

Dated

2015

- (1) The Secretary of State for Transport
- (2) First/Keolis TransPennine Limited

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**FRANCHISE AGREEMENT (INTERIM) – TRANSPENNINE EXPRESS**

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**THIS AGREEMENT** is dated

2015

**BETWEEN**

- (1) **THE SECRETARY OF STATE FOR TRANSPORT**, whose principal address is at 33 Horseferry Road, London SW1P 4DR (the "**Secretary of State**"); and
- (2) **FIRST/KEOLIS TRANSPENNINE LIMITED** (Company Number 4113923), whose registered office is at 50 Eastbourne Terrace, Paddington, London W2 6LG (the "**Franchisee**").

**WHEREAS**

- (A) The Secretary of State, First/Keolis TransPennine Holdings Limited and the Franchisee were parties to the Previous Franchise Agreement pursuant to which the Franchisee provided the Previous Passenger Services. The Previous Franchise Agreement expires at 02.00 on 1 April 2015 and pending the award of a new franchise agreement the parties have agreed that the Franchise Services will be provided by the Franchisee pursuant to this Franchise Agreement during the period from the Start Date until the Expiry Date.
- (B) The Secretary of State has issued a direction under Section 26(1) of the Act that the person who is appointed as a franchisee to provide the Franchise Services under a franchise agreement need not be selected from among those who submit tenders in response to an invitation to tender.
- (C) The Secretary of State wishes to appoint a franchisee to provide railway passenger services within the Franchise and expects his franchisee, on the terms of the Franchise Agreement, actively to seek, in all reasonable business ways, greatly improved performance over the Franchise Term from its employees, its Train Fleet and other assets, and from Network Rail and its other suppliers, so as to deliver to the passenger the best railway passenger service that can be obtained from the resources that are available to it.
- (D) The Franchisee wishes to be appointed as the Secretary of State's franchisee for the Franchise and intends, on the terms of this Franchise Agreement, actively to seek, in all reasonable business ways, greatly improved performance over the Franchise Term from its employees, its Train Fleet and other assets, and from Network Rail and its other suppliers, so as to deliver to the passenger the best railway passenger service that can be obtained from the resources that are available to it.
- (E) The parties have agreed terms on which the Franchisee will provide the Franchise Services and wish to record their agreement. The following provisions of this Franchise Agreement are intended to reflect and give effect to the matters referred to in Recitals (A) to (D) inclusive.

**1. INTERPRETATION**

- 1.1 In the Franchise Agreement, except to the extent the context otherwise requires:
  - (a) words and expressions defined in Part I of the Act have the same meanings when used therein provided that, except to the extent expressly stated, "railway" shall not have the wider meaning attributed to it by Section 81(2) of the Act;
  - (b) words and expressions defined in the Interpretation Act 1978 have the same meanings when used in this Franchise Agreement;

- (c) the words "include", "including" and "in particular" are to be construed without limitation;
- (d) references to any person include its successors, transferees or assignees;
- (e) the words "subsidiary", "subsidiary undertaking", and "parent undertaking" each have the same meaning in this Franchise Agreement as in Section 1162 of the Companies Act 2006;
- (f) references to documents "in the agreed terms" are references to documents initialled by or on behalf of the Secretary of State and the Franchisee. As at the date of this Franchise Agreement the documents "in the agreed terms" are as follows:
- |      |                |                                    |
|------|----------------|------------------------------------|
| (1)  | <b>C156DHA</b> | Class 156 Daily Hire Agreement;    |
| (2)  | <b>DG</b>      | Deed of Guarantee;                 |
| (3)  | <b>DL</b>      | Depot Lease;                       |
| (4)  | <b>FD</b>      | Funding Deed;                      |
| (5)  | <b>FM</b>      | Financial Model;                   |
| (6)  | <b>FF</b>      | Financial Formats;                 |
| (7)  | <b>OM</b>      | Operational Model;                 |
| (8)  | <b>PC</b>      | Passenger's Charter;               |
| (9)  | <b>PFD</b>     | Protected Fares Document;          |
| (10) | <b>POA</b>     | Power of Attorney;                 |
| (11) | <b>ROA</b>     | Record of Assumptions;             |
| (12) | <b>SL</b>      | Station Lease;                     |
| (13) | <b>SLC</b>     | Service Level Commitment;          |
| (14) | <b>SQMS</b>    | Service Quality Management System; |
| (15) | <b>SQS</b>     | Service Quality Standards;         |
| (16) | <b>TP</b>      | Train Plan;                        |
- (g) references in any of the agreements comprising the Franchise Agreement to Recitals, clauses, Schedules, Parts, paragraphs and Appendices are to Recitals, clauses, Schedules, Parts of Schedules, paragraphs of Schedules and Appendices of Schedules of that agreement, unless expressly specified to the contrary, and the Schedules and Appendices form part of the agreement in which they appear;
- (h) references in any Schedule in any of the agreements comprising this Franchise Agreement to a Part, paragraph or Appendix are references to a Part, paragraph or Appendix of that Schedule (or the relevant Part of a Schedule), unless expressly specified to the contrary;

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



- (u) references in lower case letters to terms defined in Clause 2 shall be construed, where relevant, as being references to the terms defined as such in the franchise agreement or relevant agreement made under Section 30 of the Act or Section 6 of the Railways Act 2005 with any other Train Operator;
- (v) amendments to or variations of contracts or arrangements include assignments, novations or other transfers of rights and/or obligations (in whole or in part) under such contracts or arrangements;
- (w) references to sums of money being expended by the Franchisee shall be to such sums exclusive of Value Added Tax;
- (x) the words "shall not be liable" are to be construed as meaning that no contravention of the Franchise Agreement and no Event of Default shall arise as a result of the occurrence of the matter to which such words relate;
- (y) references to a "contravention of the Franchise Agreement" (and cognate expressions) are to be construed as meaning a breach of this Franchise Agreement;
- (z) wherever provision is made for the Franchisee to "procure" or "ensure" the delivery of an obligation under the Franchise Agreement, unless otherwise specified, that provision shall be construed as a primary obligation on the Franchisee to deliver that obligation;
- (aa) the Secretary of State is acting as part of the Crown;
- (bb) references to "profit" shall be construed as meaning profit before corporation tax, determined in accordance with GAAP; and
- (cc) where there is a requirement on the Franchisee to "fully and effectively cooperate" with one or more other parties with regard to an objective, that requirement relates to the quality of cooperation to be provided by the Franchisee taking into account and subject to the response of the other parties concerned. It does not indicate an obligation on the Franchisee beyond cooperation, relating to the funding of detailed design and development of an infrastructure project, actual delivery or subsequent operation (including in each case performance, cost and revenue effects). It does indicate that the Franchisee shall participate actively in relation to the relevant objective including through the application of management time and internal resources, correspondence and attendance at meetings, in each case as the Franchisee reasonably considers in all of the circumstances to be an appropriate use of its resources and effective to achieve the relevant objective.

## 2. DEFINITIONS

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

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

- “2010 Nominal Ticket Sales”** has the meaning given to it in paragraph 3 of Schedule 5.4 (Regulation of Protected Fares Basket Values);
- “2010 Ticket Revenue”** has the meaning given to it in paragraph 4.1 of Schedule 5.4 (Regulation of Protected Fares Basket Values);
- “Access Agreement”** has the meaning given to the term “access agreement” in Section 83(1) of the Act;
- “Act”** means the Railways Act 1993 and any regulations or orders made thereunder;
- “Actual Operating Costs”** means:
- (a) the Franchisee's total operating expenses for the period being reviewed as stated in its profit and loss account, including any of the following operating expenses that are payable during that period:
    - (i) amounts payable to the Secretary of State and Network Rail;
    - (ii) taxation;
    - (iii) shareholder distributions including dividends;
    - (iv) interest;
    - (v) capital expenditure (net of grants received); and
    - (vi) lease payments in relation to on-balance sheet leased assets,

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

    - (A) interest relating to on-balance sheet leased assets;
    - (B) depreciation;
    - (C) amortisation; and
    - (D) bad debt provisions; and

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

where creditors:

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

**“Actual Passenger Demand”** has the meaning given to it in paragraph 1 of Schedule 1.5 (Information about Passengers);

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

**“Additional Timetable Development Rights”** means any Timetable Development Rights that the Franchisee does not require for purposes of securing a Timetable that complies with the Service Level Commitment and to operate the services contemplated thereby;

<b>"Administration Fee"</b>	has the meaning given to it in paragraph 4.3 of Schedule 10.3 (Events of Default and Termination Events);
<b>"Advance Purchase Train-specific Fares"</b>	has the meaning given to it under the Ticketing and Settlement Agreement;
<b>"Affiliate"</b>	means, in respect of any person, any person by which that person is Controlled or which is Controlled by that person, or any person which is Controlled by any other Affiliate of that person;
<b>"Aggregated Qualifying Change"</b>	<p>means two or more Changes which:</p> <p>(a) are notified or agreed (in the case of a Change which is a Variation pursuant to paragraph 1.1 of Schedule 9.5 (Variations and Incentivising Beneficial Changes)); or</p> <p>(b) a party has become aware of (in the case of any other kind of Change)</p> <p>in a Franchisee Year (the "<b>Aggregation Year</b>") which individually do not exceed the Threshold Amount for the Aggregation Year taken alone but do exceed it when taken together. For the avoidance of doubt, where the Changes arise in different Franchisee Years, for the purposes of determining whether in aggregate they exceed the Threshold Amount:</p> <p>(c) the net present value of the adjustment in Franchise Payments which would result from a Run of the Financial Model in respect of each Change shall be calculated in accordance with the process described in the definition of Qualifying Change; and</p> <p>(d) there will be an Aggregated Qualifying Change where the aggregate of the net present values of those Changes exceeds the Threshold Amount for the Aggregation Year;</p>
<b>"Alliance Agreement"</b>	has the meaning given to such term in paragraph 11.2 of Schedule 13 (Information and Industry Initiatives);
<b>"Ancillary Service"</b>	means any service specified in paragraph 5 of Schedule 1.6 (Franchise Services);
<b>"Angel Trains Subordination Letter"</b>	means the subordination letter entered into or to be entered into which is ancillary to the Class

