

INTERCITY WEST COAST FRANCHISE

STATION ASSET STEWARDSHIP - GUIDANCE

PURPOSE OF THIS GUIDANCE

The purpose of this guidance is to briefly indicate where the stations asset stewardship proposition is to be documented. It identifies the key documents in relation to the proposition and briefly draws attention to certain provisions of the Franchise Agreement that have been introduced or amended as a consequence of the stations asset stewardship proposition. It starts with a section on the Invitation to Tender to draw out the relationship between the tender proposals regarding station asset stewardship and the franchise related documentation explaining how and where those tender proposals are expected to be documented.

STATUS OF THIS GUIDANCE

The information contained in this guidance does not purport to contain all of the information that a prospective franchisee or shareholder may require. Neither does it purport to identify or summarise every aspect of the franchise material or requirements relating to stations. Neither the Secretary of State, nor any of her employees, agents or advisers ("representatives"), makes any representation or warranty (express or implied) (and no such representatives have any authority to make such representations and warranties) as to the accuracy, reasonableness or completeness of the information contained in this document.

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DOCUMENTATION OF THE STATIONS ASSET STEWARDSHIP PROPOSITION

Provision for stations asset stewardship will be documented through the following documents:-

1. **Franchise Agreement** between the Secretary of State and the Franchisee.
2. **Conditions Precedent Agreement** between the Secretary of State and the Franchisee.
3. **Parent Company Guarantee** to the Secretary of State.
4. **Station Licence** issued by the ORR to the Franchisee.
5. **Regulatory Statement** issued by the ORR to the Franchisee giving guidance in relation to the Station Licence.

6. **Lease** of each station from Network Rail to the Franchisee as Station Facility Owner (“SFO”).
7. **Station Access Agreements** between the SFO and another TOC station user.
8. **Station Access Conditions** 2011 (FRI Leases) (England and Wales) (“SACs”) – model clauses produced by the ORR for use in station access agreements.
9. **Supplementary Agreements** (re station facility charges).
10. **Direct Agreement** between the Secretary of State and Network Rail.
11. **Working Arrangement Letter** between the Secretary of State and the ORR.

1. INVITATION TO TENDER

The bid

1. The franchisee will take on responsibility for operating, maintaining, and improving the stations. However this core duty will not be set in the franchise agreement. It will be set in the station licence and thus monitored and enforced by the ORR under the station licence.
2. However bidders will have to set out in their franchise bid how they will discharge and price for this duty, including any specific commitments they offer, as the bid will be reviewed by the Secretary of State, with ORR assistance, and the successful bidders accepted station proposition will be required, by the Conditions Precedent Agreement, to form the basis of their station licence application.
3. For some purposes complementary provision will also be set out in the franchise agreement. For example any station enhancement schemes of £10m or more offered by bidders will be included in the franchise agreement as committed obligations.
4. Proprietary rights in the stations will be granted through a long lease from the freeholder, Network Rail, of each station.

ORR involvement at bid stage

5. The ORR will be involved, with the Secretary of State, in the examination of the bidder’s station asset stewardship proposals set out in their bid delivery plan, during franchise bid evaluation. This is to:-

- (a) advise on the quality and scope of the bidders station asset stewardship proposals;
- (b) consider whether the bidder’s proposals show sufficient maturity to be developed into a full station licence application, with associated Station Asset Management Policy and Plan, and indicative renewal and replacement timetable, such as to successfully meet the requirements of the new station asset stewardship condition of the station licence; and

(c) to assess in particular the credibility of the proposed spend profile against planned outputs.

Guidance on expectations for Station Asset Management Policy, Plan, and indicative renewal and replacement timetables

6. In particular bidders will be required to submit to the Secretary of State, in their bid delivery plan, their proposals for their Station Asset Management Policy and Plan to some level of detail.

