application of a sensitivity is applied, we ask that this functionality remains in the model and is transparent.

Bidders should adopt an absolute sign convention in constructing their Financial Model, such that all revenues and assets are positive and all costs and liabilities are negative.

The Financial Model must have an index switch to allow the user to apply or remove the effect of inflation so as to view the financial templates in both nominal and real terms.

The Financial Model should be self-contained within a single Excel Workbook, and should have the functionality to run Incremental Options (if submitted) by use of a switch applied to the Franchise Specification and without recourse to the Operational Models. The Operating Manuals and Record of Assumptions should clearly explain the method by which the switch selects the case of the different scenarios. The Financial Model should be presented in annual terms, with year-ends coinciding with the Department's 31 March accounting year-end (as demonstrated within the Templates), except in the case of the part year periods identified in Section 5.3.

Any changes to the Financial Model after Bid submission will need to be clearly logged and traceable, including an audit trail in the Financial Model itself, using the templated or Bidder Version Control sheet. Although it is not a templated output, Bidders are required to incorporate a map illustrating the content and structure of the Financial Model (preferably within both the Financial Model itself and the Operating Manual(s)).

Bidders are also expected, in either the Financial or Operational models, to show the financial impacts (costs, revenues, investments etc) of each initiative set out in the Delivery Plans. In particular, where a Bidder provides in a Delivery Plan a financial figure associated with an initiative, this should be properly referenced to the equivalent figure in the financial modelling suite, Record of Assumptions or Funding Plan.

5.2.3 Operational Models

The Operational Models are all models that contain calculations generating inputs either directly or indirectly to the Financial Model. An example of how these models may be structured is illustrated above.

Below is an indicative list of the models which we would expect to see, however, Bidders may choose to amalgamate or disaggregate in order to increase ease of use or transparency.

- a Revenue Model. This demand / passenger revenue forecasting model must at least disaggregate demand and revenue into the ticket types and Service Groups contained in the Templates. Any further disaggregation of demand and revenue into more detailed flows or segments is at the discretion of the Bidder. The Revenue Model and its associated sub-models in Tier 2 also need to show clearly, and apply, all demand forecasting input assumptions and parameters and their impact on demand and revenue. This will include, but not be limited to, such factors as:
 - macro-economic factors, including competition with air services and car (disaggregated into individual factors where appropriate);
 - timetable changes;
 - fare proposals and policy;
 - operating performance;
 - service quality;
 - marketing;
 - revenue protection initiatives;
 - revenue / yield management initiatives; and

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

The Revenue Model should explicitly disaggregate the revenue effects associated with the initiatives relevant to the Delivery Plans listed in Table 3-1 in Section 3;

- a Crowding Model that is clearly linked to the Revenue Model. This should include a schedule of daily services and stops, with the relevant headcode, diagram and seat and standing capacity, covering individually each service for which crowding could have a material impact;
- an Operating Cost Model that should produce inputs to the Financial Model to the level of disaggregation required by the Templates. Any further disaggregation is at the discretion of the Bidder;
- a Performance Model, showing forecast average minutes lateness, attribution of average minutes lateness between the Franchisee and Network Rail, the impact on the Public Performance Measure and the basis upon which any performance receipts and payments are calculated. Performance receipts and payments between the Franchisee and Network Rail should be shown separately. All assumptions relating to the performance model and any performance improvement schemes and associated calculations should be clearly explained; and
- a capital expenditure/capital funding model, showing the detailed investment plan for each material incidence of funding of infrastructure, other works and schemes that support the Bidder's proposals and which reflects the precise details of their own funding arrangements.

The Models should have the capability to forecast the Other Revenue section of the Financial Model, to the level of disaggregation required by the Templates. Given that many of the items in this section are secondary to forecasts generated by the Revenue and Operating Cost Models, Bidders may choose to provide this capability within the Financial Model, employ an additional Tier 1 Operational Model, or develop an alternative methodology. Bidders are requested to detail the approach adopted in their Operating Manual and/or Record of Assumptions.

5.3 Financial Model Templates

The Department requires that the output from the Models follow the Templates that will be made available in the data site. The Department realises that Bidders may wish to expand the level of detail provided within the Models beyond these minimum requirements and requires that this is done in such a way as to remain consistent with the format of the Templates. The level of detail provided should be sufficient to give full transparency of all components of costs and revenues but the spare rows provided can be used to accommodate additional detail. Deleting or inserting rows or columns to the Templates is not permitted and will be deemed to be non-compliant.

The outputs in the Templates should be linked to the input / calculation cells where appropriate and in such a manner as to facilitate both the understanding of the Financial Model and tracing of core assumptions used in the Financial Model. Bidders can either add worksheets to the Templates or copy the Templates into their own models. Bidders shall ensure that the named ranges defined in the Templates are preserved.

The format of the profit and loss account, cash flow statement and balance sheet are required to be set out in the manner stipulated by the Templates.

The sheet 'Priced options and capacity' is used to calculate the weighted NPV adjusted to reflect the Specified Priced Options and the incentive adjustment. This should be populated as follows:

- the adjustment to Franchise Payments for each of the Specified Priced Options set out in Section 4.8.5;
- the adjustment to Franchise Payments for the Specified Priced Option set out in Section 4.4.8.1 (the adjustment for this option should be calculated on the basis that all of the Specified Priced Options required by Section 4.8.5 are purchased); and
- the Total Capacity for each timetable period to arrive at London Paddington during the High Peak hour between 08:00 and 08:59, measured as seats plus standing capacity where this is permitted, as defined in Section 4.3.6.

The adjustments to Franchise Payments for each of the Specified Priced Options may be populated using a macro provided that the impact of the Specified Priced Options on Franchise Payments can be shown, individually or in combination, in accordance with Section 5.6.

Bidders should note that any types of revenues or costs that it wishes to include under a catch-all heading of 'Other' should not exceed £500,000 (in real terms) in any year. Where a Bidder anticipates that such revenues or costs will exceed this amount, they should each be separately identified in a separate spare row and not listed under the heading 'Other'.

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

The Great Western franchise will begin on 21 July 2013. Therefore, the first accounting period to 31 March 2014 is a part year. In order to accommodate the difference between the rail year and the part year identified above, the relevant worksheets in the Templates provide an extra column where Bidders should derive the part year element from the full year columns.

Bidders may use the two blank columns inserted between the flag / labelling columns and the first modelled year as they see fit. The intention is that these columns will assist in the transfer of historic data into the Financial Model.

The lock-up ratios set out in Schedule 12 (Financial Obligations and Covenants) to the Franchise Agreement are incorporated in the Templates and are based on the outputs contained in the templated financial statements. Bidders should take note of the drafting of Schedule 12 (Financial Obligations and Covenants) of the Franchise Agreement.

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

Sheet	Content	Status
Template Cover	Properties, legend	Bidder free to use/update

Template Control	Contains real/nominal switch for templated calculations, option flag, print and group/ungroup macros	Bidder to link cells G21 and G30 to model control sheet. Use functionality but do not alter structure.
Version Control	Version control record	Populate but do not alter structure. Bidders are free to delete this sheet and replace this with their own version control sheet if this is preferable.
Templated Inputs		
Timeline	Define franchise timeline and part year adjustments	Populate blank column headers but do not alter structure
Indices & Rates	Repository of indices and rates	Populate but do not alter structure
Line Items	Master definition of line items	Bidder may populate spare line items denoted by square brackets
Templated Outputs		
LENNON Revenue	Template for forecasts of selected option	Populate but do not alter structure
Other Revenue	Template for forecasts of selected option	Populate but do not alter structure
Staff	Template for forecasts of selected option	Populate but do not alter structure
Other Opex	Template for forecasts of selected option	Populate but do not alter structure
RS Charges	Template for forecasts of selected option	Populate but do not alter structure
Infrastructure	Template for forecasts of selected option	Populate but do not alter structure
Performance	Template for forecasts of selected option	Populate but do not alter structure
TOC Capex	Template for forecasts of selected option	Populate but do not alter structure
Financial Statements		
P&L1	Template for forecasts of selected option	Populate (row 294 and below) but do not alter

		structure
P&L2	Template for forecasts of selected option	Contains formulae, do not alter
P&L3	Template for forecasts of selected option	Contains formulae, do not alter
CF	Template for forecasts of selected option	Populate but do not alter structure
BS	Template for forecasts of selected option	Populate but do not alter structure, including Opening Balance in column AG
Output Calculations		
NPV	NPV of Franchise Payments calculation (feed from Financial Statements)	Contains formulae, do not alter
FAA	Production of tables for the Appendix to Schedule 8.2 of the Franchise Agreement (feed from Financial Statements and Bidder model)	Populate (highlighted rows only) but do not alter structure
FO&C	Schedule 12 Financial Ratio, Performance & Season Ticket Bond calculations (feed from Financial Statements)	Populate (highlighted rows only) but do not alter structure
Priced options and capacity	Adjusted NPV of Franchise Payments to reflect specified priced options and capacity incentive adjustment (feed from Financial Statements)	Populate (highlighted rows only) but do not alter structure

5.4 Generic Bidding Assumptions

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

- the franchise will commence on 21 July 2013;
- subsequent financial years commence on 1 April of each year;
- financial forecasts are to include calculations of the tax liabilities of the subject company in accordance with any applicable tax law. Complete integrated tax computations should be included in the Financial Model to the extent that any group, consortium or other form of relief or sale of losses is clearly stated within such model;
- Bidders are to adopt either UK GAAP or IFRS but the accounting basis chosen must be disclosed, consistent and once selected cannot be changed. If different, we ask that Bidders adopt UK GAAP;