156 Daily Hire Agreement between Angel Trains Limited and the Franchisee;

- “Annual Audited Accounts”** means the accounts of the Franchisee which:
- (a) comply with paragraph 3.11 of Schedule 13 (Information and Industry Initiatives); and
  - (b) are delivered to the Secretary of State by the Franchisee in accordance with paragraph 3.9 of Schedule 13 (Information and Industry Initiatives) and certified by the Franchisee's auditors as true and fair;
- “Annual Business Plan”** means the plan to be provided by the Franchisee to the Secretary of State in accordance with paragraph 2.3 of Schedule 13 (Information and Industry Initiatives);
- “Annual Financial Statements”** means the final draft financial statements of the Franchisee which:
- (a) comply with paragraph 3.11 of Schedule 13 (Information and Industry Initiatives); and
  - (b) are delivered to the Secretary of State by the Franchisee in accordance with paragraph 3.7 of Schedule 13 (Information and Industry Initiatives);
- “Annual Franchise Payment”** means, in relation to any Franchisee Year, the amount determined in accordance with Schedule 8.2 (Annual Franchise Payments);
- “Annual Franchise Payment Components”** means the values of “FXD”, “VCRPI”, “VCAWE”, “PRPI”, “ORRPI” and “PRRPI” specified for each Franchisee Year in the table set out in the Appendix (Figures for Calculation of Annual Franchise Payments) to Schedule 8.2 (Annual Franchise Payments);
- “Annual Management Accounts”** means the management accounts of the Franchisee which:
- (a) comply with paragraph 3.10 of Schedule 13 (Information and Industry Initiatives); and
  - (b) are delivered to the Secretary of State by the Franchisee in accordance with paragraph 3.6 of Schedule 13 (Information and Industry Initiatives);

<b>“Annual Season Ticket”</b>	means a Season Ticket Fare which is valid in Standard Class Accommodation from (and including) the day on which it first comes into effect until (but excluding) the day which falls 12 months after such day;
<b>“Approved Model”</b>	has the meaning given to it in paragraph 21 of Part 1 to Schedule 6.1 (List of Committed Obligations);
<b>“Arcturus SoSRA”</b>	means the SoSRA at paragraph 1 of Schedule 9.3;
<b>“Assisted Passenger Reservation System”</b>	means the system known as the Assisted Passenger Reservation System as described in the Code of Practice as published in September 2010 (version 2 – valid from 1 September 2010);
<b>“ATOC”</b>	means the Association of Train Operating Companies including any of its successors and assigns;
<b>“Average Weekly Earnings”</b>	means the United Kingdom average weekly earnings measure excluding bonuses as published from time to time by the Office for National Statistics or, if such measure shall cease to be published or if, in the reasonable opinion of the Secretary of State, there is a material change in the basis of such measure, such other alternative index as the Secretary of State may, after consultation with the Franchisee, determine to be appropriate in the circumstances;
<b>“Bank”</b>	means a person which has a permission under Part 4A of the Financial Services and Markets Act 2000 to carry on the regulated activity of accepting deposits thereunder and which is reasonably acceptable to the Secretary of State;
<b>“Bank Holiday”</b>	means any day other than a Saturday or Sunday on which banks in the City of London are not open for business;
<b>“Benchmark”</b>	means any of the Cancellations Benchmark, Capacity Benchmark and TOC Minute Delay Benchmark;
<b>“Benchmark Table”</b>	means, in relation to: <ul style="list-style-type: none"> <li>(a) any Cancellations Benchmark, the Cancellations Benchmark Table;</li> <li>(b) any Capacity Benchmark, the Capacity Benchmark Table; and</li> </ul>

(c) any TOC Minute Delay Benchmark, the TOC Minute Delay Benchmark Table;

**“Bid Profit Stream”**

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

**“Bond Provider”**

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

**“Bond Year”**

means the period beginning on the Start Date and ending on 1<sup>st</sup> April 2016 and any subsequent period beginning on the day after the end of the first Bond Year and ending on the last day of the Franchise Term as it may have been extended pursuant to paragraph 2 of Schedule 18 (Additional Reporting Periods);

**“Brand Licence”**

means a licence between the Secretary of State (or any company wholly owned by the Secretary of State) and the Franchisee in respect of any registered or unregistered trademarks;

**“Breach Performance Level”**

means, in relation to a Benchmark for any Reporting Period, the number set out in the relevant column of the Benchmark Table relating to that Benchmark and in the row of that table for that Reporting Period;

**“British Transport Police”**

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

**“Business Action Plan”**

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

<b>"Business Continuity Plan" and "BCP"</b>	a business continuity and disaster recovery plan (including a Force Majeure Events recovery plan) required to be produced, maintained and implemented by the Franchisee in accordance with paragraph 3.3 of Schedule 10.4 (Force Majeure);
<b>"Business Plan"</b>	means the Initial Business Plan or any Annual Business Plan, as the context requires, to be delivered in accordance with paragraphs 2.1 and 2.3 of Schedule 13 (Information and Industry Initiatives);
<b>"Cancellation"</b>	means a Passenger Service: <ul style="list-style-type: none"> <li>(a) which is included in the Enforcement Plan of the Day and which is cancelled and attributed to the Franchisee pursuant to its Track Access Agreement; or</li> <li>(b) which is included in the Enforcement Plan of the Day and which operates less than 50 per cent. of its scheduled mileage (as prescribed in the Enforcement Plan of the Day) for reasons attributed to the Franchisee pursuant to its Track Access Agreement;</li> </ul>
<b>"Cancellations and Significant Lateness (CaSL)"</b>	has the meaning given to it in paragraph 4.7(b) of Schedule 7.1 (Performance Benchmarks);
<b>"Cancellations Benchmark"</b>	means any of the performance levels in respect of Cancellations and Partial Cancellations set out in the Cancellations Benchmark Table;
<b>"Cancellations Benchmark Table"</b>	means the table set out in Appendix 1 (Cancellations Benchmark Table) of Schedule 7.1 (Performance Benchmarks);
<b>"Capacity Benchmark"</b>	means any of the performance levels in respect of the capacity operated in delivering the Passenger Services set out in the Capacity Benchmark Table;
<b>"Capacity Benchmark Table"</b>	means the table set out in Appendix 2 (Capacity Benchmark Table) of Schedule 7.1 (Performance Benchmarks);
<b>"Capacity Mitigation Plan"</b>	has the meaning given to it in paragraph 8.1(a) of Schedule 1.1 (Service Development);
<b>"Capital Expenditure"</b>	has the meaning given to it in paragraph 2.4 of Schedule 9.5 (Variations and Incentivising Beneficial Changes);



<b>"Cascaded Rolling Stock"</b>	has the meaning given to it in paragraph 2.5 of Schedule 2.2 (Security of Access Agreements, Rolling Stock Leases, Station and Depot Leases);
<b>"Central Government Body"</b>	has the meaning given to it in paragraph 2.3 of Schedule 17 (Confidentiality and Freedom of Information);
<b>"Change"</b>	<p>means if and whenever any of the following occurs:</p> <ul style="list-style-type: none"> <li>(a) an event set out in any Secretary of State Risk Assumption specified in Schedule 9.3 (Secretary of State Risk Assumptions);</li> <li>(b) a Charge Variation;</li> <li>(c) a Change of Law (excluding any Change of Law to the extent that it results in an adjustment to the Franchise Payments pursuant to Schedule 8.4 (Track Access Adjustments and Station Charge Adjustments));</li> <li>(d) a change to the Service Level Commitment previously in force pursuant to the issue of an amended or new Service Level Commitment in accordance with paragraph 9.6 of Schedule 1.1 (Service Development);</li> <li>(e) the Franchisee is required to take any action pursuant to paragraph 12.1(a) and/or paragraph 12.1(b) of Schedule 1.1 (Service Development);</li> <li>(f) the issue of any SLC (TDR) Amendments pursuant to paragraph 5.9 of Schedule 1.1 (Service Development) or any SLC (TDR) Amendments ceasing to have effect in accordance with paragraph 5.12 of Schedule 1.1;</li> <li>(g) the Secretary of State effects an amendment to a Discount Fare Scheme, introduces a new Discount Fare Scheme or ceases to approve a Discount Fare Scheme for the purposes of Section 28 of the Act;</li> <li>(h) the Secretary of State approves an amendment or proposed amendment to an Inter-Operator Scheme, as referred to in paragraph (a) of the definition of</li> </ul>

Inter-Operator Scheme to the extent and only to the extent that the Franchisee makes a saving as a consequence of such amendment or proposed amendment;

- (i) the imposition, subject to the provisions of paragraph 2.6 of Schedule 4 (Persons with Disabilities and Disability Discrimination), of any increased access charges in respect of EA Requirements at Franchisee Access Stations;
- (j) the Secretary of State exercises his power pursuant to paragraph 5 of Schedule 5.7 (Changes to Fares and Fares Regulation) to alter the obligations of and restrictions on the Franchisee under Schedule 5 (Fares);
- (k) the Franchisee is obliged to charge Value Added Tax on a Fare or there is an increase or decrease in the rate of Value Added Tax which it must charge on such Fare, in either case due to a change in the Value Added Tax treatment of the provision of Passenger Services;
- (l) the Secretary of State exercises his rights pursuant to paragraph 2.5(b) of Schedule 2.2 (Security of Access, Rolling Stock, Leases, Station and Depot Leases);
- (m) a Variation to the terms of the Franchise Agreement pursuant to paragraph 1 of Schedule 9.5 (Variations and Incentivising Beneficial Changes);
- (n) the exercise by the Secretary of State of his rights pursuant to paragraph 18.2 of Schedule 13 (Information and Industry Initiatives);
- (o) a requirement to implement a plan pursuant to paragraph 33.2 of Part 1 to Schedule 6.1 (List of Committed Obligations); or
- (p) any two or more of the foregoing that the Secretary of State groups together in accordance with any procedures issued by him pursuant to paragraph 1.4 of Schedule 9.5

(Variations and Incentivising Beneficial Changes);

**“Change of Control”**

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

**“Change of Law”**

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

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

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

- (i) excluding any changes in Taxation;
- (ii) excluding any changes which were foreseeable at the date of the Franchise Agreement, and for this purpose, but without limitation, there shall be regarded as foreseeable any Legislation which on the date of the Franchise Agreement has been published:
  - (A) in a draft parliamentary bill as part of a government departmental consultation paper;
  - (B) in a parliamentary bill;
  - (C) in a draft statutory instrument; or
  - (D) as a proposal in the Official Journal of the European Communities except to the extent that such proposal is intended to apply

solely within  
member states  
other than the  
United Kingdom,

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

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

**"Charge Variation"**

means a variation:

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

**"Charging Review"**

means:

- (a) the exercise by the ORR of its powers under:
  - (i) Part 7 of Schedule 7 of the Track Access Agreement to which the Franchisee is a party on the Start Date or any Replacement Agreement which is or is deemed to be a Relevant Agreement in accordance with the definition of that term;
  - (ii) Condition F11.5 of the Station Access Conditions in relation to any station which is not an Independent Station; or
  - (iii) Condition 42.5 of the Independent Station Access

Conditions in relation to any station which is an Independent Station;

- (b) the following by the ORR of the procedure in Schedule 4A of the Act;
- (c) the exercise by the ORR of any of its powers or the following of any other procedure, which, in the Secretary of State's reasonable opinion:
  - (i) has an equivalent effect to; or
  - (ii) is intended to fulfil the same function as,

any of the powers referred to in paragraphs (a) or (b) in relation to any Relevant Agreement. For this purpose, Relevant Agreement includes any Relevant Agreement which is not the subject of any previous Charging Review; or

- (d) any amendment to a Relevant Agreement, or entry into a new Relevant Agreement which is approved by the ORR to the extent that it relates to an Incremental Output Statement Charge or a scheme to which that charge relates;

**“Charter Service”**

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

- (a) which is not reflected in the Timetable;
- (b) which does not conform to the pattern of railway passenger services normally provided by the Franchisee;
- (c) for which the advance booking or booking arrangements for seats on the relevant service are, in the reasonable opinion of the Secretary of State, materially different from those generally applicable to the Passenger Services;
- (d) for which tickets are available on a restricted basis or on terms and conditions which, in the reasonable opinion of the Secretary of State, are materially different from those

generally applicable to the Passenger Services; and/or

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

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

**“Child Price”**

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

**“Chiltern Franchise Operator”**

means The Chiltern Railway Company Limited and any successor operator directly or indirectly to any part of the franchise services operated by the Chiltern Franchise Operator;

**“Class 156 Daily Hire Agreement”**

means the agreement to be entered into between the Franchisee and the Northern Franchisee pursuant to paragraph 7.1 to Schedule 6.2 (TransPennine Express Franchise Specific Provisions) for the daily hire of two car Class 156 diesel multiple units to the Franchisee for the purpose of operating Passenger Services between Blackpool North and Manchester Airport and which is in substantially the same form as the document in the agreed terms marked “**C156DHA**”;

**“Closed Scheme Employees”**

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

**“Closure”**

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

**“Code of Practice”**

means the code of practice for protecting the interests of users of railway passenger services or station services who have disabilities, as prepared, revised from time to time and published by the Secretary of State pursuant to Section 71B of the Act;

**“Collateral Agreement”**

means an agreement which is required to be entered into by the Franchisee with Network Rail or any other franchisee as a condition to any

	Access Agreement of which the Franchisee is the beneficiary;
<b>"Committed Obligations"</b>	means any of the Franchisee's obligations listed in Part 1 (Committed Obligations and Related Provisions) to Schedule 6.1 (Committed Obligations and Related Provisions);
<b>"Community Rail Partnership"</b>	means any not-for-profit organisation of the same name that has an interest in the development of responsive and good quality railway passenger services;
<b>"Community Rail Route"</b>	means any Route in respect of which the Secretary of State determines that any relevant Community Rail Partnership has an interest;
<b>"Compulsory Inter-available Flow"</b>	has the meaning given to it in the Ticketing and Settlement Agreement;
<b>"Computer System"</b>	means computer hardware and computer software, including licensed third party software and data protocols;
<b>"Concessionary Travel Schemes"</b>	means the concessionary travel schemes listed in Appendix 1 to Schedule 2.5 (Transport, Travel and Other Schemes);
<b>"Confidential Information"</b>	has the meaning given to it in paragraph 1 of Schedule 17 (Confidentiality and Freedom of Information);
<b>"Connection"</b>	means a connection (however described) between any of the Passenger Services provided by the Franchisee and any other railway passenger service provided by it or any other Train Operator or any bus, ferry or shipping service and cognate phrases shall be construed accordingly;
<b>"Connection Agreement"</b>	means any agreement entered into by the Franchisee and Network Rail on or before the Start Date relating to the connection of a Depot to the relevant part of the network;
<b>"Consent"</b>	has the meaning given to it in paragraph 2.1 of Part 1 to Schedule 6.1 (List of Committed Obligations);
<b>"Contingency Plan"</b>	has the meaning given to it in paragraph 1(a)(iv) of Schedule 10.4 (Force Majeure);
<b>"Contract Manager"</b>	means a person appointed from time to time by the Franchisee to fulfil certain duties including to manage the Franchise Agreement on behalf of the Franchisee and to facilitate the

performance by the Franchisee of its obligations under the Franchise Agreement;

**“Control”**

means, in respect of a person, that another person (whether alone or with others and whether directly or indirectly and whether by the ownership of share capital, the possession of voting power, contract or otherwise):

- (a) has the power to appoint and/or remove all or the majority of the members of the board of directors or other governing body of that person or of any other person which Controls that person;
- (b) controls or has the power to control the affairs and policies of that person or of any other person which Controls that person;
- (c) is the parent undertaking of that person or of any other person which Controls that person; or
- (d) possesses or is, or will be at a future date, entitled to acquire:
  - (i) 30 per cent. or more of the share capital or issued share capital of, or of the voting power in, that person or any other person which Controls that person;
  - (ii) such part of the issued share capital of that person or any other person which controls that person as would, if the whole of the income of such person were distributed, entitle him to receive 30 per cent. or more of the amount so distributed; or
  - (iii) such rights as would, in the event of the winding-up of that person or any other person which controls that person or in any other circumstances, entitle him to receive 30 per cent. or more of the assets of such person which would then be available for distribution,



and **"Controlled"** shall be construed accordingly;

<b>"Creating"</b>	has the meaning given to it in the Ticketing and Settlement Agreement and cognate expressions shall be construed accordingly;
<b>"CRM Data"</b>	means Personal Data (including any or all of name, address, e-mail address and ticket purchasing history, credit and debit card details) collected by or on behalf of the Franchisee relating to persons travelling on or purchasing tickets for travel on the Passenger Services or other services for the carriage of passengers by railway;
<b>"CRM Data Processor"</b>	means any Data Processor who, from time to time, is processing or has processed CRM Data on behalf of the Franchisee;
<b>"CRM Obligations"</b>	has the meaning given to it in paragraph 3.4 of Schedule 1.5 (Information about Passengers)
<b>"CRM System"</b>	means any system (whether a Computer System or otherwise) for the collection of CRM Data and/or onto which CRM Data is input, processed and/or held as such system may be amended or altered from time to time;
<b>"Current Franchisee Year"</b>	has the meaning given to it in paragraph 3.4(a) of Schedule 8.1 (Franchise Payments);
<b>"Customer Services Qualification"</b>	has the meaning given to it in paragraph 4.4 of Part 1 to Schedule 6.1 (List of Committed Obligations);
<b>"Data Controller"</b>	has the same meaning as in the Data Protection Act;
<b>"Data Processor"</b>	has the same meaning as in the Data Protection Act;
<b>"Data Protection Act"</b>	means the Data Protection Act 1998 and any guidance issued from time to time by the Information Commissioner's Office;
<b>"Dataset"</b>	means Appendix 1 (Environmental Impact Monitoring Dataset) to Schedule 13 (Information and Industry Initiatives) as the same may be amended from time to time by the Secretary of State (acting reasonably);
<b>"Data Site Information"</b>	has the meaning given to it in paragraph 2.2(e) of Schedule 15.1 (Reletting Provisions);

<b>“Data Subject”</b>	has the same meaning as in the Data Protection Act;
<b>“Deed of Guarantee”</b>	means the deed to be executed by the Ultimate Parents and delivered to the Secretary of State as contemplated in paragraph 3.4 of Schedule 12 (Financial Obligations and Covenants) in substantially the same terms as the document in the agreed terms marked <b>“DG”</b> ;
<b>“Default Performance Level”</b>	means, in relation to a Benchmark for any Reporting Period, the numbers set out in column 4 of the Benchmark Table relating to that Benchmark and in the row of that table for that Reporting Period;
<b>“Delayed Cascade Mitigation Plan”</b>	has the meaning given to it in paragraph 2.7(c) of Schedule 2.2 (Security of Access Agreements, Rolling Stock Leases, Station and Depot Leases);
<b>“Departure Station”</b>	has the meaning given to it in paragraph 2(b) of Appendix 2 (Alternative Transport) to Schedule 4 (Persons with Disabilities and Disability Discrimination);
<b>“Depot”</b>	means a depot in respect of which the Franchisee has entered into a Depot Lease;
<b>“Depot Lease”</b>	means: <ul style="list-style-type: none"> <li>(a) any lease of a depot to which the Franchisee is a party as at the Start Date; or</li> <li>(b) any other lease of a depot in relation to which the Franchisee becomes the Facility Owner at any time during the Franchise Period;</li> </ul>
<b>“Designated Employer”</b>	has the meaning given to it in the Pension Trust;
<b>“Destination Station”</b>	has the meaning given to it in paragraph 2(b) of Appendix 2 (Alternative Transport) to Schedule 4 (Persons with Disabilities and Disability Discrimination);
<b>“Direct Agreement”</b>	means any agreement made, or to be made, from time to time between the Secretary of State and the counterparty of a Key Contract in relation to such Key Contract, including any agreement entered into by the Secretary of State under Schedule 14.3 (Key Contracts);
<b>“Disabled People’s Protection Policy”</b>	means the Franchisee’s policy for the protection of persons with disabilities which the Franchisee is required to establish and review from time to

time in accordance with the conditions of its Licences in respect of the operation of railway passenger services and/or stations;

**“Disabled Person”**

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

**“Disaster”**

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

**“Discount Card”**

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

**“Discount Fare Scheme”**

means:

- (a) each of the following discount fare schemes:
  - (i) ATOC Disabled Persons Railcard Scheme dated 23 July 1995 between the participants therein;
  - (ii) ATOC Young Persons Railcard Scheme dated 23 July 1995 between the participants therein; and
  - (iii) ATOC Senior Railcard Scheme dated 23 July 1995 between the participants therein; or
- (b) any other discount fare scheme approved from time to time by the Secretary of State for the purposes of Section 28 of the Act,

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

**“Disputed Cancellation”**

means a Passenger Service:

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

mileage (as prescribed in the Enforcement Plan of the Day),

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

**“Disputed Partial Cancellation”**

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

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

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

**“Dispute Resolution Rules”**

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

**“Disputes Secretary”**

means the person appointed as Disputes Secretary from time to time in accordance with the Dispute Resolution Rules;

**“DOTAS”**

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

**“EA”**

means the Equality Act 2010;

**“EA Claim”**

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

**“EA Requirements”**

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

**“Electrification Programme”**

means the electrification works that Network Rail is required construct and commission known as the “Trans Pennine Electrification Scheme” and the “North West Electrification Scheme”;

**“EMV”**

means contactless payment cards that conform to the international standards issued by EMV Co

(owned by American Express, Discover, JCB, MasterCard, UnionPay and Visa) which manages, maintains and enhances the EMV 1 integrated circuit card specifications;

**“Emergency Event”**

has the meaning given to it in paragraph 1(e) of Schedule 10.4 (Force Majeure);

**“Enforcement Plan of the Day”**

means the Plan of the Day excluding any:

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

in each case:

- (i) as proposed by the Franchisee in breach of its obligations in paragraph 4 of Schedule 1.2 (Operating Obligations); or
- (ii) as agreed by the Franchisee in breach of its obligations in paragraph 3 of Schedule 1.2 (Operating Obligations);

**“Environmental Data Implementation Plan”**

has the meaning given in paragraph 18.1(c) of Schedule 13 (Information and Industry Initiatives);

**“Environmental Information Regulations”**

means the Environmental Information Regulations 2004;

**“Equivalent Fare”**

has the meaning given to it in paragraph 6.1 of Schedule 5.7 (Changes to Fares and Fares Regulation);

**“Equivalent Flow”**

has the meaning given to it in paragraph 6.1(b) of Schedule 5.7 (Changes to Fares and Fares Regulation);

**“Escrow Documents”**

means those documents and other items referred to in paragraphs 1.1 and 1.2 of Schedule 9.2 (Identity of the Financial Model etc.);

**“Estimated Profit Stream”**

means estimated total operating profit of the Franchisee from the date that the Change of

Control (pursuant to paragraph 2.3 of Schedule 10.3 (Events of Default and Termination Events) is to occur until the Expiry Date as reasonably determined by the Secretary of State. In reasonably determining the Estimated Profit Stream the Secretary of State shall:

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

contributions due;  
and

(ii) after taking into account:

(A) Franchise  
Payments;

(B) all extraordinary  
and exceptional  
items, as defined  
under GAAP;

(C) the Franchisee's  
normal pension  
contributions in  
relation to the  
Franchise Sections  
and any other  
pension schemes to  
the extent  
connected with the  
Franchise;

(D) any payments to  
Affiliates of the  
Franchisee  
(including  
management fees  
and royalty fees)  
except to the  
extent that such  
payments exceed  
the amount  
determined in  
accordance with  
the formula set out  
in paragraph (a)(iii)  
of the definition of  
"Relevant Profit" in  
Schedule 8.1  
(Franchise  
Payments); and

(E) any sums  
capitalised in  
relation to  
maintenance  
expenditure on  
rolling stock or  
other capital  
equipment; and

(d) calculate amounts in real terms as at  
the date of the Change of Control and  
apply the prevailing discount rate per  
annum (in real terms) stated in HM

Treasury's "Green Book Appraisal Guidelines" (such rate being as at the date of the Franchise Agreement 3.5 per cent. per annum (in real terms));

- "Estimated Revisions"** has the meaning given to it in paragraph 9 of Schedule 9.1 (Financial and Other Consequences of Change);
- "Evening Peak"** means, in relation to any Passenger Service, the period between 1600 and 1859 (inclusive) on a Weekday or such other continuous three hour period between 1200 and 2359 (inclusive) as the Secretary of State may specify from time to time;
- "Events of Default"** means any of the events set out in paragraph 2 of Schedule 10.3 (Events of Default and Termination Events);
- "Excluded Data"** has the meaning given in paragraph 18.1(a) of Schedule 13 (Information and Industry Initiatives);
- "Expiry Date"** means the later of:
- (a) 01:59 on 1 April 2016; or
  - (b) any other time and date to which the Franchise Agreement is continued in accordance with paragraph 2 of Schedule 18 (Additional Reporting Periods);
- "Facilitation Fee"** has the meaning given to it in paragraph 4.2 of Schedule 10.3 (Events of Default and Termination Events);
- "Facility Owner"** has the meaning given to the term facility owner in Section 17(6) of the Act;
- "Fare"** means:
- (a) the right, exercisable against one or more Train Operators, subject to any applicable rights or restrictions and the payment of the relevant price, to make one or more journeys on the network or to carry on such a journey an item of luggage or an animal (where this right does not arise under the relevant conditions of carriage except on the payment of a fee) and, where applicable, to obtain goods or services from a person; and



- (b) for the purposes only of Schedules 5.3 (Allocation of Fares to the Protected Fares Basket) to 5.8 (Fares Regulation Information and Monitoring) (inclusive) and the definitions of Protected Fare, Return Fare, Single Fare, Protected Weekly Season Ticket, Protected Return Fare and paragraph (b) of the definition of Season Ticket Fare, a Fare as defined under paragraph (a) that is:
- (i) valid for a journey or journeys on the Passenger Services included in the Timetable or other railway passenger services which are required to be included in another relevant Train Operator's passenger timetable by the Secretary of State;
  - (ii) sold under the Travelcard Agreement;
  - (iii) a Cross London Ticket (as defined in the Through Ticketing (Non Travelcard) Agreement); or
  - (iv) sold under the Pay As You Go Agreement utilising TTL Smartmedia as defined in that agreement;

<b>"Fare Year"</b>	means the period from 1 January in any year to 31 December in the same year;
<b>"Fares Setting Round"</b>	has the meaning given to it in the Ticketing and Settlement Agreement;
<b>"Financial Action Plan"</b>	means any action plan produced by the Franchisee pursuant to paragraph 3.3(f) of Schedule 13 (Information and Industry Initiatives), where the level of its financial performance specified in the Management Accounts is worse than forecast by the Franchisee in its current Business Plan;
<b>"Financial Conduct Authority"</b>	means the UK Financial Conduct Authority with company registered number 01920623 or such other regulatory body which may succeed or replace it from time to time;
<b>"Financial Model"</b>	means the Franchisee's financial model in the agreed terms marked FM deposited with the Secretary of State on the date of the Franchise Agreement in accordance with Schedule 9.2

(Identity of the Financial Model etc.) as may be subsequently revised in accordance with Schedule 9.2 (Identity of the Financial Model etc.);

**“First/Keolis TransPennine Holdings Limited”**

means First/Keolis TransPennine Holdings Limited (company number 4113990);

**“First Profit Share Threshold”**

has the meaning given to it in paragraph 3 of Schedule 8.1 (Franchise Payments);

**“Flow”**

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

**“Force Majeure Event”**

means any of the events described as such in paragraph 1 of Schedule 10.4 (Force Majeure) where the conditions specified in paragraph 2 of Schedule 10.4 (Force Majeure) are satisfied;

**“Forecast Modified Revenue”**

means, in relation to any Reporting Period, the items specified in the definition of Modified Revenue, as most recently forecast for that Reporting Period pursuant to paragraph 3.4 of Schedule 13 (Information and Industry Initiatives);

**“Forecast Operating Costs”**

means, in relation to any Reporting Period, the items specified in the definition of Actual Operating Costs, as most recently forecast for that Reporting Period pursuant to paragraph 3.4 of Schedule 13 (Information and Industry Initiatives);

**“Forecast Passenger Demand”**

means the forecast prepared by the Franchisee pursuant to paragraph 5.2 of Schedule 1.1 (Service Development) and paragraph 1.4 of Schedule 1.5 (Information about Passengers) in respect of:

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

for the period in respect of which the next Timetable is to apply;

**“Franchise”**

means the rights proposed by the Secretary of State in the Request for Proposal to operate

railway passenger services over the routes prescribed in paragraph 2.2 of Schedule 1.6 (Franchise Services);

**“Franchise Agreement”**

means this agreement as amended from time to time;

**“Franchise Assets”**

means the property, rights and liabilities designated as such pursuant to paragraph 1 of Schedule 14.4 (Designation of Franchise Assets) but excluding such property, rights or liabilities as shall, in accordance with the terms of the Franchise Agreement, cease to be so designated;

**“Franchise Documents”**

means the:

- (a) Franchise Agreement;
- (b) Funding Deed;
- (c) Deed of Guarantee;
- (d) collateral agreement regulating the rights and obligations of the parties in the event that a legal challenge is successfully raised as a result of the entering into of the Franchise Agreement;
- (e) Service Level Commitment; and
- (f) any other agreement entered into as part of the award of the Franchise as notified by the Secretary of State to the Franchisee as being required for publication;

**“Franchise Employee”**

means:

- (a) any employee of the Franchisee from time to time; and
- (b) any other person who is an employee of any of its Affiliates or is an employee of any party to whom the Franchise Services or services which are in support of or ancillary to the Franchise Services have been subcontracted (at any tier) or delegated by the Franchisee; and
- (c) in the case of (a) or (b), whose contract of employment would (subject to the exercise of such person’s right to object to the transfer) be transferred to a Successor Operator following the expiry

of the Franchise Period by virtue of the operation of Law (including the Transfer of Undertakings (Protection of Employment) Regulations 2006) or in respect of whom liabilities arising from a contract of employment or employment relationship may be so transferred;

<b>“Franchise Manager”</b>	means a person appointed from time to time by the Secretary of State to fulfil certain duties including to manage the Franchise Agreement on behalf of the Secretary of State and to monitor the Franchisee’s performance of its obligations under the Franchise Agreement;
<b>“Franchise Payment”</b>	means, in relation to any Reporting Period, the amount determined in accordance with paragraph 1.1 of Schedule 8.1 (Franchise Payments);
<b>“Franchise Performance Meeting”</b>	means a meeting between the Secretary of State and the Franchisee to be held in accordance with paragraph 4 of Schedule 11 (Agreement Management Provisions);
<b>“Franchise Period”</b>	means the period commencing on the Start Date and ending on the Expiry Date or, if earlier, the date of termination of the Franchise Agreement pursuant to Schedule 10 (Remedies, Termination and Expiry);
<b>“Franchise Sections”</b>	has the meaning given to it in paragraph 1 of Schedule 16 (Pensions);
<b>“Franchise Services”</b>	means such of the Passenger Services, the Light Maintenance Services, the Station Services and the Ancillary Services as the Franchisee may provide or operate from time to time, including any of such services as the Franchisee may delegate or subcontract or otherwise secure through any other person from time to time in accordance with the Franchise Agreement;
<b>“Franchise Term”</b>	means the period commencing on the Start Date and expiring on the Expiry Date;
<b>“Franchisee Access Station”</b>	means any station at which the Passenger Services call (other than any Station);
<b>“Franchisee Year”</b>	means any period of 12 months during the Franchise Period, beginning on 1 April and ending on 31 March, except that the first and last Franchisee Years may be for a period of less than 12 months and the first Franchisee Year

shall begin on the Start Date and the last Franchisee Year shall end on the last day of the Franchise Period;