7. Bidders should set out their policy and proposals, including timetable, milestones, capability and construction standards, to secure a station licence, and state how they will satisfy its asset stewardship condition taking account of the ORR's proposed Regulatory Statement for it. They should set out their policy and proposals to a level sufficient to convey the quality and principles upon which the full licence application will be made and to capture the station asset stewardship offer. The policy and proposals should include the approach to be taken to secure a safety authorisation for the stations. Also it should include proposals for the efficient and effective retention and updating of asset data, and the ultimate handover of the policy, plan and records to a subsequent franchisee.

8. The bid delivery plan requirements are outlined in the ITT with a list of component items for each. The new licence obligation for stations transfers substantial new responsibilities to the station operator in a way that enables flexibility and freedom for bidders. To assist bidders with their development of proposals, guidance is offered below to assist with the scoping of the station asset stewardship aspect primarily assessed under delivery plan 9 "stations and accessing the network" though linked to other bid delivery plans.

9. Bidders should note the existence of the British Standards Institution guidance for optimal management of physical assets. Bidders may wish to consider and set out their strategic objectives (eg condition, capability, performance, safety and serviceability of assets, ambience of the station environment, customer satisfaction, revenue increase and cost efficiency) and go on to link these to identified specific policy statements with principles to address areas including the following:

- How the overall approach accords with best practice and what best practice means to the operator. Integration with the wider safety, environmental and quality management systems for the franchise.
- An approach that delivers non-discrimination for all asset users, so ensuring the assets are maintained taking into account the requirements of all types of operator.
- The operator's relationship with the network infrastructure manager, Network Rail, and other station users. The policy for access to manage assets including where assets exist in a 'High Street' environment,

planned access and emergency unplanned access via the network infrastructure.

- The policy for setting the Long Term Charge (LTC), including the LTC rates for each station under the station licence.
- Long term planning of station capacity including the standards to be adopted to achieve passenger safety and comfort.
- Standards for design, management and construction including the relationship between those standards and the optimisation of whole life value.
- The Station Stewardship Measure (SSM) including survey, assessment and calculation methodologies, audit approach including survey frequency, audit/sampling and reporting, and condition levels to be achieved throughout the franchise relative to the baseline.
- Monitoring of assets including measurement, targets and tolerance of fault and service levels.
- The circumstances, including criteria, in which intervention will be triggered covering interventions including fault identification, planned preventative maintenance and renewal of life-expired assets. The approach for optimisation and prioritisation of asset interventions and the optimisation of whole life costs.
- Exceptional renewals, such as those arising from latent defects or exceptional adverse weather, environmental contamination or third party damage; incorporating the uninsurable risk provision in the draft franchise agreement.
- Asset information strategy and asset information systems to support asset management, audit, assurance and reporting, including:
 - A plan to achieve the quality of data appropriate to the effective management of the station assets.
 - The maintenance of appropriate, accurate, readily accessible and transferable information about the station assets, including their condition, capability and capacity (including asset information for the Station Stewardship Measure)
- The competencies of staff fulfilling asset management responsibilities.
- Short and long term outline plans for maintenance, renewals and enhancements addressing:
 - Details of and a timetable to deliver any particular commitments the station operator makes on maintenance, renewals and enhancements;

- A detailed plan of renewals to be undertaken until the Station Stewardship Measure baseline condition is established;
 - Details of reactive, cyclical and planned preventative maintenance;
 - How the station asset stewardship policy will be applied to implement, develop and roll forward the plans; and
 - The relationship between works undertaken and targets, in particular the SSM score expected to be achieved through the life of the franchise.
- Handover arrangements for rolling plans to include completing schemes at franchise end and for efficiently and effectively handing over incomplete schemes to a subsequent operator or third party.

Accommodating future demand

10. Such proposals should address the issue that the Station Asset Management Policy and Plan will be expected to include provision to accommodate the effect on stations of reasonably foreseeable growth in rail passenger demand e.g. through proposed enhancement schemes or otherwise.