- the units to be used in each Bid submission are clearly set out in the Templates provided;
- the default prices stated in the Financial Model should be nominal but when viewed in real terms, outputs should be deflated to 2013/14 prices;
- the tables listed below should be completed in 2013/14 prices:
 - Franchise Payment table set out in the Appendix to Schedule 8.2 of the Franchise Agreement (Figures for Calculation of Franchise Payments)
- annual Retail Prices (RPI) and Average Weekly Earnings (AWE) indices assumptions will be provided in the model templates for all years covered by the Templates (these will be based on a January index point, for example the 14/15 rate will be based on index movements from January 2013 to January 2014).
- the franchise contract will vary franchise payments in response to variations to national GDP compared with that specified by the Department in this ITT and associated documentation. The weighting, calibration factor and other features of this mechanism will be set out in the Franchise Agreement (Schedule 8.5). Further information will be made available in the data site.
- the real discount rate to be applied is 3.5 per cent per annum;
- Net Present Values of the revenues, costs and Franchise Payments will be discounted back to the start of the franchise 21 July 2013;
- for the purposes of calculating Net Present Values, the templated calculation assumes the following timings for cash flows:
 - 24 November 2013 for the first part year (21 July 2013 to 31 March 2014);
 - 27 May 2028 for the final part year (01 April 2028 – 22 July 2028)
 - mid-year cash flows (30 September) for full Franchisee financial years.
- the GDP Risk Mechanism and Profit Share levels and thresholds are as per the Franchise Agreement;
- there will be no changes to the Track Access Contract and charging methodologies as a result of any reviews conducted by ORR during the Franchise Term (Bidders should use CP4 rates until the end of CP4 and assume that they are held constant in real terms thereafter); and
- for calculating Franchise Payments the methodology should be applied consistently on an annual basis, in accordance with the Franchise Agreement.

5.5 Record of Assumptions and Operating Manual

5.5.1 General

The Record of Assumptions and Operating Manual(s) are required to accompany the Models and should be submitted as Microsoft Word documents.

The Record of Assumptions should contain all financial and operational assumptions used and shall explain and discuss the inputs of each Model, including the base unit cost for each input. Where contracted variable unit costs have the potential to change as a result of Change (e.g. maintenance contract charges which vary between mileage bands), Bidders shall include the full range of potential unit costs of their anticipated contracted agreements within the Record of Assumptions.

The Record of Assumptions should include assumptions used in the pricing of any proposed Incremental Options if submitted and assumptions used to price Specified Priced

Options required by the Department. A description of accounting policies, especially in relation to capital investment, as well taxation assumptions should also be included.

In light of the Department setting out a less detailed train service specification than in previous franchise competitions, the Department now requires that Bidders submit a copy of their modelled timetable and source codes (which have been developed within MOIRA or any other revenue or timetable development software) to calculate the likely passenger revenues that will be earned from the timetable submitted with their Bid and that have been utilised in the population of Bidders' Revenue Models. The Department will accept this information electronically in raw format as an appendix to a Bidders' Record of Assumptions.

The Operating Manual should provide detailed instructions for operating the Models and include the following:

- a description of each Model, its structure and capability;
- an explanation of the flow of data through the Financial Model and the interfaces with the Operational Models submitted. This may be presented diagrammatically with supporting narrative as appropriate;
- a description of the purpose and operational characteristics of each worksheet and how it interacts with the Models;
- instructions on how to input data, select assumptions and calculate the financial outputs;
- a table setting out the percentage of total other revenues, other operating costs and rolling stock costs (totals in real terms over the Franchise Term) that are earned from or paid to HQ, group or other affiliates; and
- where macros (or other Visual Basic functions) have had to be used, a description of any macros used in the operation of the Models, the reason for their use and how they impact the results.

5.5.2 Worked examples (Delivery Plan 12)

As required by Delivery Plan 12, the Operating Manual should include two worked examples of Change. The Financial Model is **not** required to include a switch to allow these examples to be selected. The examples should show the changes in key numbers leading to change in the franchise payment.

The two worked examples to be included are:

1. The maximum regulated fare basket increases for 2020 decreases to RPI+0 from RPI+1. All other policies remain the same including caps on individual prices within baskets and fare rises for other years (Bidders should include the impact of the price change on levels of demand).
2. Delay in delivery of the first IEP set by 6 months (with other sets delayed by an equal period of time). The Bidder is made aware of this issue six months prior to the initial due date for the first set. This example has been selected so the Operating Manual can describe a complex alteration illustrated by numbers.

The Change policy will alter part way through this franchise and the worked examples have been designed to reflect this (see below). For example 1, Bidders are asked to respond to both of the two requirements below ('Changes to the model as bid' and 'Changes to reflect the franchise as operated at the time of Change'). For example 2, Bidders are only required to respond to the first part ('Changes to the model as bid'). The two requirements are broadly intended to reflect the two policies which apply to this franchise at different times.

Changes to the model as Bid

Bidders are asked to model the two Changes described above (separately) using the model as bid. Step-by step instructions of how each Change has been modelled should be set out in the Operating Manual. It is suggested that the following headings might be used to explain these examples in the Bid model:

- high level description of the expected outcome;
- a process flow diagram to show how changed inputs flow through to the updated Franchise Payment;
- individual steps to be followed to make the change;
- output schedules which show the original output, increments resulting from the Change and new outputs. These should include, but not limited to, the change to the Franchise Premium; and
- sense checks (for instance, in 'a' above, how does the modelled change to revenue compare to 1% of annual revenue from regulated fares?).

Changes to reflect the franchise as operated at the time of Change (Worked example 1 only).

In addition to providing the worked example above (which shows the impact of the Change on the franchise as bid), Bidders are asked to explain how they would demonstrate the financial impact of a Change to the franchise, where the Bidder believes the baseline inputs for the franchise as it is being operated at the time of the Change differ from the inputs in the original financial model at the time of the Bid (i.e. where the assumptions used in the supplemental Change Model are different to those in the original Bid).

To do this, Bidders are asked to assume that the policy change described by 'a' above was announced in 2019 but that the Franchisee did not believe that the currently operated franchise was accurately reflected in the original Bid model and therefore, the number calculated in the worked example above would not be the correct adjustment.

The department would like Bidders to demonstrate what evidence it might use to substantiate its position. This may take the form of downloads from ticketing and/or accounting systems, recent evidence of the relevant price elasticity of demand or other, more qualitative, information.

These worked examples will be evaluated as part of Delivery Plan 12. In addition to deciding the score given for the first part of this Delivery Plan ('worked examples'), the examples will inform evaluators view on the suitability of the financial and operating models, in general and for the purpose of modelling Change.

5.6 Specified Priced Options, Incremental Options and 'Blank Option'

The Department is specifying a number of Specified Priced Options, as set out in section 4.11.5 of this ITT in addition to a Specified Priced Option relating to ETCS as detailed in section 4.4.8 of this ITT.

Should a Bidder propose any Incremental Options, the Department requires a consistent level of detail / information for each Bidder proposed Incremental Option, if submitted, and Specified Priced Options to enable it to make an informed decision. Therefore financial outputs for each option should be produced automatically by use of a switch that will update the financial outputs. Models should be capable of running multiple Incremental Options individually and also in combination, except where options are mutually exclusive.

Bidders shall provide a 'Blank Option' within their Financial Model, this capability allowing pricing, and price comparison with the Base Service Specification in respect of at least one Change.

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

5.7 Derogations

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

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

Applications must be made via the submission of a Clarification Question by 19 September 2012 at the latest. It is not expected that derogations will be necessary for Financial Models.

5.7.1 Model size

The Department will consider applications to exceed the 75MB workbook size limit where it is demonstrated that adherence to this limit generates significant inefficiencies, or materially reduces the level of confidence in the resulting forecasts. However, we request that Bidders make every effort to adhere to size limits wherever possible as large models are difficult to run, making evaluation very difficult.

5.7.2 Use of prohibited functions

The Department will consider applications for use of the OFFSET and INDIRECT functions where the following are demonstrated:

- the use of these functions generates significant savings in model run times and use of disk space or otherwise significantly assists the efficient pricing of Change; and

- the use of these functions is clearly explained and documented in the Operating Manual and Record of Assumptions.

5.7.3 Modelling Best Practice

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

5.8 Model sign-off - Terms of Reference

The minimum level of model audit or review required by the Department for each of the Models is summarised below:

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

The Financial Model will be subject to a full Model Audit as described in Section 5.8.2. The Department recognises that the accounting elements of the Model Audit are not relevant to the Tier 1 Operational Models, and therefore requires a review of the calculations only, to be conducted by the same party as the Model Audit, as set out in Section 5.8.3.

Bidders shall satisfy themselves as to the technical accuracy of all Models prior to submission, noting the allocation of risk with respect to errors within the Models described below.

Bidders shall bear the risk of errors within the Financial Model, the Record of Assumptions and any associated Operational Models and of any adverse impact that this may have on the premiums payable.

5.8.1 Modelling Best Practice Confirmation

Each Bidder shall provide an independent Modelling Best Practice Confirmation report on all sections of the Models, co-addressed to the Department and that Bidder, as part of its Bid submission, taking account of any derogations obtained (described in Section 5.7). The Best Practice Confirmation is not considered to be an audit of the Models.

All costs associated with the preparation of the Modelling Best Practice Confirmation are for the Bidder's account only.