**"Freedom of Information Act"**

means the Freedom of Information Act 2000;

**"Funding Deed"**

means the deed which may be entered into by the Secretary of State, the Franchisee and the Parent as contemplated in paragraph 3.4 of Schedule 12 (Financial Obligations and Covenants) in substantially the same terms as the document in the agreed terms marked **"FD"**;

**"GAAP"**

means generally accepted accounting principles in the United Kingdom, as derived from and including the accounting requirements of the Companies Act 2006, 'Statements of Standard Accounting Practice', 'Financial Reporting Standards', abstracts issued by the Urgent Issues Task Force of the Accounting Standards Board and, where appropriate, International Financial Reporting Standards and the listing rules of the Financial Conduct Authority, in each case, as amended from time to time;

**"General Anti-Abuse Rule"**

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

**"Gross Revenue"**

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

**"Halifax Abuse Principle"**

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

**"Handover Package"**

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

**"Hot Standby"**

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

- (a) is operationally ready to provide the Passenger Services in the Timetable;

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

<b>“Improvement Plan”</b>	has the meaning given to it in paragraph 4.5 of Schedule 7.1 (Performance Benchmarks);
<b>“Improvement Plan Performance Level”</b>	means, in relation to a Benchmark for any Reporting Period, the number set out in column 2 of the Benchmark Table relating to that Benchmark and in the row of that table for that Reporting Period;
<b>“Incremental Output Statement Charge”</b>	means the charge to which that description is commonly given, first introduced into Relevant Agreements in April 2001;
<b>“Independent Station”</b>	has the meaning given to it in paragraph 2.6 of Schedule 8.4 (Track Access Adjustments and Station Charge Adjustments);
<b>“Independent Station Access Conditions”</b>	has the meaning given to it in the Access Agreement to which it relates;
<b>“Individual Station Charge Adjustment”</b>	has the meaning given to it in paragraph 2 of Schedule 8.4 (Track Access Adjustments and Station Charge Adjustments);
<b>“Industrial Action”</b>	has the meaning given to it in paragraph 1.2(f) of Schedule 10.4 (Force Majeure);
<b>“Industry Schemes”</b>	has meaning given to it in paragraph 10 of Schedule 13 (Information and Industry Initiatives);
<b>“Infrastructure Project”</b>	has the meaning given to it in paragraph 3.5 of Schedule 6.2 (TransPennine Express Franchise Specific Provisions);
<b>“Initial Business Plan”</b>	means the business plan to be provided by the Franchisee to the Secretary of State as described in paragraph 2.1 of Schedule 13 (Information and Industry Initiatives);

<b>“Initial Dataset”</b>	has the meaning given in paragraph 18.1 of Schedule 13 (Information and Industry Initiatives);
<b>“Initial Period”</b>	has the meaning given to it in paragraph 7.5 of Schedule 9.1 (Financial and Other Consequences of Change);
<b>“Initial Permanent Fare”</b>	has the meaning given to it in the Ticketing and Settlement Agreement;
<b>“Integrated Transport Schemes”</b>	means those schemes which relate to the integration of any form of transport with the Franchise Services;
<b>“Interest Rate”</b>	means a rate equivalent to two per cent. per annum above the base lending rate published by Royal Bank of Scotland plc (or such other bank as the Secretary of State may, after consultation with the Franchisee, determine from time to time) during any period in which an amount payable under the Franchise Agreement remains unpaid;
<b>“Inter-Operator Schemes”</b>	means: <ul style="list-style-type: none"> <li>(a) each of the following schemes which relate to arrangements between the Franchisee and other participants in the railway industry: <ul style="list-style-type: none"> <li>(i) ATOC Staff Travel Scheme dated 23 July 1995 between the participants named therein;</li> <li>(ii) Ticketing and Settlement Agreement;</li> <li>(iii) ATOC LRT Scheme dated 23 July 1995 between the participants named therein;</li> <li>(iv) Travelcard Agreement dated 15 October 1995 between London Regional Transport and the parties named therein;</li> <li>(v) Through Ticketing (Non-Travelcard) Agreement dated 15 October 1995 (as amended and restated) between London Regional Transport and the parties named therein;</li> <li>(vi) National Rail Enquiry Scheme dated 11 June 1996 between</li> </ul> </li> </ul>

the participants named therein;

(vii) the Pay As You Go Agreement; and

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

(c) any Discount Fare Scheme;

**“ITSO”**

means (as the context may require) both:

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

(b) the common specification it has created to enable the use of interoperable smartcards in transport and other areas;

**“ITSO Certified Smartmedia”**

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

**“Key Contacts List”**

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

**“Key Contract”**

means:

(a) each agreement and contract listed in the Appendix (List of Key Contracts) to Schedule 14.3 (Key Contracts) as at the date of the Franchise Agreement; and

(b) any other agreement, contract, licence or other arrangement to which the Franchisee is a party or under which the



Franchisee is the beneficiary from time to time which is designated as such pursuant to Schedule 14.3 (Key Contracts),

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

**“Key Personnel”**

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

**“Law”**

includes any enactment, subordinate legislation, rule, regulation, order, directive or other provision, including those of the European Community, and any judicial or administrative interpretation or application thereof, which has, in each case, the force of law in the United Kingdom or any part of it (including the Act, the Transport Act, the Transport Safety Act 2003 and the Railways Act 2005);

**“Lead Operator”**

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

**“Legislation”**

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

**“Licences”**

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

**“Light Maintenance Service”**

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

**“Local Authority”**

means:

- (a) in England, a county council, a district council, a unitary authority, a passenger transport executive, a London borough council, the common council of the City of London, or a

council which is established under the Local Government Act 1992 and which is either an authority responsible for expenditure on public passenger transport services within the meaning of Section 88 of the Transport Act 1985 or a local authority for the purposes of Section 93 of the Transport Act 1985;

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

**“Lock-up Period”**

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

**“London Station”**

means any station served by the Railway Passenger Services in the Zones and any Zone to or from which a passenger may travel from or to such station;

**“Maintenance Contract”**

means any contract or arrangement to which the Franchisee is a party, which includes the carrying out for the Franchisee of any maintenance work (including light maintenance services) or service provision in respect of rolling stock vehicles used by the Franchisee in the provision of the Passenger Services or for the enforcement of warranties or other rights against a manufacturer in respect of any such rolling stock vehicles;

**“Major Flow Operator”**

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

<b>“Managed Station”</b>	means any station used in connection with the provision of the Franchise Services where Network Rail is the Facility Owner or becomes the Facility Owner during the Franchise Period;
<b>“Managed Station Area”</b>	means the premises comprising part or parts of a Managed Station to be occupied by the Franchisee on or after the Start Date and to be used for or in connection with the provision of the Franchise Services;
<b>“Management Accounts”</b>	means, in relation to any Reporting Period, the Franchisee’s management accounts which: <ul style="list-style-type: none"> <li>(a) comply with paragraph 3.10 of Schedule 13 (Information and Industry Initiatives); and</li> <li>(b) are required to be delivered to the Secretary of State by the Franchisee in accordance with paragraphs 3.2 and 3.3 of Schedule 13 (Information and Industry Initiatives);</li> </ul>
<b>“Mandatory Modification”</b>	means a modification or addition to any rolling stock vehicle which is required to be made under any applicable Law or any directive of the Rail Safety and Standards Board or any government authority;
<b>“Manchester Central Stations”</b>	has the meaning given to it in paragraph 8 of Part 1 to Schedule 6.1 (List of Committed Obligations);
<b>“Marks”</b>	means such trademarks as the Franchisee may apply to any Primary Franchise Asset or other asset used by it under a Key Contract, which are applied on the expiry of the Franchise Period and are not the subject of a Brand Licence;
<b>“MIA”</b>	means Manchester International Airport;
<b>“MIA Ground Transport Interchange”</b>	has the meaning given to it in paragraph 5 of Part 1 to Schedule 6.1 (List of Committed Obligations);
<b>“Minor Works”</b>	has the meaning given to it in paragraph 2.7(a) of Schedule 4 (Persons with Disabilities and Disability Discrimination);
<b>“Minor Works’ Budget”</b>	means <sup>1</sup> for each Franchisee Year allocated by the Franchisee for the purpose of facilitating

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<sup>1</sup> Where text has been omitted from the document this is because the Director General Rail or Secretary of State has decided to exclude the text in accordance with the provisions within the Freedom of Information Act 2000.