Station Stewardship Measures (SSM)

Brief description of the SSM system

11. The franchisee will be required to develop and use a Station Stewardship Measure (SSM) system as the primary means to plan and monitor the obligation they will have, under the station licence, to protect the long term value of station assets. The system will take as its starting point the SSM system already developed for stations by Network Rail for CP4 and it is to be further developed by the franchisee as indicated below.

12. Assets (buildings, fabric and services) at each station are divided into groups (such as canopies) and each group is further sub-divided into elements (such as glazing). The percentage of remaining life of each element is assessed against its expected life, as ascertained from a national standard value based on evidence from the Building Research Establishment. That percentage is converted to a condition rating on a scale of 1 to 5 (1= long life, 5 = life expired). The condition rating is then weighted by a national standard set of risk factors for each type of element that reflect the relative importance of the element to the stations safety and basic functioning. The weighted condition ratings for the elements are then aggregated to produce an SSM score for each category of station (there are 6 categories of station).

13. The SSM score for a category of station gives a measure of the average remaining life of the stations in that category. If the SSM score remains stable this indicates the stations in that category are being maintained and renewed

at a long term sustainable rate. However the score is not designed to be an indicator of passenger functionality or satisfaction.

SSM survey and ascertainment of initial baseline SSM scores in first 12 months

14. During the first 12 months of the franchise the franchisee will have to ascertain the initial baseline SSM score for each category of station and submit this to the ORR for acceptance. To do so it will have to survey the condition of all the managed West Coast stations using an accepted survey methodology.

Bidders to propose survey methodology

15. Bidders will have to propose for this purpose, in their bid delivery plan, a condition survey methodology suitable for capturing data for use with the existing Network Rail SSM evaluation methodology. The survey methodology proposed in the bid should be sufficiently developed to enable acceptance in principle by the ORR.

Calculation of initial baseline SSM scores

16. The survey outputs¹ will be used by the franchisee, with the Network Rail SSM evaluation methodology, to calculate the SSM score for each category of station. These scores, supported by a validated and independently audited calculation model, will have to be reported to the ORR by 31st December 2013. These scores will be the initial “baseline” scores.

Bidders to propose development of SSM methodology

17. Bidders will have to propose improvements to the Network Rail SSM evaluation methodology and additional survey and validation methodologies as necessary to make the overall SSM approach robust. As a minimum the improvements must include control in the way assets are broken down into elements, and the introduction of a weighting factor for the relative value of assets. The proposals should be sufficiently developed to enable acceptance in principle by the ORR.

18. Bidders may propose further improvements and refinements and are in any event strongly recommended to discuss their proposed methodology improvements with the ORR during the development of their bids.

Ascertainment of final baseline SSM scores

19. The franchisee will be required to recalculate the baseline SSM scores for each category of station using the improved SSM methodology agreed by the ORR. This would be produced using the survey results obtained in the first 12

¹The survey outputs must include the improved condition of assets resulting from the Network Rail renewals for 2013/14.

months, together with any additional data required, and applying the revised methodology. The revised SSM baseline scores would be submitted to the ORR for acceptance supported by a re-validated and independently audited calculation model. The accepted scores would be substituted for the initial baseline SSM scores and become the final baseline SSM scores.

Required SSM scores

20. The franchisee will be required to maintain a minimum SSM score throughout the franchise period for each category of station it maintains. Those scores are likely to be, as a minimum, the final baseline SSM scores. But bidders are encouraged to consider what uplift to those baseline scores they expect to achieve over the life of the franchise. The required scores will be accepted, monitored and enforced by the ORR.