The Modelling Best Practice Confirmation must provide confirmation in adequate detail that the Models have or provide for:

- **separation** of inputs, calculations and outputs;
 - Inputs: should include data and assumptions but no calculations;
 - Calculations: should include individual calculations that support each line of all outputs and reports. There should be no duplication of calculations nor should input cells be hard-coded in the calculation sheets; and
 - Outputs: should not include any hard-coded input cells or calculations except for sums and check totals.
- data inputs, calculations and output areas should be completely separate and clearly labelled. The Modelling Best Practice Confirmation must document the high level patterns of data flow within the Models and include a flow chart of the main data flows between worksheets and workbooks;
- **consistency** of formulae across rows and down columns and across worksheets. The Models should have time periods across the columns and calculations down the rows. This should be consistent in all worksheets. There are two areas where consistency is most important:
 - Columns: the same column should be used for the same period in each worksheet; and
 - Rows: a row will contain only one formula, copied across all columns.
- the Modelling Best Practice Confirmation must provide a review of the Models' structures by means of spreadsheet maps, which give a visual representation of the worksheet structure and layout, highlighting elements of the worksheet layout that warrant further investigation (however, as this is not as detailed as a Model Audit, each individual formula is not checked);
- **integrity** of financial statements (e.g. that there are no balancing figures). The Modelling Best Practice Confirmation must provide an assessment of the extent and effectiveness of internal and/or error checks contained within the Models and detail any internal control checks that indicate errors;
- **linearity** of calculation flow (e.g. that there are no circular references); and
- **macros**, where required, their function should be clearly explained.

The Modelling Best Practice Confirmation must also provide confirmation that the 75MB size limit has been adhered to, and that the INDIRECT and OFFSET functions are not used except where derogations (described in section 5.7) are granted.

5.8.2 Model Audit

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

The Department requires the Model Audit to confirm:

- whether the Financial Model has been constructed appropriately so as to materially achieve the objective that it was designed to meet, insofar as its logical integrity under the Base Service Specification assumptions and input data is concerned, including the conversion of real values to nominal values;
- whether the tax charge, liabilities and payments calculated by the Financial Model, on the basis of the assumptions made in the Operating Manual and Record of Assumptions appear materially consistent with current understanding of existing UK tax legislation;
- whether the key accounting assumptions in the Financial Model and the Operating Manual and Record of Assumptions appear materially consistent with current understanding of UK GAAP/IFRS;
- whether the calculation of the Annual Franchise Payments is in accordance with the terms of the Franchise Agreement;
- whether the Financial Model has been developed in a well structured manner to acceptable standards;
- whether the calculation of the financial ratios is in accordance with Schedule 12 (Financial Obligations and Covenants) of the Financial Agreement; and
- whether assumptions and input data in the Operating Manual and Record of Assumptions have in all material respects been consistently reflected in the Financial Model.

Priced Options (and Incremental Options if submitted): the Department will require an audit to be performed on all of the Options which have been, or may yet be, contracted. Any redundant Options should be removed from the Models at this point.

For robustness purposes the Department may provide the preferred Bidder with no more than five tests for the purposes of understanding robustness of the model. The Model Audit will test the logical integrity of the arithmetical operations in the Financial Model formulae and calculations under the assumptions and input data for the specified test. A robustness test is defined as a change in one or more variables.

Bidders should note the allocation of risk with respect to errors within the Models described above in section 5.8.

5.8.3 Calculation Review

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

- whether the Tier 1 Operational Models have been constructed appropriately so as to materially achieve the objective that they were designed to meet, insofar as their logical integrity under the Base Service Specification assumptions and input data are concerned;
- whether the Tier 1 Operational Models have been developed in a well structured manner to acceptable standards; and
- whether assumptions and input data in the Operating Manual and Record of Assumptions have in all material respects been consistently reflected in the Tier 1 Operational Models.
- Priced Options (and Incremental Options if submitted): the Department will require a review of all of the Options that have been, or may yet be, contracted. Any redundant Options should be removed from the Models at this point.

5.8.4 GDP Risk

The Franchise Agreement (Schedule 8.5) provides details of a mechanism that seeks to reduce the exposure of the Franchisee and the Department of fluctuations in national GDP, which are outside the parties' collective control. The key features of the mechanism are:

- the Department will provide Bidders with a forecast for national GDP (indexed) in each year from 2012/13 to the end of the franchise;
- the GDP calibration factor (the expected relationship between GDP and revenue adjusted for non GDP related demand) to be applied to the national GDP metric (to create the GDP Compensation Index) will be 1.1 in each year;
- a 'nil band' of 0.05 points above and below the GDP compensation index will apply, within which no GDP payment will be made;
- a financial adjustment will occur in relation to each year (starting with financial year 13/14) of the franchise for which the actual GDP Compensation index varies from the Department's forecast by an amount in excess of the nil band. The revenue element of this adjustment will be weighted by 80%;
- in addition, upside share will be limited to recognise capacity restraints on the franchise. In any year where the GDP compensation index exceeds the forecast issued by the Department for the final year of the franchise, revenue share will be weighted as 50% (rather than 80%) for fluctuations outside of the nil band which are above this threshold; and
- if the Franchisee is in profit share, GDP support payments will be reduced by the amount of profit over and above the First Profit Share Threshold, up to a maximum of the value of the support due.

5.8.5 Profit Sharing

The Franchise Agreement (Paragraph 3 of Schedule 8.1 (Franchise Payments)) provides Bidders with information about the Profit Sharing mechanism that is a feature of this competition. The main elements of the mechanism are:

- the Department will share in the Franchisee's profits above a minimum prescribed level in each year of the franchise (including part years);
- there will be three thresholds of profitability and the Franchisee will share differing percentages of its profits with the Department at each level;
- profit and the thresholds and levels of sharing are outlined in the Franchise Agreement (Paragraph 3 of the Schedule 8.1 (Franchise Payments) and the Appendix to Schedule 8.1); and
- the thresholds and levels of profit outlined in the footnotes to the Appendix to Schedule 8.1 of the Franchise Agreement represent the minimum level that is to be contracted. Bidders are invited to submit proposals that improve on these levels and/or thresholds and any such committed proposals will be considered within Delivery Plan 12 as outlined in this ITT.

5.9 Financial Structure and Funding

Each Bidder is required to submit a Financial Structure and Funding document which should:

- detail the total investment plan for all funding of infrastructure, other works and schemes that support its proposals, including explaining its linkage with the Financial Model;
- provide precise details of its own funding arrangements and detail the exact nature of relationships with any funding partner or underlying financial securities provided by third parties;
- provide details of the providers of the Performance Bond and Season Ticket Bond including term sheets from the Bond Provider(s) in order to demonstrate that the requirements of the Franchise Agreement have been met;
- provide a statement from the relevant Bond Provider accepting the form of the Performance Bond as set out in the Franchise Agreement (as an Annex if appropriate);
- submit a statement from the relevant Bond Provider accepting the form of the Season Ticket Bond as set out in the Franchise Agreement (as an Annex if appropriate);
- provide details of how the Bidder intends to support any parent company loan as set out in the Funding Agreement with suitably accredited third parties or banks (with ratings specified in Section 5.11) including term sheet(s) and letter(s) of support;
- demonstrate how ongoing working capital requirements, as forecast in the Financial Model, will be funded;
- include a funding plan for each franchise commitment made in the Bid (or groups of commitments if appropriate), with full details of its linkage with the Financial Model, each source of funding, including rights and obligations of each type of funding and details of agreements with the organisations providing funding. For each source of funding, a letter of support and term sheet must be provided from the underwriting financial institution setting out the terms and conditions (including all conditions precedent, fees, repayment profile, basis of interest rate calculation) of the finance;

- include an investment profile, as detailed in the Templates, for each proposal category (i.e. Base Service Specification and Specified Priced Options (and Incremental Options if submitted)) and by investment category;
- include a letter from its financial adviser(s) (as a Annex if appropriate) confirming that:
 - the funding plans for all aspects of the Bid have been developed to a stage that will allow funding to be made available to the Franchisee on execution of the Franchise Agreement;
 - they support the funding proposition, in the knowledge of the terms and conditions set out in the term sheets of the finance providers;
 - the funding plans are accurately reflected in the Financial Model;
- confirm the interest rates and contractual terms of any debt funding, subordinated loans or other funding arrangements between or to be between the Franchisee and any affiliate or third party;
- provide details and assumptions for interest earned on cash deposits; and
- include a statement of day one funding available and any assumptions around the transfer of season ticket or advance ticket purchases from the incumbent.

5.10 Other Information Required

Bidders should show separately the costs involved and assumptions made in relation to pension contribution rates, for both the employer and the employees.

5.11 Funding Agreement

A Bidder shall make proposals to fund the Franchisee through the acquisition of shares in the Franchisee by its parent company and may, additionally, propose that the Franchisee is funded by a loan facility from its parent company or bank. As a minimum, the Department requires a Subordinated Loan Facility (SLF) of £40m to be available (see section 3.2.2. of this ITT). The Secretary of State requires all funding proposals to be robust and accordingly they must be backed by suitable third party bonds or guarantees from credit providers of no less than “A” long term Standard and Poor’s rating.

A template “deed of undertaking re: share capital and loan facility” will be provided to Bidders who are required to confirm in their Bids that they accept those terms and will be prepared to contractualise their funding proposals accordingly from completion of the franchise agreement.