Minor Works at Stations to improve accessibility of the Stations to persons with disabilities, save that:

- (a) for any Franchisee Year which is shorter than 12 months, the amount shall be reduced pro rata; and
- (b) for each Franchisee Year after the first Franchisee Year, the amount shall be subject to adjustment as follows:

Minor Works Budget x RPI

where RPI has the meaning given to it in Schedule 8.2 (Annual Franchise Payments);

**“Minor Works’ Programme”** means the Franchisee’s programme of Minor Works at Stations to improve accessibility of the Stations to persons with disabilities, developed prior to the start of each Franchisee Year pursuant to paragraph 2.7(b) of Schedule 4 (Persons with Disabilities and Disability Discrimination);

**“Minutes Delay”** means the minutes of delay to the Passenger Services that are attributed to the Franchisee or Network Rail (as the case may be) pursuant to the Track Access Agreement and disregarding any minutes of delay that are imputed to Passenger Services that were cancelled;

**“Model Changes”** has the meaning given in paragraph 4.3 of Schedule 9.1 (Financial and Other Consequences of Change);

**“Modified Revenue”** means:

- (a) the sum of:
  - (i) the Franchisee’s total revenue for the period being reviewed as stated in its profit and loss account:
    - (A) including any amounts receivable from the Secretary of State, Network Rail and any interest; but
    - (B) excluding the proportion of income recognised in the profit and

loss account in relation to grants received in respect of capital expenditure; and

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

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

(B) the amount equivalent to:

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

(2) any cash capable of being drawn down but not actually received,

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

(C) the amount of the opening season ticket liabilities

which relate to Passenger Services yet to be delivered; and

- (b) either:
- (i) plus any reduction in total debtors over that period; or
  - (ii) less any increase in total debtors over that period,

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

**“Monthly Season Ticket”**

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

**“Morning Peak”**

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

**“National Rail Enquiry Scheme”**

means the telephone information scheme run by ATOC, providing information to callers regarding rail journeys throughout the country;

**“National Rail Passenger Survey” or “NRPS”**

means a passenger satisfaction survey in respect of the Franchise Services to be carried out by the Passengers’ Council;

**“National Rail Timetable”**

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

**“Network Change”**

has the meaning given to it in the Network Code;

**“Network Code”**

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

**“Network Rail”**

means in respect of:

- (a) the network or any relevant facility:
  - (i) Network Rail Infrastructure Limited, a company registered

in England with registered number 02904587 whose registered office is at 1 Eversholt Street, London NW1 2DN; and

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

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

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

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

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

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

**“Network Rail Partial Cancellation”** means a Passenger Service which is included in the Enforcement Plan of the Day and which:

(a) misses a stop; or

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

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

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

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

(a) the restated values of "FXD", "VCRPI", "VCAWE", "PRPI", "ORRPI" and "PRRPI" to be specified for each Franchisee Year in the Appendix (Figures for Calculation of Annual Franchise Payments) to Schedule 8.2 (Annual Franchise Payments); and

(b) the restated values of FPST, SPST, TPST and FoSPT to be specified for each Franchisee Year in paragraphs 1, 2, 3 and 4 (respectively) of Appendix 1 to Schedule 8.1 (Franchise Payments);

**"New Station"**

means:

(a) a station not served by railway passenger services as at February 2003, but which has since that time been, or is subsequently, served by railway passenger services which have been, or are subsequently to be, included in the Timetable or in another relevant Train Operator's timetable; and/or

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

**"Non-Fares Basket Fare"**

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

**"Northern Franchisee"**

means Northern Rail Limited and any successor operator directly or indirectly to any part of the franchise services operated by the Northern Franchisee;

**"Northern Hub"**

means the programme of infrastructure enhancements on the railway network in the north of England which Network Rail is required to deliver in Control Period 5 including the construction and commissioning of the Ordsall Chord, works at Manchester Victoria, Manchester Oxford Road, Manchester



International Airport, Manchester Piccadilly and Dore stations and specified line speed and route capacity improvements;

**“Notional Class 170 Lease”** means a notional lease in the same form as the lease in relation to nine Class 170/3 two car diesel multiple units entered into by the Franchisee with Porterbrook Leasing Company Limited which applied under the Previous Franchise Agreement, for a term from 7 February 2016 for the remainder of the Franchise Term, in relation to such Class 170/3 diesel multiple units and on financial terms consistent with the entries in respect of that assumed lease contained in the Financial Model;

**“Occasion of Tax Non-Compliance”** has the meaning given to it in paragraph 6.3 of Schedule 12 (Financial Obligations and Covenants);

**“Off-Peak”** means, in relation to any Passenger Service, the period of time outside of the Peak;

**“Old Results”** means in relation to any Change, the following as produced in accordance with Schedule 9.1 (Financial and Other Consequences of Change) by or following the Run of the Financial Model in respect of the immediately preceding Change (or, in relation to the first Change only, the following as at the date hereof:

(a) the values of “FXD”, “VCRPI”, “VCAWE”, “PRPI”, “ORRPI” and “PRRPI” to be specified for each Franchisee Year in the Appendix (Figures for Calculation of Annual Franchise Payments) to Schedule 8.2 (Annual Franchise Payments); and

(b) the values of FPST, SPST, TPST and FoSPT to be specified for each Franchisee Year in paragraphs 1,2,3 and 4 (respectively) of Appendix 1 to Schedule 8.1 (Franchise Payments);

**“Operating Assets”** has the meaning given to it in paragraph 1.1 of Schedule 14.2 (Maintenance of Operating Assets);

**“Operational Model”** means the following models in the agreed terms marked **OM**:

- (a) the revenue model;
- (b) the performance model;
- (c) all cost models and
- (d) any other relevant models that have generated input to the Financial Model;

**“ORR”**

means the Office of Rail Regulation established by Section 15 of the Railways and Transport Safety Act 2003 and having duties and obligations as set out in the Act;

**“Parent”**

means:

- (a) in the context of Schedule 10.3 (Events of Default):
  - (i) each of the Ultimate Parents; and
  - (ii) First/Keolis Transpennine Holdings Limited; and
- (b) in the context of paragraph 4 of Schedule 11 (Agreement Management Provisions), paragraph 3.4 of Schedule 12 (Financial Obligations and Covenants) and Schedule 13 (Information and Industry Initiatives) First/Keolis Transpennine Holdings Limited;

**“Partial Cancellation”**

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

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

in each case, for reasons which are attributed to the Franchisee pursuant to its Track Access Agreement;

**“Participating Employer”**

has the meaning given to it in the Pension Trust;

**“Passenger Carrying Capacity”**

means, in relation to a Passenger Service:

- (a) the capacity of the rolling stock vehicles (as stated in Schedule 1.7 (The Train Fleet) or determined by the Secretary of State in accordance with paragraph 2

of Schedule 1.7 (The Train Fleet)) from which the Passenger Service is formed; or

(b) for the purposes of Schedule 7.1 (Performance Benchmarks) only, the number of vehicles specified for such Passenger Service in the Train Plan;

- “Passenger Change Date”** means a date upon which significant changes may be made to the Timetable in accordance with or by virtue of the Network Code;
- “Passenger Services”** means the Franchisee’s railway passenger services as specified in any Timetable and/or Plan of the Day including those railway passenger services which the Franchisee may delegate or subcontract or otherwise secure through any other person from time to time in accordance with the Franchise Agreement;
- “Passenger’s Charter”** means the Franchisee’s service commitments to its passengers in the agreed terms marked **PC**, as amended or replaced from time to time with the prior written consent of the Secretary of State in accordance with paragraph 4 of Schedule 1.4 (Passenger Facing Obligations);
- “Passengers’ Council”** means the passengers’ council established under Section 19 of the Railways Act 2005;
- “Payment Date”** means the date for the payment of Franchise Payments in accordance with paragraph 2.3 of Schedule 8.1 (Franchise Payments);
- “Pay As You Go Agreement”** means an agreement dated 16 October 2009 between Transport Trading Limited and train operators operating in London enabling joint ticketing and the acceptance of each other’s tickets using smartmedia technology under the name **“Pay as You Go”** or **“PAYG”**;
- “PAYG Off-Peak Fare”** means a Fare which is a Permanent Fare and which entitles the purchaser to make a single journey under the Pay As You Go Agreement in Standard Class Accommodation between and within the PAYG Zones for which the fare is valid, at any time on Saturdays and Sundays and at such times as the Franchisee may designate on Mondays to Fridays (where such Fare need not be valid between 6.30am and 9.30am or between 4.00pm and 7.00pm but must be valid at all other times) and which may take into account the different directions of travel;

<b>"PAYG Peak Fare"</b>	means a Fare which is a Permanent Fare and which entitles the purchaser to make a single journey under the Pay As You Go Agreement in Standard Class Accommodation between and within the PAYG Zones for which the fare is valid, at any time;
<b>"PAYG Zone"</b>	shall have the same meaning as "Zone" with the addition of the following stations:  Rickmansworth;  Carpenders Park;  Chorleywood;  Chalfont and Latimer;  Amersham;  Bushey;  Watford Junction; and  Watford High Street;
<b>"Peak"</b>	means the Morning Peak and the Evening Peak;
<b>"Pension Trust"</b>	means the pension trust governing the Railways Pension Scheme;
<b>"Pensions Committee"</b>	has the meaning given to it in the Railways Pension Scheme;
<b>"Percentage Allocation"</b>	has the meaning given to such term under the Ticketing and Settlement Agreement;
<b>"Performance Bond"</b>	means the performance bond to be provided to the Secretary of State in the form set out in Appendix 1 (Form of Performance Bond) to Schedule 12 (Financial Obligations and Covenants), as replaced or amended from time to time in accordance with Schedule 12 (Financial Obligations and Covenants);
<b>"Performance Monitoring"</b>	has the meaning given to it in paragraph 21 of Part 1 to Schedule 6.1 (List of Committed Obligations);
<b>"Performance Strategy Plan"</b>	has the meaning given to it in the Network Code;
<b>"Permanent Fare"</b>	has the meaning given to it in the Ticketing and Settlement Agreement;

<b>“Permitted Aggregate Increase”</b>	has the meaning given to it in paragraph 4.2 of Schedule 5.4 (Regulation of Protected Fares Basket Values);
<b>“Permitted Individual Increase”</b>	has the meaning given to it in paragraph 2.2 of Schedule 5.5 (Regulation of Individual Fares);
<b>“Personal Data”</b>	has the same meaning as in the Data Protection Act and includes Sensitive Personal Data as defined therein;
<b>“Personal Data Legislation”</b>	has the meaning given to it in paragraph 5.1 of Schedule 1.5 (Information about Passengers);
<b>“Placed in Escrow”</b>	means: <ul style="list-style-type: none"> <li>(a) in respect of the Financial Model, delivery of the Financial Model: <ul style="list-style-type: none"> <li>(i) dated the date of the Franchise Agreement; and</li> <li>(ii) adjusted to the extent necessary to reflect any time elapsed between the actual Start Date and the date assumed to be the Start Date in the Initial Business Plan; and</li> <li>(iii) where Schedules 9.1 (Financial and Other Consequences of Change) and 9.2 (Identity of Financial Model etc.) apply, audited following a Run of the Financial Model and updated with any Revised Inputs; and</li> </ul> </li> <li>(b) in respect of the Operational Model, delivery of: <ul style="list-style-type: none"> <li>(i) the Operational Model dated the date of the Franchise Agreement;</li> <li>(ii) the Operational Model adjusted to the extent necessary to reflect any time elapsed between the actual Start Date and the date assumed to be the Start Date in the Initial Business Plan; and</li> <li>(iii) where Schedules 9.1 (Financial and Other Consequences of Change) and 9.2 (Identity of Financial Model etc.) apply, the inputs to the Financial Model derived therefrom following an</li> </ul> </li> </ul>

audit of a Run of the Financial Model; and

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

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

**“Plan of the Day”**

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

**“Power of Attorney”**

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

**“Preceding 13 Reporting Periods”**

has the meaning given to it in paragraph 2.1 of Schedule 12 (Financial Obligations and Covenants);