Documentation

21. The SSM system is to be set out in the franchisee's Station Asset Management Policy required by the Station Licence. In particular this document is to include the assessment and calculation methodologies, the accepted condition survey methodology, the accepted development of the evaluation methodology to make the overall SSM approach robust, the requirements for the establishment of the initial and final baseline SSM scores, and the SSM target scores required by the ORR. Apart from those components which can't be added until after franchise commencement (which must be added as soon as possible) the SSM system will have to be documented in the franchisees' Station Asset Management Policy to the station licence before franchise commencement. The required Station Asset Management Plan is to set out the timetables for setting and updating the required SSM scores.

Timescales

22. The initial baseline scores are to be reported to the ORR by 31st December 2013. The latest date for completing the final baseline scores is 31st December 2015. Although the initial baseline scores are to be established in the first 12 months of the franchise, the franchisee may wish to develop the SSM methodology, obtain the required additional data needed for it, and produce the final baseline scores concurrently.

Adjustment of SSM scores during franchise term

23. During the franchise term, following the completion of any significant enhancements², the ORR may consider an adjustment to a required SSM score is appropriate, and require the accepted Station Asset Management Policy and Plan to be adjusted accordingly.

² Typically committed obligations under the franchise agreement.

Works in first 12 months

24. Whilst the initial baseline SSM scores are being established the franchisee is to carry on implementing a renewals programme in accordance with their accepted Station Asset Management Policy and Plan to their station licence. This programme should, as a minimum, comprise Network Rail's plan of renewals for 2013/14. The impact of the implementation of these works must be reflected in the initial baseline SSM survey.

Specific maintenance, renewal and enhancement schemes

Detailed in the station asset management plan

25. Bidders should indicate in their bid delivery plan, for subsequent inclusion in their Station Asset Management Plan, details of any particular maintenance, renewal and enhancement schemes it proposes to implement in relation to stations. This will include the proposed works in the first 12 months, as referred to above. In addition to any such schemes specifically identified the final Station Asset Management Plan is to include short and long term rolling plans for maintenance, renewals and enhancements.

Committed obligations under the franchise agreement

26. Any enhancement scheme (as a single project at an individual station) offered by the successful bidder, the estimated cost of which equals or exceeds £10m, will also be included in the Franchise Agreement as a committed obligation.

Exceptional renewals

27. Bidders should indicate in their bid delivery plan, for subsequent inclusion in their station asset management policy for the station licence, how they would address exceptional renewals (i.e. renewals to address material and unforeseeable latent defects, environmental contamination, exceptional adverse weather conditions or third party damage.)

28. Where exceptional renewals result from latent defects and/or uninsured risks where damage is likely to exceed £10m, the Franchisee can put options and, following discussion with the ORR, make a recommendation to the Secretary of State for repairs using an alternative funding arrangement. Such arrangements may include, for example, an adjustment to the asset management policy and plan.

Incremental options for additional station investment

29. Bidders should include station enhancement initiatives with a payback within the period of the franchise length within their Base Case bids. 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 Base Case bid, they are encouraged to submit the initiatives

as Incremental Options, if they can be proven to be value for money and affordable within a 30 year period. The Department will consider purchasing the Incremental Options offered subject to affordability constraints and economic appraisal criteria.

30. For investment schemes proposed during the franchise term provision is made in the Franchise Agreement (the Annex to Appendix 3 of Schedule 9.1) for the franchisee to propose investment schemes from time to time to the Secretary of State and for the Secretary of State to consider if the scheme should be pursued and if it should be supported in some way.

Passenger satisfaction

31. Bidders will be required to demonstrate how they will improve passenger satisfaction over the life of the franchise. The franchise will be monitored against a number of disaggregated National Passenger Survey (NPS) targets based on three attribute measures for the following service metrics:

- Stations
- Trains
- Customer Service and Information

32. The NPS attributes included in each metric and the associated methodology are contained within the data site. Each element is based on a number of aggregated NPS scores.

33. Bidders will be required to set their own targets for each metric taking into account the improvements being sought as part of this ITT.

34. It is expected that current performance levels for Trains and current performance levels for Customer Service and Information will at least be maintained, unless good evidence can be provided as to why this is not achievable. It is expected that performance levels for Stations will at minimum improve from current levels. Targets will be assessed on an annual basis.