SECTION 6: FURTHER INFORMATION

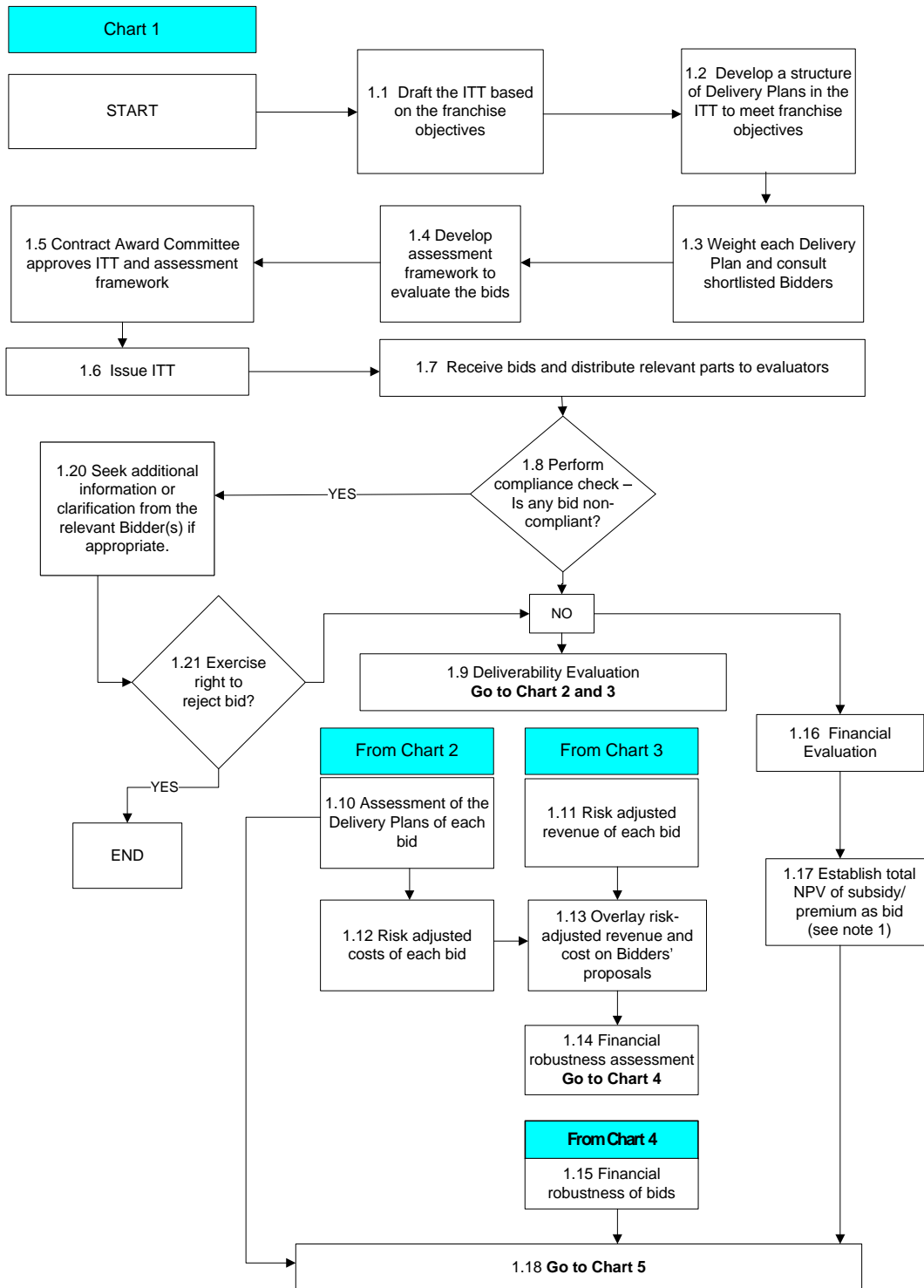
Further information relating to the Great Western franchise, for example on issues such as working with stakeholders and accessing the network, can be found in the data site (folder 15).

APPENDICES

- 1A Evaluation process chart 1
- 1B Evaluation process chart 2
- 1C Evaluation process chart 3
- 1D Evaluation process chart 4
- 1E Evaluation process chart 5
- 1F Evaluation Process chart 6
- 2 Summary of know timetable changes
- 3 Guidance for Bidders in constructing an Economic Case for the Great Western franchise Bids
- 4 Great Western – Supplementary guidance on the risk adjustment process for financial compliance when sizing the Subordinated Loan Facility
- 5 Measurement of Rolling Stock Capacity
- 6 Definition of Acceptance in the model SEFT Delivery Agreement

APPENDIX 1A: Evaluation process chart 1

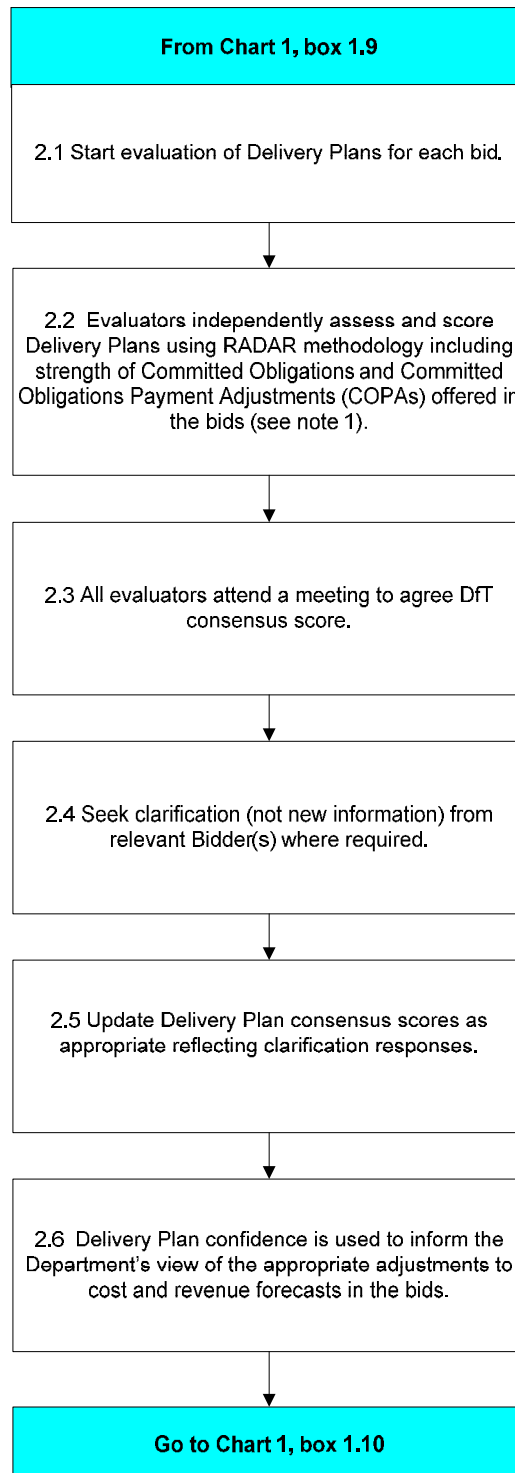
CHART 1 - FRANCHISE EVALUATION PROCESS - OVERVIEW



Note 1: 'NPV' refers to the Net Present Value of the franchise Premium / Subsidy over the core 15 years of the franchise