**“Preceding Year Ticket Price”**

has the meaning given to it in paragraph 2.1 of Schedule 5.5 (Regulation of Individual Fares);

**“Previous Franchise Agreement”**

means the franchise agreement dated 23 September 2003 and made between the Secretary of State, First/Keolis TransPennine Holdings Limited and the Franchisee under which services equivalent to the Franchise Services (or a material proportion thereof) were provided by the Franchisee on or about the day prior to the Start Date;

**“Previous Passenger Services”**

means:

- (a) any railway passenger services operated under a Previous Franchise Agreement that is the same or substantially the same as any Passenger Services in terms of departure and arrival times and stopping patterns; and
- (b) if no such railway passenger services are found under paragraph (a) such other railway passenger services operated under a Previous Franchise Agreement which are similar in terms of departure and arrival times and stopping patterns to the Passenger Services as the Secretary of State may reasonably determine;

<b>“Previous Performance Level”</b>	means the level of performance actually achieved in relation to the Previous Passenger Services;
<b>“Price”</b>	means, in respect of any Fare, the price of such Fare before the deduction of any applicable discount to which a purchaser may be entitled, as notified to RSP in accordance with Schedule 5 to the Ticketing and Settlement Agreement;
<b>“Primary Franchise Assets”</b>	<p>means:</p> <ul style="list-style-type: none"> <li>(a) the property, rights and liabilities of the Franchisee listed in the Appendix (List of Primary Franchise Assets) to Schedule 14.4 (Designation of Franchise Assets); and</li> <li>(b) any other property, rights and liabilities of the Franchisee which is or are designated as such pursuant to Schedule 14.4 (Designation of Franchise Assets),</li> </ul> <p>but excluding such property, rights or liabilities as may, in accordance with the terms of the Franchise Agreement, cease to be so designated;</p>
<b>“Prior Train Operator”</b>	has the meaning given to it in paragraph 2.5 of Schedule 2.2 (Security of Access Agreements, Rolling Stock Leases, Station and Depot Leases);
<b>“Process”</b>	has the same meaning as in the Data Protection Act 1998;
<b>“Project Arcturus II Solution”</b>	has the meaning given to it in paragraph 7.6(d) of Schedule 6.2 (TransPennine Express Franchise Specific Provisions);
<b>“Projected Revenue”</b>	means the revenue in any Fare Year which is projected to be attributable to any Fare, determined in accordance with paragraph 3 of Schedule 5.4 (Regulation of Protected Fares Basket Values);
<b>“Property Lease”</b>	means any Depot Lease, Managed Station Area Lease, any lease in respect of Shared Facilities or Station Lease and any agreement or lease of a similar or equivalent nature (whether in respect of any such facility or otherwise) which the Franchisee may enter into with a person who has an interest in a network or a railway facility which is to be used for or in connection with the provision or operation of the Franchise Services;

<b>"Protected Fare"</b>	means a Protected Return Fare or a Protected Weekly Season Ticket;
<b>"Protected Fares Basket"</b>	means the grouping of Protected Fares: <ul style="list-style-type: none"> <li>(a) determined by the Secretary of State pursuant to Schedule 5.3 (Allocation of Fares to the Protected Fares Basket);</li> <li>(b) for the purposes of regulating their aggregate Prices or Child Prices, as the case may be, in accordance with Schedule 5.4 (Regulation of Protected Fares Basket Values);</li> <li>(c) amended by the Secretary of State from time to time in accordance with Schedule 5.7 (Changes to Fares and Fares Regulation); and</li> <li>(d) set out in the Protected Fares Document;</li> </ul>
<b>"Protected Fares Document"</b>	means the document in the agreed terms marked <b>PFD</b> , as the same may be amended from time to time in accordance with Schedule 5.7 (Changes to Fares and Fares Regulation);
<b>"Protected Proposal"</b>	has the meaning given to it in paragraph 1.9 of Schedule 9.5 (Variations and Incentivising Beneficial Changes);
<b>"Protected Return Fare"</b>	means in respect of a Fare for a Flow: <ul style="list-style-type: none"> <li>(a) for which there was a Saver Return Fare in February 2003, a Return Fare for each such Flow in respect of which the Franchisee is entitled or obliged from time to time to set the Price or Child Price under the Ticketing and Settlement Agreement, subject to the following additional rights and restrictions: <ul style="list-style-type: none"> <li>(iv) it shall be valid for no less than one month;</li> <li>(v) it shall be valid all day on a Saturday or Sunday and from no later than 1030 on any other day;</li> <li>(vi) it need not be valid for any journey: <ul style="list-style-type: none"> <li>(A) beginning between 1500 and 1900 on any day</li> </ul> </li> </ul> </li> </ul>



other than a Saturday or Sunday;

(B) where such journey begins from a London Station or any station between any London Station and Reading station, Watford station, Luton station, or Stevenage station (inclusively); and

(C) which is in a direction away from London; or

(b) for which there was no Saver Return Fare in February 2003, a Return Fare for each such Flow in respect of which the Franchisee is entitled or obliged from time to time to set the Price or Child Price under the Ticketing and Settlement Agreement,

**“Protected Weekly Season Ticket”**

means a Weekly Season Ticket for any Flow for which there was a weekly season ticket in the fares manuals and systems of the RSP in February 2003 and in respect of which the Franchisee is entitled or obliged, from time to time, to set the Price or Child Price under the Ticketing and Settlement Agreement;

**“Public Performance Measure” or “PPM”**

has the meaning given to it in paragraph 4.7(b) of Schedule 7.1 (Performance Benchmarks);

**“Public Sector Operator”**

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

**“Publish”**

has the meaning given to it in paragraph 5.2 of Schedule 6.2 (TransPennine Express Franchise Specific Provisions);

**“Punctually”**

has the meaning given to it in paragraph 4.7(b) of Schedule 7.1 (Performance Benchmarks);

**“Qualifying Change”**

means a Change which:

(a) following a Run of the Financial Model in accordance with Schedule 9 (Changes and Variations) results in adjustments in Franchise Payments

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

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

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

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

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

**"Railway Operational Code"** has the meaning given to it in Condition H of the Network Code;

**"Railway Passenger Services"** means, for the purposes of Schedule 5 (Fares) only, services for the carriage of passengers by railway which are provided by a person who is bound by the Ticketing and Settlement Agreement, or any part of it, and including the Franchisee and any other Train Operator from time to time;

**"Railways Pension Scheme"** means the pension scheme established by the Railways Pension Scheme Order 1994 (No. 1433);

<b>"Reconciliation Amount"</b>	has the meaning given to it in paragraph 9.9 of Schedule 9.1 (Financial and Other Consequences of Change);
<b>"Record of Assumptions"</b>	<p>means a document in the agreed terms marked <b>ROA</b> prepared by the Franchisee (and/or, where Schedule 9.1 (Financial and Other Consequences of Change) applies) applies, as may be revised in accordance with Schedule 9 (Changes and Variations)) and Placed in Escrow providing:</p> <ul style="list-style-type: none"> <li>(a) detailed assumptions, explanations of assumptions and parameters underlying the Financial Model;</li> <li>(b) details of how Franchise Payments have been calculated (including by reference to a defined annual profit margin);</li> <li>(c) a description of the functionality, operation and structure of the Financial Model; and</li> <li>(d) a description of each input cell, its requirements and its inter-relationship with the Financial Model;</li> </ul>
<b>"Redactions"</b>	has the meaning given to it in paragraph 10.1 of Schedule 17 (Confidentiality and Freedom of Information);
<b>"Reference Fare"</b>	has the meaning given to it in paragraph 6.1(a) of Schedule 5.7 (Changes to Fares and Fares Regulation);
<b>"Reference Flow"</b>	has the meaning given to it in paragraph 6.1(a) of Schedule 5.7 (Changes to Fares and Fares Regulation);
<b>"Reference Revenue"</b>	means the aggregate Gross Revenue recorded by RSP as attributable to sales of all Protected Fares for the period of 12 months which ended 31 March 2010 or such other reference period as the Secretary of State may require pursuant to paragraph 3.1(a) of Schedule 5.7 (Changes to Fares and Fares Regulation);
<b>"Regulated Child Price"</b>	means the Child Price that is permitted to be charged by the Franchisee in respect of any Fare in any Fare Year, determined in accordance with paragraph 2.1 of Schedule 5.5 (Regulation of Individual Fares);
<b>"Regulated Price"</b>	means the Price that is permitted to be charged by the Franchisee in respect of any Fare in any Fare Year, determined in accordance with

paragraph 2.1 of Schedule 5.5 (Regulation of Individual Fares);

**“Regulated Value”**

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

**“Relevant Agreement”**

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

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

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

**“Relevant Delay”**

has the meaning given to it in paragraph 2.5 of Schedule 2.2 (Security of Access Agreements, Rolling Stock Leases, Station and Depot Leases);

**“Relevant Profit”**

has the meaning given to it in paragraph 3 of Schedule 8.1 (Franchise Payments);

**“Relevant Reporting Period”**

has, for the purposes of paragraph 5.3 of Schedule 12 (Financial Obligations and Covenants) only, the meaning given to it in that paragraph;

**“Relevant Rolling Stock”**

has the meaning given to it in paragraph 2.5 of Schedule 2.2 (Security of Access Agreements, Rolling Stock Leases, Station and Depot Leases);

**“Relevant Tax Authority”**

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

<b>“Relevant Term”</b>	has the meaning given to it in paragraph 1.2(a) of Schedule 10.1 (Remedial Plans and Remedial Agreements);
<b>“Remedial Agreement”</b>	has the meaning given to it in paragraph 1.5 of Schedule 10.1 (Remedial Plans and Remedial Agreements);
<b>“Remedial Plan”</b>	has the meaning given to it in paragraph 1.2 of Schedule 10.1 (Remedial Plans and Remedial Agreements);
<b>“Remedial Plan Notice”</b>	has the meaning given to it in paragraph 1.1 of Schedule 10.1 (Remedial Plans and Remedial Agreements);
<b>“Replacement Agreement”</b>	means an agreement entered into as a replacement for any Relevant Agreement;
<b>“Replacement Copy”</b>	has the meaning given to it in paragraph 2.2(b) of Schedule 9.2 (Identity of the Financial Model etc.);
<b>“Reporting Period”</b>	means: <ul style="list-style-type: none"> <li>(a) for the purposes of the Season Ticket Bond, any consecutive seven-day period or any other period, each within a Reporting Period (as defined in paragraph (b)) agreed in accordance with paragraph 5.12 of Schedule 12 (Financial Obligations and Covenants); or</li> <li>(b) for all other purposes, a period of 28 days, provided that: <ul style="list-style-type: none"> <li>(i) the first such period during the Franchise Period shall exclude any days up to but not including the Start Date;</li> <li>(ii) the first and last such period in any Reporting Year may be varied by up to seven days by notice from the Secretary of State to the Franchisee;</li> <li>(iii) each such period shall start on the day following the last day of the preceding such period; and</li> <li>(iv) the last such period during the Franchise Period shall end at</li> </ul> </li> </ul>

the end of the Franchise Period;