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

Station surveys

36. Survey data from Network Rail and the incumbent operator is available in the data site. Bidders have agreed to collectively commission their own joint survey at their own cost of the ICWC franchise managed stations for the purpose of informing their bid proposals.

Long term charge

37. The franchisee (as Station Facility Owner) will not pay long term charge for the stations it manages as Network Rail will no longer be responsible for

maintenance. But other train operators using those stations will have to pay long term charges to the franchisee as SFO to cover their due contribution to that element of the station maintenance and renewal costs to be taken over by the SFO from Network Rail. This long term charge payment will be in addition to the usual “Qualifying Expenditure” charged to station users.

38. Bidders must charge the station long term charge (in Station Access Agreements and the corresponding Station Access Conditions) at the Control Period 4 determination level with:-

- (i) adjustment, where applicable, for the estimated values provided for agreed “Access for All” and “National Stations Improvement Programme” schemes as identified in the data site as and when those schemes are delivered;
- (ii) adjustment for any subsequent station changes; and
- (iii) future indexation as provided for in the Station Access Conditions.

39. This charging requirement should be documented in the station asset management policy for the stations licence (as referred to above in the section headed “Guidance on expectations for Station Asset Management Policy, Plan, and indicative renewal and replacement timetables”).)

Station facility charges

40. Bidders should be aware of the ongoing RAB loan facility payments to Network Rail expected for the stations they inherit and make appropriate provision. The franchisee will have to take over the loan payments until paid off or until franchise end whichever is the earlier. Details of the loan payments are in the data site.

Rents

41. The new lease arrangements no longer require the sharing of benefits with Network Rail from commercial activities at stations.

Parent Company Guarantee

42. The ITT will advise bidders of the requirement for the franchisee’s parent company to provide, and maintain for the duration of the franchise, and thereafter until any outstanding liability there may be is satisfied, a parent company guarantee in the form contained in the Data Site. The guarantee shall give security to support the franchisee’s franchise agreement obligation (Schedule 6.2 – non compliance with station maintenance licence condition) to pay compensation at franchise end to the Secretary of State for non compliance with the station asset stewardship condition of the station licence.

2. FRANCHISE AGREEMENT

The following paragraphs describe provisions of the Franchise Agreement that have been introduced or amended as a consequence of the stations asset stewardship proposition.

Definition of Change

1. The definition of Change has been amended by the addition of two additional Changes as follows:
 - a) The ORR may undertake a consultation of industry parties on the level of long term charge payable under station access agreements which are subject to the 99 year Lease station access conditions. As the implementation by the ORR of its conclusions following such consultation will not fall within the definition of a Charging Review (as amended for Stations at which the Franchisee is the station facility owner), and so would not constitute a Change under the Franchise Agreement, the Change in paragraph (h) of the definition of Change is to protect the Franchisee from any changes to the amount of the long term charge payable in respect of access agreements which the subject of the 99 year Station Access Conditions following any such ORR consultation.
 - b) The second Change in paragraph (i) of the definition of Change is to protect the Franchisee (to the extent that it is not already taken account of in any ORR consultation referred to above) in respect of a change in the level of the long term charge which the Franchisee may be required to pay under any new access agreement entered into with a station facility owner who is moving away from the National Station Access Conditions 1996 (England and Wales).

Definitions of Charging Review/Charge Variation

2. The ORR will not have the locus³ to review the Long Term Charges payable in respect of Stations Access Agreements are subject to the Stations Access Conditions 2011 (FRI Leases) (England and Wales). For this reason the following changes have been made to the definition of Charging Review and Charge Variation:

- a) the definition of Charging Review has been amended to remove Stations where the Intercity West Coast Franchisee would be the station facility owner from the ambit of paragraph (a) (ii) of the definition of Charging Review.
- b) Amendments have also been made to the definition of Charge Variation so that station leases where the franchisee is the station

³ Condition F11.5 of SACs 1996 is not contained in SACs 2011 nor is there any equivalent provision, and under Schedule 4 of the Railways Act 2005 the ORR only has the power to undertake a review of the terms of charging etc under any agreement if that agreement provides for it to do so.

facility owner are not Relevant Agreements for the purposes of that definition.