APPENDIX 1B: Evaluation process chart 2

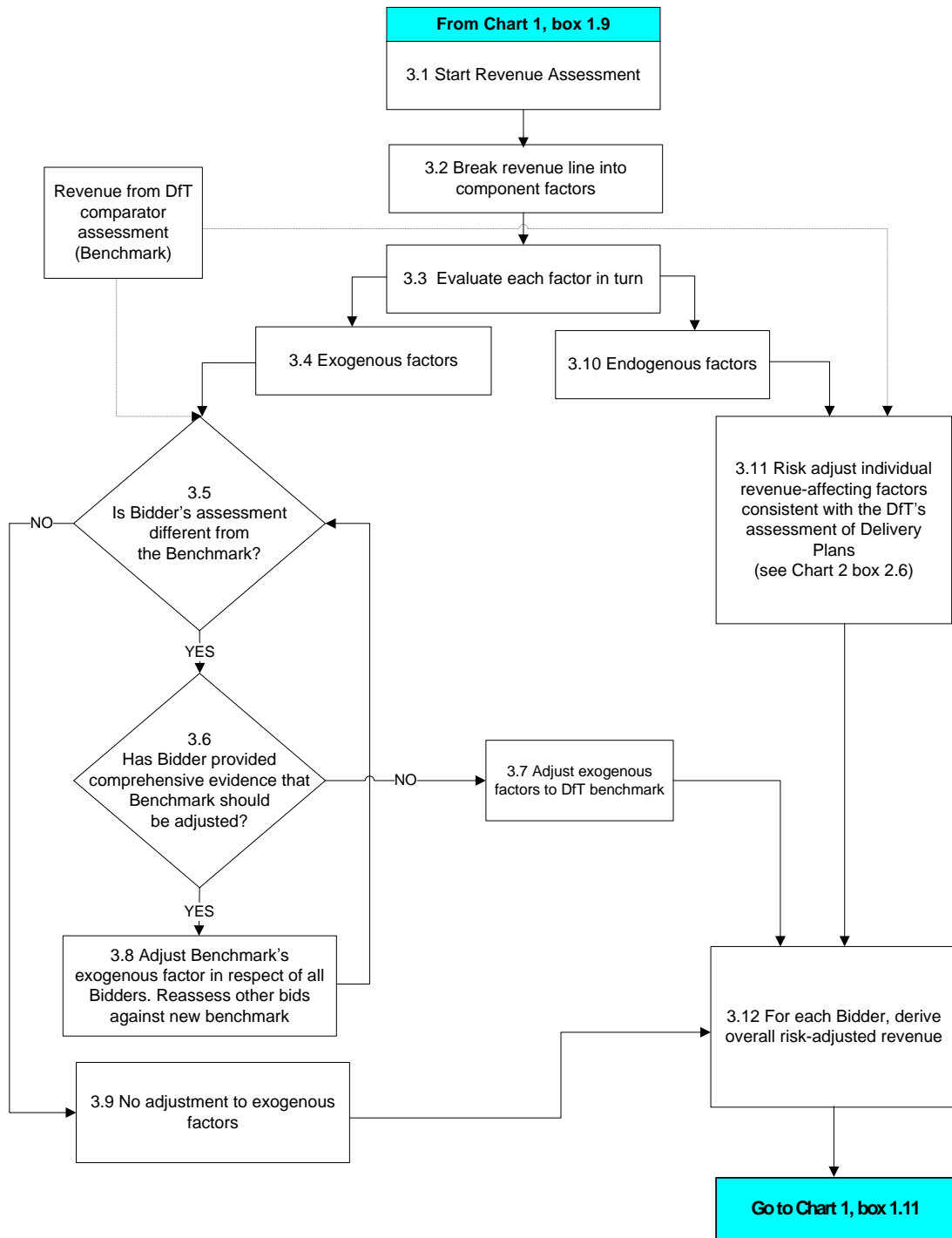
CHART 2 – DELIVERY PLAN ASSESSMENT



Note 1: Other than Delivery Plans 1 & 12 which do not use the RADAR methodology

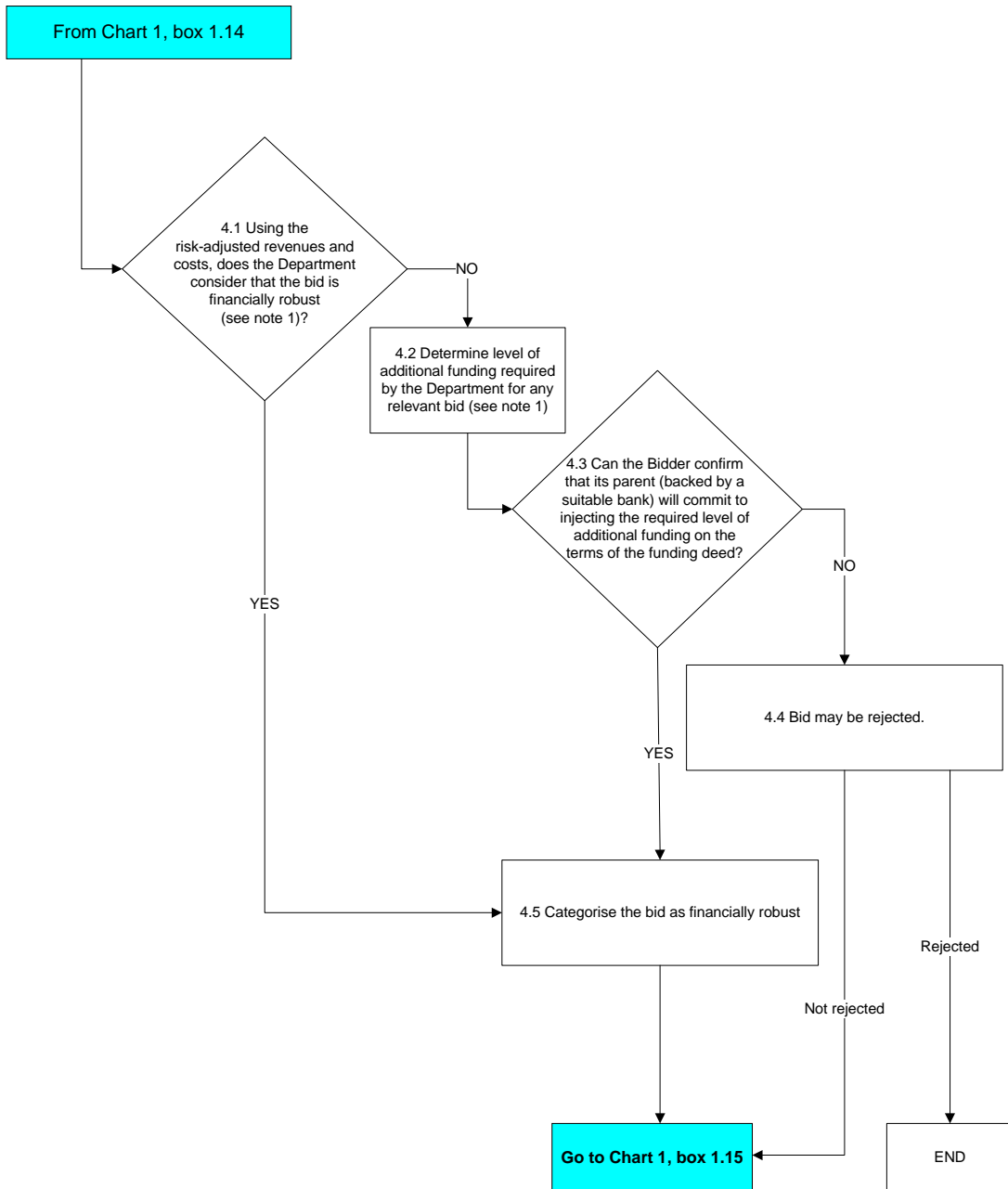
APPENDIX 1C: Evaluation process chart 3

CHART 3 – REVENUE ASSESSMENT



APPENDIX 1D: Evaluation process chart 4

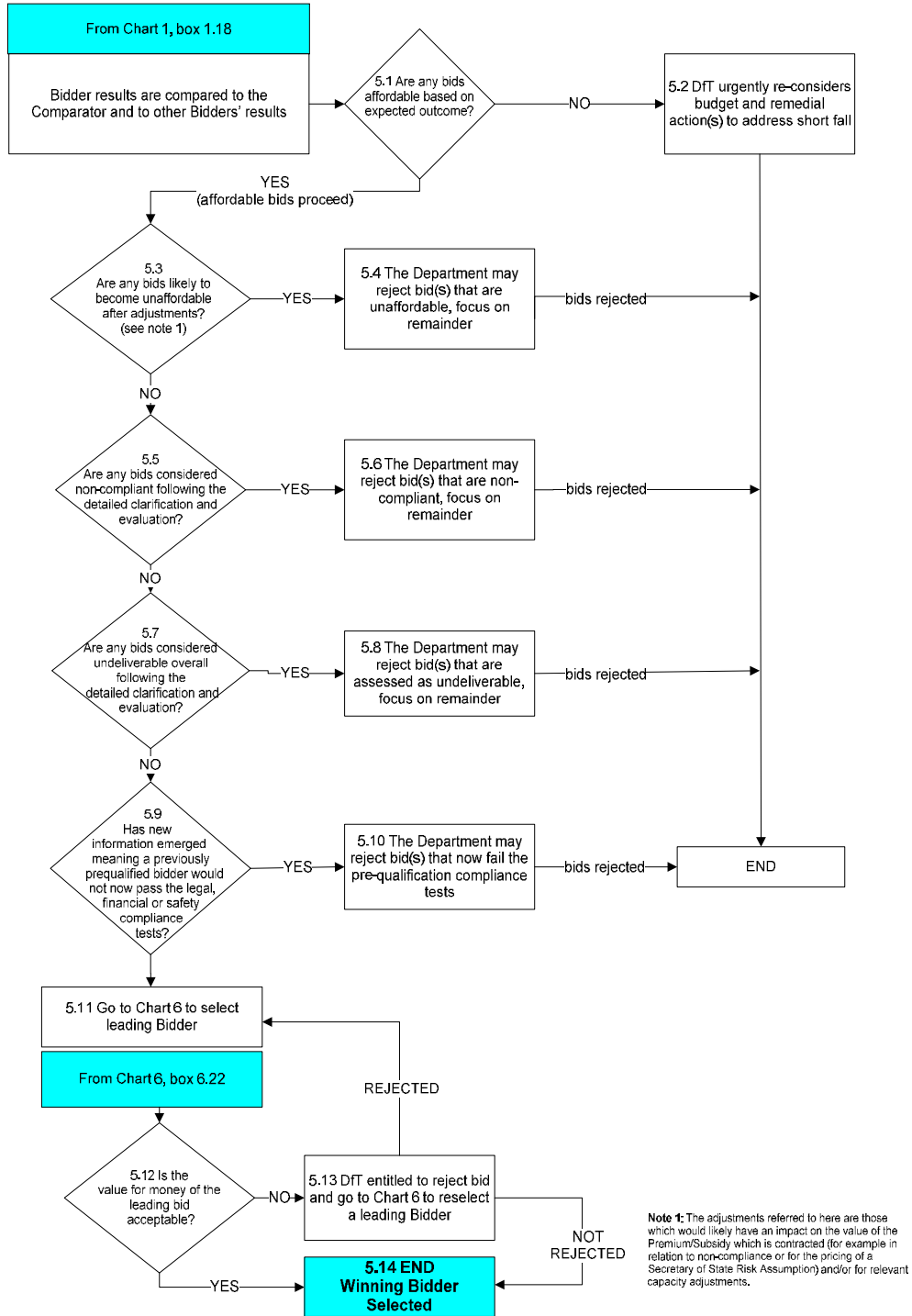
CHART 4 – ASSESSMENT OF FINANCIAL ROBUSTNESS AND IDENTIFICATION OF ANY ADDITIONAL SUBORDINATED LOAN FACILITY



Note 1: See guidance issued to Bidders on the risk adjustment process and the process for determining the need for any additional Subordinated Loan Facility (SLF)

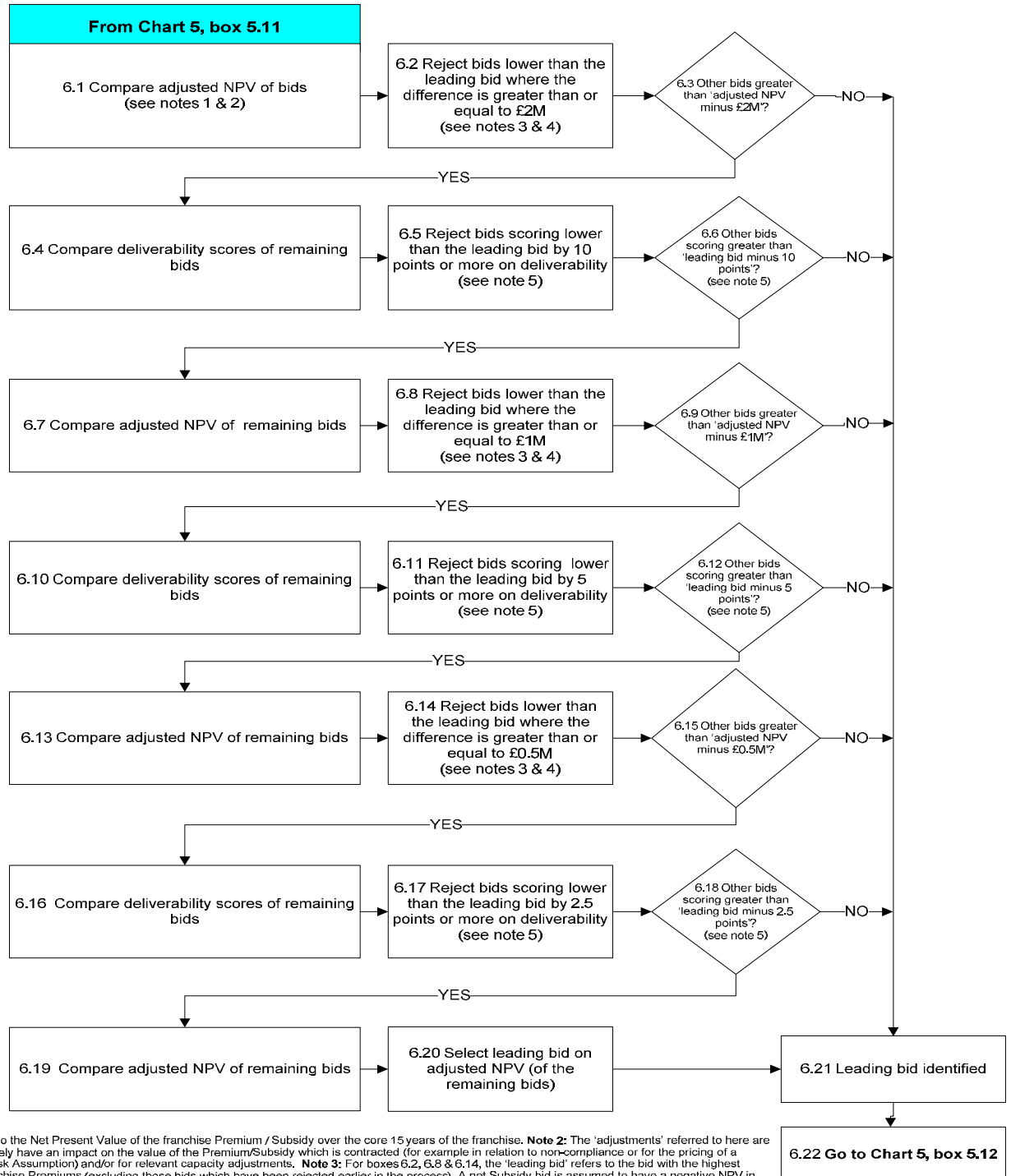
APPENDIX 1E: Evaluation process chart 5

CHART 5 – SELECTION OF WINNING BID



APPENDIX 1F: Evaluation process chart 6

CHART 6 – SELECTION OF LEADING BID



Note 1: 'NPV' refers to the Net Present Value of the franchise Premium / Subsidy over the core 15 years of the franchise. **Note 2:** The 'adjustments' referred to here are those which would likely have an impact on the value of the Premium/Subsidy which is contracted (for example in relation to non-compliance or for the pricing of a Secretary of State Risk Assumption) and/or for relevant capacity adjustments. **Note 3:** For boxes 6.2, 6.8 & 6.14, the 'leading bid' refers to the bid with the highest adjusted NPV of franchise Premiums (excluding those bids which have been rejected earlier in the process). A net Subsidy bid is assumed to have a negative NPV in respect of the NPV tests. **Note 4:** 'M' is 1% of the adjusted NPV of revenues over the franchise period offered by the 'leading bid' as defined in note 3 (across all Bidders). The value of M does not change, even if the original 'leading bidder' is rejected in this process. **Note 5:** Here the 'leading bid' refers to the bid with the highest deliverability score (excluding those bids which have been rejected earlier in the process).

APPENDIX 2: Summary of known Timetable changes

Day 1 Timetable

On franchise commencement, on 21 July 2013, the incoming Franchisee will inherit a pre-existing timetable, the outputs of which are expected to comply with the TSR requirements. The Department would not expect changes to be made to the service pattern until after the major possession at Reading over Christmas/New Year 2014/15. In any case, timetable changes may not be made until the revised timetable consultation process described in paragraph 4 of Schedule 1.1 of the Franchise Agreement has been complied with.

Timetable changes associated with the implementation of Priced Options are exempt from the consultation process. Such changes should be implemented on the date proposed in the Option.

London Services: Timetable Changes 2013 to 2019

In proposing changes to timetables and services Bidders shall be cognisant of the particular challenges inherent in the route between Paddington and Reading, and of the constraints imposed upon the timetable by the limitations of the layout of the platforms and the approach tracks at Paddington.

Accordingly, particular attention will be paid, in the evaluation of timetable proposals, to the deliverability of timetable changes between Reading and Paddington, and at Paddington itself.

Franchise Commencement

The incoming Franchisee will inherit the timetable that has been planned and implemented by the current Franchisee.

The Principal Timetable for Reading post Easter 2013 TT will be issued on 27/07/12 and version 4 of the EAS was published on 13/07/12. This will include the following key adjustments:

- Some additional engineering recovery time between Paddington and Reading West;
- 7 hour 2-track railway midweek nights from Paddington to Didcot.
- 0748/0948/1148/1348/1548 SX Paddington to Cheltenham will run 12 minutes earlier from Paddington to Stonehouse; thence in booked times to Cheltenham.

The previously advised alterations to Paddington-Bedwyn and Reading-Basingstoke services will not now be necessary.

The other key activity during 2013 is the phased transfer of operations from the existing diesel depot in Reading Triangle to the new depot on the north side of the railway. This will undoubtedly require some alterations to the paths of ECS trains on and off the depot but should not require any adjustment to the passenger timetable.

December 2013

From this timetable change the main Crossrail on-network works will begin requiring some 52 hour weekends 2 track working. There will be 37 such weekends over a 4-year period from December 2013 to the December 2017 timetable change.

December 2016

Although there are likely to have been opportunities to phase in some electric train workings during 2016, the December 2016 timetable is the first opportunity for the introduction of scheduled electric services on the Newbury, Oxford and Bristol routes.

This is also the date on which:

- the first mandatory increase in the capacity of London commuter services is required, and
- the partial removal of line 6 between Ladbroke Grove and Westbourne Park takes effect

In order to make the best possible use of the paths into and out of Paddington, December 2016 is also the date on which the Greenford service will be cut back to operate as a shuttle service between Greenford and West Ealing. The paths thus released can be used for higher capacity trains running between Hayes & Harlington and Paddington, foreshadowing the introduction of Crossrail's four trains per hour Heathrow stopping service in May 2018.

During 2017 IEP trains will begin to become available and can be phased in, but it is assumed that there will be no timetable changes at this stage. Electrification to Cardiff will be available from the December 2017 timetable change date, and to Swansea from May 2018.

May 2018

At this timetable change date the Crossrail Train Operating Company (CTOC) will take over the operation of the Heathrow stopping service, running at a frequency of four trains per hour between Paddington (High Level) and Heathrow Terminal 4. This service will replace both the existing two trains per hour Heathrow Connect operation and the two trains per hour Great Western franchise Hayes service introduced in December 2016. The Crossrail trains will be 205-metre length so the Great Western Franchisee shall ensure that the timetable plan allows these trains to be accommodated on platforms of sufficient length at Paddington. The service will be timetabled such that all four trains per hour can operate off one platform at Paddington.

In recognition of these developments there is a further change to the capacity requirement from May 2018 to take account of the transfer of the Hayes/Heathrow services to Crossrail.

December 2018

The full IEP fleet will be available for deployment, giving opportunities to improve capacity, frequency and journey times. The IEP and the electrification business case at announcement in March 2011 was based on an increase in frequency between London and Bristol Temple Meads to four trains per hour, but Bidders are free to determine for themselves whether this frequency is justified and, if so, when it should be introduced and whether it is justified all day every day.

There is an upward revision of the capacity requirement at Paddington to take account of the new high-capacity trains.

December 2019

From this date the full Crossrail service will be introduced, comprising:

- four trains per hour to/from Heathrow;
- four trains per hour to/from Maidenhead; and
- two trains per hour (peak only) to/from West Drayton.

This will leave, on the Relief Lines, only three paths per hour (peak) and two paths per hour (off-peak) into and out of Paddington for the use of the Franchisee. The latest iteration of the Crossrail timetable is on the data site. In addition there are slots in the Crossrail timetable to allow the operation of two trains an hour between Reading and Slough, using the new west-facing bay platform at Slough.

Bidders will need to determine how best to use these Relief Line paths, bearing in mind that:

- these paths represent the best opportunities for the retention of through services to Paddington from Henley and Bourne End;
- there remains a need to provide some limited stop services to Paddington from Twyford, Maidenhead and Slough; and
- there are fairly strong local flows between Reading, Maidenhead and Slough.

There is a reduction, from December 2019, in the minimum peak capacity requirement into Paddington, in recognition of the fact that the new Crossrail services will provide the majority of the capacity at the inner stations.

For all timetable changes it will be the Franchisee's responsibility to carry out public consultation in accordance with the provisions of paragraph 4 of Schedule 1.1 of the Franchise Agreement.

APPENDIX 3: Guidance for Bidders in constructing an Economic Case for the Great Western franchise Bids

Background

The Department is required to carry out an economic appraisal to demonstrate the Value for Money (VfM) of all commitments of public expenditure or utilisation of public resources. This includes the letting of rail franchise contracts.