Schedule 2.1 (Asset Vesting and Transfer)

3. Bidders should note that Schedule 2.1 requires the Franchisee to enter into the leases in respect of Stations in the agreed terms marked SL. The agreed terms SL, to be initialled by the Secretary of State and the winning bidder on the date of execution of the Franchise Agreement, are contained in the data site.

Schedule 6.1 (Committed Obligations)

Enhancement schemes £10m or greater

4. Any enhancement scheme (as a single project at an individual station) offered by the successful bidder, the estimated cost of which equals or exceeds £10m, will be included in the Franchise Agreement as a committed obligation. Schedule 6.1 would include key details of the scheme and its proposed value. Bidders are expected to mark up Schedule 6.1 of the Franchise Agreement to include their proposed Committed Obligation in this respect (including a proportionate Committed Obligation Payment Adjustment) as instructed in paragraph 4.2.5 of the ITT.

Schedule 6.2 (Intercity West Coast Franchise Specific Obligations)

Registration of station leases

5. The franchisee is to have each station title duly registered at HM Land Registry.

Non compliance with station maintenance licence condition

6. If the franchisee does not comply with the station asset stewardship condition of the station licence, then at the end of the franchise the ORR will make a determination as to the value of the default and the franchisee will be obliged to pay that amount to the Secretary of State. This amount is to be guaranteed by the Parent under the Parent Company Guarantee.

British Transport Police Accommodation

7. The franchisee will be obliged to give due consideration to any request from the British Transport Police to provide suitable accommodation or facilities at stations to enable them to effectively perform the services they owe to the franchisee under any contract or arrangement between the franchisee and the British Transport Police.

Development at Stations - Prohibition on extraction of future franchise value

8. The Franchisee will not be permitted, without the Secretary of State's prior written consent, to enter into any lease, development agreement or any other agreement or arrangement in relation to a Station which can reasonably be regarded as providing any payment or benefit in any form to the Franchisee which can be attributed to the rights granted to the counterparty in respect of any period after the end of the franchise term.

Uninsured events and latent defects liability

9. Paragraph 3.5 of Schedule 6.1 includes provisions on the protections available to the Franchisee under the Franchise Agreement in relation to Uninsurable Risks and Latent Defect Liabilities (as each such term is defined under the Franchise Agreement) which arise in respect of Stations. The intention is that the Franchisee should not be liable for reinstatement costs in the prescribed circumstances.

Station Charge Adjustments –Schedule 8.4

10. As Long Term Charges are no longer to be payable to Network Rail, these provisions would no longer be relevant to stations for which the franchisee is the Station Facility Owner or stations where the franchisee's passenger services call and which are subject to the Station Access Conditions 2011 (FRI Leases) (England and Wales).

Schedule 10 (Remedies, Termination and Expiry)

11. As the obligations of the Franchisee in relation to the station stewardship measure is to be enforced by the ORR through the Station Licence a new paragraph 2.7(c) of Schedule 10.3 has been added so that it is an event of default of the Franchise Agreement if the Franchisee fails to comply with any provisional order, final order or any other order made pursuant to section 55 of the Act, in each case made by the ORR and relating to a contravention of the station stewardship licence condition.

Schedule 14 (Preservation of Assets)*Maintenance of Operating Assets – Schedule 14.2*

12. Paragraph 1 of Schedule 14.2 has been amended to carve out Stations from the requirement on the Franchisee to maintain, preserve and protect assets employed by the Franchisee in the performance of its obligations under the Franchise Agreement. This is because the maintenance, protection and preservation of Station assets would be enforced by the ORR under the Station Licence.

Key contracts – Schedule 14.3

13. The contracts for maintenance and renewal works at stations, including any framework delivery contracts for the provision of building and civil engineering works, mechanical works and electrical works at Stations are now Key Contracts under the Franchise Agreement. The DfT will accordingly require the winning bidder to ensure that the supplier of these services enters into a Direct Agreement with the Secretary of State as a condition precedent to the commencement of the Franchise Agreement (see paragraphs 5 and 6 of the Conditions Precedent Agreement).

Schedule 15.1 (Reletting Provisions)*Inspection Rights at Stations prior to the end of the Franchise Period*

14. The Franchisee, if requested, is to permit the Secretary of State or nominee (including bidders for future franchises) to have access to the stations to inspect them, take inventories, and carry out condition surveys.

3. CONDITIONS PRECEDENT AGREEMENT

The following paragraphs describe provisions of the Conditions Precedent Agreement that have been introduced or amended as a consequence of the stations asset stewardship proposition.

A new paragraph 1.3 has been added which requires the Franchisee to ensure that its application for a station licence, and associated documentation including station asset management policy, station asset management plan, and indicative renewal and replacement timetables, reasonably and properly reflect its bid proposals regarding the stations. The Franchisee is also required to use all reasonable endeavours to ensure that any such licence and associated documentation will so reflect and mandate those bid proposals.

4. PARENT COMPANY GUARANTEE

The parent company of the franchisee will be required to provide, and maintain for the duration of the franchise, and thereafter until any outstanding liability there may be is satisfied, a parent company guarantee, in the form attached to the ITT, to give security to support the franchisee's franchise agreement obligation (Schedule 6.2 – non compliance with station maintenance licence condition) to pay compensation to the Secretary of State at franchise end for non compliance with the station asset stewardship condition of the station licence.

5. STATION LICENCE

Copy draft available on Data Site.

6. REGULATORY STATEMENT

Copy draft available on Data Site.

7. LEASE

1. Copy draft available on Data Site.

2. Schedule 5 (asset protection) is currently being reviewed by ATOC and Network Rail with the aim of simplifying the provisions. Should a revised Schedule 5 be settled in time before franchise let it is proposed to offer bidders the option to use it in place of the existing version.

3. Under the station asset stewardship arrangements the SFO will be an infrastructure manager under the Railways and Other Guided Transport Systems (Safety) Regulations 2006, S.I. 2006 No. 599 (ROGS). The SFO will need to operate under a safety authorisation with associated safety management system that covers the station infrastructure. The new station asset management responsibilities are such that bidders cannot rely on adopting the safety management system of the incumbent operator.

4. ORR advice on safety certificates and authorisation, including information on the application process and assessment criteria, can be found on its website via the following link: <http://www.rail-reg.gov.uk/server/show/nav.1520>

8. STATION ACCESS AGREEMENTS

Copy templates on ORR website.

9. STATION ACCESS CONDITIONS

SACs 2011 (FRI Leases) (England and Wales) available on the Data Site.

10. SUPPLEMENTARY AGREEMENTS

Bidders need to include for the assumption from the outgoing franchisee of any outstanding loan facility charges payable to Network Rail in relation to stations where enhancements have been funded through Network Rail's Regulatory Asset Base. Facility charge capital and interest repayments for such loans made by Network Rail to enhance stations under the current franchise will be transferred to the new franchisee who will continue to make

the payments. Such charges may be documented in Supplementary Agreements.

Details of loan facility charges are available on the Data Site.

11. DIRECT AGREEMENT

The Secretary of State will expect to have a Direct Agreement with Network Rail in relation to the station leases, as Key Contracts.

12. WORKING ARRANGEMENT LETTER WITH ORR

The ORR and the Department have agreed to document the proposed working arrangements between them in relation to station asset stewardship.