Under the previous approach to franchising where there was a detailed Service Level Commitment (SLC), the Department would carry out the economic appraisal before issuing the specification. Under the more flexible approach used in the Great Western franchise this is not possible as the Department will not know what service specifications a Bidder will offer.

The Department is asking Bidders to carry out the economic appraisal based on the specification in its Bid and to submit the results with its Bid. The VfM will only be assessed for the leading Bid. VfM will not be used to choose between Bids and will form no other part of the Bid evaluation other than the Department may reject the leading Bid on the basis of poor VfM as measured against a fixed threshold Net Present Value (NPV).

Bidders will be asked to provide a maximum of a 20 page 'economic case' report containing the description and quantification of costs and benefits with supporting Record of Assumptions and models where these are additional to the other Bid models. We do not require this to be in the form of a '5 case model'. We will also supply a VfM template in the Great Western data site to be completed by Bidders. The Department will require that the costs and benefits included in the appraisal are internally consistent with the overall Bid and that they can be traced back to one or more of the delivery plans or the financial model.

Economic appraisal is carried out using a framework set out in the HM Treasury Green Book⁷. Within this framework the Department has developed specific guidance on transport appraisal in WebTAG⁸. Particular attention should be paid to WebTAG unit 3.13 Guidance on Rail Appraisal⁹ although an appraisal will draw on the wider WebTAG guidance and also on values contained in the Passenger Demand Forecasting Handbook.

Following guidance set out in WebTAG unit 1.1, the level of detail in the appraisal should reflect the size and scope of the initiative under assessment. The level to which each of the steps in this process is implemented will be dependent upon the type and size of the problems being addressed. It is expected that appraisals will be comprehensive but proportionate.

Specification of the Benefit Cost Ratio and the Net Present Value

The franchise proposition should demonstrate that the Bid offers no worse VfM than the expiring franchise, taking account of the impact of committed schemes such as

⁷ HMT Green Book http://www.hm-treasury.gov.uk/data_greenbook_index.htm.

⁸ WebTAG guidance <http://www.dft.gov.uk/webtag/>.

⁹ <http://www.dft.gov.uk/webtag/documents/expert/unit3.13.php>

introduction of IEP and Crossrail. Compliance is measured by the Net Present Value (NPV) of the economic case calculated as defined in WebTAG unit 3.13 paragraph 6.11:

$$\text{NPV} = \text{Present Value Benefits (PVB)} - \text{Present Value Costs (PVC)}$$

Where the Benefit Cost Ratio (BCR) is calculated as:

$$\text{BCR} = \text{PVB/PVC}$$

The Department requires that the NPV of the Bid is positive to confirm that the proposed franchise proposition is no worse in VfM than the existing fixed franchise specification, taking account of committed projects. For a traditional investment project where there is a cost to Government this is equivalent to a BCR in excess of 1. The Department is aware that a Bidder's proposal may involve reduced costs and increased benefits or reduced costs and reduced benefits against the 'do minimum'. This would be acceptable to the Department as long as the NPV is positive. WebTAG provides guidance on non monetised impacts but only monetised impacts will be accepted as part of the appraisal.

Bidders should also note that under WebTAG guidance, all costs and benefits should be presented in real terms converted into 2010 prices and discounted to 2010 values using the HMT Green Book discount rate of 3.5%. Costs and revenues should also be converted to market prices (see guidance in WebTAG 3.13 paragraph 3.4.3)

The length of the appraisal period is to 22 July 2028. Investments that are proposed in the Bid that have been agreed by the ORR and have a payback longer than the end of the franchise can include incremental costs and benefits over the life of the asset.

The appraisal should be on the entirety of the base specification in the Bid. Bidders will not be required to demonstrate that individual parts of the proposal provide VfM only that in aggregate the Bid is VfM.

Bidders can provide a separate economic appraisal of incremental options should they wish in order to support the case for these options. However, these will not be included in the overall evaluation and should the Department choose to purchase incremental options it will carry out its own appraisal.

Defining the 'do minimum' specification

Costs and benefits in the economic appraisal of the Bid should be calculated against a counterfactual or 'do minimum' case¹⁰. The 'do minimum' reflects what would happen in the absence of the changes proposed in the Bid.

For the Great Western franchise the Department defines the 'do minimum' as operating and maintaining the capacity, timetable and service quality levels that exist at the end of the existing franchise (except where there are committed future changes such as Crossrail and IEP) through the new franchise term until 22 July 2028. This should be assumed to be the timetable and rolling stock at franchise commencement, except where there are

¹⁰ The counterfactual is sometimes called the 'base', the 'do nothing' or the 'do minimum'. However in order not to confuse with the 'base' specification terminology used in the Bidding process, the word 'base' will not be used in this guidance. Instead the counterfactual will be described here as the 'do minimum'.

committed schemes such as Crossrail and IEP (see Do Minimum Section below) and the utilisation of other resources at the current level.

Bidders are not required to quantify all the costs and benefits of the 'do minimum' or of the Bid. It is sufficient to quantify only costs and benefits of the Bid that are changes (increments and decrements) against the 'do minimum'.

The 'do minimum' should be rolled forward using demand forecasts based on exogenous and endogenous factors. The exogenous factors should be consistent between the 'do minimum' and the 'do something'.

The GDP based risk sharing mechanism should be assumed to be the same in both the 'do minimum' and the Bid and should not form part of the appraisal.

Changes to costs and benefits resulting from the proposal

Bidders should calculate the changes in costs and benefits against the 'do minimum' that result from the proposed Bid. The changes should be consistent with those set out in the Bid including but not restricted to any proposed changes relating to service patterns, rolling stock and other initiatives.

The Department is aware that over the term of the franchise Bidders may take advantage of the flexibility offered by the specification and deliver a different specification to that which is initially proposed within the Bid. However, the economic appraisal should reflect the initial view on which the detailed costs and revenues¹¹ are calculated as part of the Bid. The nature and extent of the costs and benefits quantified as part of the economic appraisal must be consistent with the initiatives and estimated costs and revenues elsewhere in the Bid. A premium can be included for the value of future flexibility should this be relevant to and consistent with the Bid.

Endogenous factors can be different between the 'do minimum' and the proposal, but only where it is the result of a change proposed as part of the Bid. Likewise, unit costs should be assumed to be the same between the 'do minimum' and the proposal unless there is a change as the direct result of the proposal.

The appraisal should use OBR forecasts for GDP. Bidders may provide a sensitivity test using other GDP forecasts if they wish.

Changes to costs

The Present Value of Costs (PVC) estimate should include all costs and revenues that impact on the premium received by the Department and other external costs that affect the financial position of the Government. This shows the change in premium against the 'do minimum'.

Cost changes are likely to be the result of:

- operating costs and renewals that change as the result of initiatives in the Bid;
- revenue changes that change as the result of initiatives in the Bid (revenues change the cost of the franchise to the Department and are therefore a negative cost);

¹¹ Revenue to include farebox and other revenue.

- investment costs (contingency and optimism bias should only be included if they are being passed to the Department as part of the franchise payment); and
- other premium changes (e.g. for flexibility).

The cost to Government (PVC) should also include wider impacts on government finances that are not be reflected by a change in the premium. The main category here is likely to be abstraction where the Department is contractually obliged to compensate other train operators or where it impacts on the future value of the franchise to the Department.

Changes to benefits

Benefits (or disbenefits) within the PVB definition will include social benefits (non market) or financial benefits to individuals or private companies.

Benefits may include though are not confined to changes resulting from:

- generalised Journey Time (GJT). Bidders can use PDFHv5 values for modelling GJT changes but WebTAG 3.5.6 values of time must be used to quantify the value of these in the appraisal;
- crowding costs. Bidders should use PDFH v5 for crowding costs. Crowding costs estimated in GJT equivalent units should be monetised using WebTAG values of time;
- non user impacts (road decongestion). The impact of changes in rail passengers on road congestion. Tables and guidance are supplied in WebTAG unit 3.13.2;
- fares. The financial impact of changes to fares should be treated as a transfer (of consumer surplus) initially between passengers and the Franchisee and ultimately to Government as premium (if appropriate). Consideration should also be given to the deadweight loss/gain associated with the change and the impact of train and road congestion from associated demand changes. Bidders should use PDFH v4 for fare elasticity. The impact of changes to regulated fares under the existing fares policy should normally be considered as part of the do minimum;
- wider impacts. The nature of changes possible within this franchise is unlikely to result in significant changes in the underlying economy. Given the complexity of carrying out this analysis properly, we would not recommend Bidders include these in the appraisal;
- quality. Quality benefits can be valued using the evidence set out in PDFH. Quantification can be through fare value or equivalent GJT (monetised using WebTAG values of time); and
- reliability. Using PDFH assumptions on equivalent GJT of delay minutes; and
- carbon where appropriate to changes in vehicle miles or the type of rolling stock.

The Department accepts that estimation of some 'softer' benefits can be a matter of judgement. However, in order to accept the benefits the Department requires that a justification is provided and that they are internally consistent with the demand, revenue and cost assumptions elsewhere in the Bid.

Outputs and supporting material

- an economic case of up to 20 pages describing the analysis and the methodology used to construct the appraisal and the underlying demand forecasts and cost changes;
- a completed VfM template (available in the Great Western data site);
- a Record of Assumptions;
- Additional evidence that is not externally available (for example not in PDFH or WebTAG);
- links to other outputs provided with the Bid that are relevant to the results in the appraisal;
- additional material (for example MOIRA timetables and outputs) that are not included elsewhere with the Bid;
- results spreadsheet detailing costs and benefits by year; and
- the results need to be summarised in the following tables for which details are available in WebTAG. These are developed for a broad range of transport appraisal projects and we would expect some areas to be blank:
 - Appraisal Summary Table;
 - Transport Economic Efficiency table;
 - Public Accounts table; and
 - Assessment of Monetised Costs and Benefits.

Do minimum

For the purposes of this VfM assessment, Bidders should use a “do minimum” of the franchise commencement timetable and the existing rolling stock, except where there are committed schemes in place, for which they should use the following:

- IEP – Bidders should use the IEP timetable that was used in the IEP Business Case that is in the Great Western Data Site. This timetable includes an increase in frequency between London and Bristol to four trains per hour although in their proposal Bidders are free to determine for themselves whether this frequency is justified and, if so, when it should be introduced and whether it is justified all day every day. It is assumed that the full IEP fleet is available for the December 2018 timetable change;
- Crossrail – Bidders should use the Crossrail (Iteration 3) timetable that is in the data site. There are two parts to Crossrail introduction with Heathrow Connect services being replaced in May 2018 with full Crossrail introduction starting in December 2019;
- Electrification – The December 2016 timetable is the first opportunity for the introduction of scheduled electric services on the Newbury, Oxford and Bristol routes. For the purposes of the vfm do-minimum we do not require that Bidders develop a detailed representation of the impacts as we would expect Bidders proposal to contain changes to realise benefits of electrification through line speed improvements etc. We would therefore expect a fairly neutral treatment of electrification for the two years through to the IEP timetable change in December 2018; and
- Capacity – The “do-minimum” should deliver the minimum uplifts of capacity required in the Great Western specification.

APPENDIX 4: Great Western – Supplementary guidance on the risk adjustment process for financial compliance when sizing the Subordinated Loan Facility

1. Introduction

This document is intended to provide guidance to Bidders about the process that the Department will use to determine the size of any Subordinated Loan Facility (SLF) (in excess of the £40m minimum required) needed to give comfort that Government is contracting with an entity that is robust enough to deal with a wide range of downside scenarios.

2. The Department's policy

The Department requires that Bids remain financially robust across a range of economic scenarios *after* any adjustments made to revenues and costs (per risk adjustments described below).

The implication of this is that a combination of Franchisee profit margin and/ or owning group SLF could be needed to provide financial support to the franchise in the event of poor economic conditions and/or adverse cost/revenue variances from that Bid.

The process therefore considers the overall risk profile of the Bid in determining the required SLF.

3. Process

The following steps outline the process which the Department intends to follow in determining the value of the SLF required to satisfy the Department that a Bid is financially robust.

- a. the Department's technical advisers will advise the Department of any risk adjustments to be made to bid revenue and cost lines for the Department's consideration (see section 5 below). Both upward and downward adjustments to costs and revenues are possible. The output of this stage will be 'normalised' cost and revenue forecasts;
- b. the above adjustments will identify a new (risk-adjusted) margin for each year of the franchise;
- c. where this margin is below 4% (the "risk free margin") (see section 4 below) in any year, the shortfall will contribute to the estimation of the size of the required SLF;
- d. the process will consider shortfalls in individual years and balances are not carried forward/backwards to later/earlier years (for example, surpluses in early years would not be offset against shortfalls in the later years);
- e. the Minimum SLF for the Great Western franchise is £40m, if the Department considers that the required SLF per the above process is less than £40m, no additional funds will be required;
- f. the Department will seek additional funds if the required SLF is greater than the minimum £40m already committed;

- g. the Department will seek clarification from each Bidder as to whether its parent (backed by a suitable third party) would be prepared to inject the required additional funds in the form of an SLF, available at the start of the franchise. If the parent is willing and able to provide an SLF of the required value, the Bid will be categorised as having an acceptable financial risk. If not, the Bid may be categorised as having an unacceptable level of financial risk and may be rejected.

4. Key Parameters

The following parameters will be considered in determining the appropriate level of any additional SLF required as a result of the risk adjustments made to revenues and costs or in consequence of annual margins being below the 4% required to withstand GDP risk.

	Criteria	Indicative SLF
Identification of funding gap		
1	Margin below 4%	May require an additional SLF at a ratio of 1:1 to reach an annual margin of 4% for the coverage of GDP risk.
2	Value of net negative cost & revenue adjustments (by year)	May require an additional SLF at a ratio of 1:1.
Offsetting factors		
3	Margin in excess of 4%	Annual net adverse adjustments can be offset against a margin in excess of 4% at a ratio of 1:1 in the year in which it occurs
4	Minimum value of SLF	A Minimum SLF of £40m is required. This can be used towards the values in '1' and '2' above if these total more than £40m.

5. Details of assessments

For the purpose of informing the Department of the appropriate size of the required SLF, the Department will seek the views of its advisers on appropriate risk adjustments to costs and revenues within Bids. Key elements of the risk-adjustment process include those set out below.

These adjustments do not affect Bid ranking or the selection of the winning Bidder (unless the Department has rejected the Bid).

Exogenous Adjustments

- Bidders' exogenous demand and revenue forecasts will be adjusted in accordance with demand forecasting guidance set out in PDFH v5 (except fares where PDFH v4 is applicable);
- exogenous inputs will be adjusted to a single set of forecasts. Forecasts of employment and GDP will be based on those published by the Office for Budget Responsibility (OBR);
- in the situation where a Bidder provides strong evidence that an alternative forecast or approach to demand forecasting is more appropriate, the Department reserves the right to apply this alternative forecast to all Bids; and

- fares-related growth will be adjusted to current Department fares policy should Bidders decide to take their own independent views on future changes in fares policy.

Endogenous Adjustments

- revenue and cost risk adjustments will be made on the basis of the most likely outcome, taking into account existing industry / Department guidance, research and evidence put forward by Bidders;
- adjustments will take into account any risk mitigations (contingency costs) already identified by Bidders in their cost / revenue forecasts, reported in the Record of Assumptions and committed within the franchise agreement; and
- where appropriate, the risk adjustment may be profiled by year to allow for delivery of an initiative later in the franchise term than envisaged in the Bid, or for 'ramp-up' of the expected demand response.

APPENDIX 5: Measurement of Rolling Stock Capacity

The passenger capacity of rolling stock should be determined using the 0.45m² Method set out below.

The seating capacity is the number of fixed seats, plus any tip-up seats that have a standard back and base and do not obstruct aisles or doorways when in use. Any tip-up seats that, when in use, would also occupy space needed for the required number of wheelchair spaces, cannot be counted. The required number of wheelchair spaces varies by length of multiple-unit: one wheelchair space for multiple-units of four carriages or fewer; two for units of five to eight carriages; and three for units of more than eight carriages. Each multiple unit should be treated individually, so two wheelchairs would be assumed to be in a train made up of two, two-car units. Tip-up seats occupying space for wheelchair provision that is above the required level, can be included. Where an in-use wheelchair space prevents a tip-up seat from being counted, then the wheelchair itself counts as one seat.

The total capacity of a vehicle is determined calculating the area of reasonable accommodation – whether for standing or sitting passengers, and dividing this area into 0.45m² per passenger. The result is then rounded down to the nearest whole number. For these purposes, the width of the carriage is the internal width at ‘arm-rest’ height, but not going into window recesses. Areas excluded from the calculation include: drivers’ cabs and other crew-only areas, luggage stacks, toilets, equipment cupboards, gangways beyond the main vehicle structure, and inaccessible dead space. Tables are normally included because they normally cover area used for ‘leg-room’, e.g. in seating bays. Gangways and vestibules are also excluded if they are locked out of use when a driver’s cab is in use. Vestibules that only give direct access to first class provision are excluded from the standard class capacity.

APPENDIX 6: Definition of Acceptance in the model SEFT Delivery Agreement

The Definitions of “Acceptance”, the defined terms therein and the overall “SEFT Delivery Agreement” are:

“**Acceptance**” means acceptance of the “Equipment” for commercial use as an “ITSO-Certified Smartmedia” ticketing system at all “Target Stations” in accordance with the purposes of the “Project Objective” which acceptance shall occur on the earlier of a) the receipt by Secretary of State of TOC’s written confirmation of acceptance, and b) a date which is 2 weeks after the Equipment has been used by fare paying passengers at all “Target Stations” as an “ITSO-Certified Smartmedia” ticketing system.

Where,

“**Equipment**” means the readers, processors, ISAMs (an “ISAM being an ITSO Security Application Module as defined in ITSO specification 1000-8), communications equipment, back office equipment (“HOPS” (a Head Office Processing System), CMS (Card Management System), “AMS” (Asset Management System)) and any other equipment in respect of the automatic ticket gates and passenger validators for future installation or upgrade at the “Target Stations.”

And

“**Target Stations**” means those stations as defined in the schedule to the "SEFT Delivery Agreement" between the Department and the incumbent Franchisee.

The stations in this schedule are currently being defined but are likely to comprise: London to Reading, Reading to Newbury and Reading to Didcot.

And

“**ITSO-Certified Smartmedia**” means the contactless smartcards, devices or other media designed to hold or transmit the fare and travel information with the monetary or other value encoded which have been fully certified by ITSO and comply with the EMV ticketing standard agreed by the SEFT board.

And

“**Project Objective**” means the successful implementation of an ITSO-Certified Smartmedia ticketing scheme; to include the installation and operation of all equipment and such front and back office systems as are necessary to achieve the same at “Target Stations” to drive a [significant percentage] take up and use by passengers of “ITSO-Certified Smartmedia” for travel across the franchise from one year after “Acceptance”.

Attachments

- A Great Western Franchise Train Service Requirement
- B Great Western Franchise Agreement
- C Conditions Precedent Agreement
- D Funding Agreement
- E Great Western Financial Templates
- F Great Western Stakeholder Briefing Document
- G Declaration of Conformity Statement
- H Delivery Plans – Scoring Matrix
- I A Guide to the Railway Franchise Procurement Process

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