<b>"Reporting Quarters"</b>	has the meaning given to it in paragraph 18.8 of Schedule 13 (Information and Industry Initiatives);
<b>"Reporting Year"</b>	means a period normally commencing on 1 April in each calendar year, comprising 13 consecutive Reporting Periods;
<b>"Request for Information"</b>	means a request for information or an apparent request under the Freedom of Information Act or the Environmental Information Regulations;
<b>"Request for Proposal"</b>	means the request for proposal issued by the Secretary of State as part of the procurement process pursuant to which the Franchise Agreement was entered into;
<b>"Retail Prices Index"</b>	means the retail prices index for the whole economy of the United Kingdom and for all items as published from time to time by the Office for National Statistics (as " <b>RPI</b> ") or, if such index shall cease to be published or there is, in the reasonable opinion of the Secretary of State, a material change in the basis of the index or if, at any relevant time, there is a delay in the publication of the index, such other retail prices index as the Secretary of State may, after consultation with the Franchisee, determine to be appropriate in the circumstances;
<b>"Retained Chiltern Class 170 Units"</b>	means the four Class 170/3 two car diesel multiple units to be sub-leased to the Franchisee by the Chiltern Franchise Operator pursuant to the Retained Chiltern Class 170 Sub-lease until the Retained Class 170 Unit Return Date;
<b>"Retained Chiltern Class 170 Unit Return Date"</b>	means 7 February 2016;
<b>"Retained Chiltern Class 170 Sub-lease"</b>	means the sub-lease to be entered into pursuant to paragraph 7.3 of Schedule 6.2 (TransPennine Express Franchise Specific Provisions) between the Franchisee and the Chiltern Franchise Operator and relating to the Retained Chiltern Class 170 Units;
<b>"Return Fare"</b>	means a Fare which entitles the purchaser to make, without further restrictions as to the time of day for which the Fare is valid, a journey in each direction in Standard Class Accommodation between the stations and/or the zones for which such Fare is valid and which expires no earlier than 0200 on the day after the day of the outward journey or, if later, the time

the relevant return journey may be completed if commenced before 0200;

<b>“Revised Inputs”</b>	has the meaning given to it in paragraph 4.2 of Schedule 9.1 (Financial and Other Consequences of Change);
<b>“Rolling Stock Lease”</b>	means any agreement for the leasing of rolling stock vehicles to which the Franchisee is a party as at the Start Date and any agreement of a similar or equivalent nature (including, any agreement or arrangement for the subleasing, hiring, licensing or other use of rolling stock vehicles) to which the Franchisee is a party from time to time during the Franchise Term whether in addition to, or replacement or substitution for, in whole or in part, any such agreement;
<b>“Rolling Stock Related Contract”</b>	means any Rolling Stock Lease, Maintenance Contract or Technical Support Contract;
<b>“Rolling Stock Unit”</b>	means the smallest number of rolling stock vehicles which are normally comprised in a train used by the Franchisee in the provision of the Passenger Services;
<b>“Route”</b>	means any route specified in the Timetable over which the Franchisee has permission to operate the Passenger Services pursuant to any Track Access Agreement;
<b>“Route Efficiency Benefit Share”</b>	has the meaning given to it in paragraph 7 of Appendix 2 to Schedule 9.1 (Financial and Other Consequences of Change);
<b>“Route Efficiency Benefit Share Mechanism” or “REBS”</b>	means the route-level efficiency benefit sharing mechanism introduced by the ORR in its determination for the control period commencing on 1 April 2014 or any similar arrangement under which the benefits of any outperformance (or downsides of failure to achieve efficiency targets) are to be shared between Network Rail and train operators at route level;
<b>“RSP”</b>	means Rail Settlement Plan Limited;
<b>“Run of the Financial Model”</b>	means an operation of the Financial Model with the Revised Inputs and which complies with the requirements of Schedule 9.1 (Financial and Other Consequences of Change);
<b>“Safety Authorisation”</b>	means the authorisation issued by the ORR under the Safety Regulations authorising the Franchisee’s safety management system (as defined in those regulations) and the provisions adopted by the Franchisee to meet the

requirements that are necessary to ensure safe design, maintenance and operation of the relevant infrastructure on the Routes;

**"Safety Certificate"**

means the certificate issued by the ORR under the Safety Regulations, certifying its acceptance of the Franchisee's safety management system (as defined in those regulations) and the provisions adopted by the Franchisee to meet the requirements that are necessary to ensure safe operation on the Routes;

**"Safety Regulations"**

means The Railways and Other Guided Transport Systems (Safety) Regulations 2006;

**"Saver Return Fare"**

means a return fare which is shown as a saver fare in the fares manuals and systems of the RSP as at the date of such manuals;

**"Season Ticket Bond"**

means the season ticket bond to be provided to the Secretary of State in respect of the Franchisee's liabilities under certain Fares and Season Ticket Fares in the form set out in Appendix 2 (Form of the Season Ticket Bond) to Schedule 12 (Financial Obligations and Covenants) and such other bond as may replace it from time to time under Schedule 12 (Financial Obligations and Covenants);

**"Season Ticket Fare"**

means:

- (a) for the purposes of Schedule 12 (Financial Obligations and Covenants) and the definition of Season Ticket Bond only, a Fare which entitles the purchaser to make an unlimited number of journeys in any direction during the period for which, and between the stations and/or the zones for which, such Fare is valid; and
- (b) for all other purposes, a Fare which entitles the purchaser to make, without further restriction except as to class of accommodation, an unlimited number of journeys in any direction during the period for which, and between the stations and/or the zones for which, such Fare is valid;

**"Second Profit Share Threshold"**

has the meaning given to it in paragraph 3 of Schedule 8.1 (Franchise Payments);

**"Secretary of State Risk Assumptions"**

means those assumptions set out in Schedule 9.3 (Secretary of State Risk Assumptions);



<b>"Security Breach"</b>	has the meaning given to it in paragraph 5.3(c)(i) of Schedule 1.5 (Information about Passengers);
<b>"Security Interest"</b>	means any mortgage, pledge, lien, hypothecation, security interest or other charge or encumbrance or any other agreement or arrangement having substantially the same economic effect;
<b>"Service Group"</b>	has the meaning given to it in the Passenger's Charter when used in relation to the Passenger's Charter, and when used in the Franchise Agreement it has the meaning given to it in the Track Access Agreement, or as specified by the Secretary of State from time to time;
<b>"Service Level Commitment"</b>	means the service level commitment more particularly described in paragraph 1 of Schedule 1.1 (Service Development) as it may subsequently be amended or replaced in accordance with Schedule 1.1 (Service Development);
<b>"Service Quality Audit Programme"</b>	means the programme of auditing of the Service Quality Management System that has the characteristics set out in paragraph 3.1 of Schedule 7.2 (Service Quality Management);
<b>"Service Quality Management System"</b>	<p>means the Franchisee's system that:</p> <p>(a) has, as a minimum, the characteristics set out in paragraph 2.1 of Schedule 7.2 (Service Quality Management) for ensuring and measuring the provision by it of a level of service quality across the Franchise that is consistent with the level specified in the Service Quality Standards; and</p> <p>(b) is as set out in the document in the agreed terms marked "<b>SQMS</b>";</p>
<b>"Service Quality Plan"</b>	means the Franchisee's plan for ensuring that its future performance is at all times equal to or better than the benchmark set out in the Service Quality Management System in respect of which the requirement to submit such a plan under paragraph 4.1(e) of Schedule 7.2 (Service Quality Management) arose;
<b>"Service Quality Reporting Period"</b>	means any period of six consecutive Reporting Periods during the Franchise Term, the first such Service Quality Reporting Period commencing on the Start Date;

**“Service Quality Standard”**

means either of:

- (a) the Train Presentation Specification Standard; or
- (b) the Station Environment Specification Standard,

as set out in the document in the agreed terms marked “**SQS**”;

**“Service Recovery Plan”**

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

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

Contingency Planning for Train Service Recovery – Service Recovery 2009” or any document of a similar or equivalent nature; and

- (d) where the particulars of such plan in relation to the requirements of paragraphs (a) and (b) have been:
  - (i) agreed at an initial and, where required, subsequent telephone conference between the Franchisee, Network Rail and any other affected Train Operator; and
  - (ii) on each occasion, recorded in an official control log by the relevant Region Control Manager of Network Rail,

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

**“Settlement Proposal”**

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

**“Shared Facilities”**

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

**“Significant Alterations”**

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

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

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

**“Significantly Late”** has the meaning given to it in paragraph 4.7(b) of Schedule 7.1 (Performance Benchmarks);

**“Simulator Training”** has the meaning given to it in paragraph 10 of Part 1 to Schedule 6.1 (List of Committed Obligations);

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

**“Small and Medium-sized Enterprises (“SMEs”)** means any individual micro, small or medium sized enterprise meeting the requirements set out in EU Recommendation 2003/36 and broadly falling into one of three categories, based on a combination of:

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

The three categories are:

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

**“SLC (TDR) Amendment”** has the meaning given in paragraph 5.9(a) of Schedule 1.1 (Service Development);

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

**“Specifically Included Change of Law”** has the meaning given to it in the definition of Change of Law;

**“Stakeholder”** means the Passengers’ Council and any relevant Local Authority and organisations who can reasonably be considered to have a legitimate and proper interest in the Passenger Services including Community Rail Partnerships representing Community Rail Routes designated as such by the Secretary of State;

<b>"Standard Class Accommodation"</b>	means, in respect of any train or service, accommodation which is available to the purchaser of any Fare which, taking into account any rights or restrictions relating to that Fare (other than restrictions relating to accommodation on that train or service), entitles such purchaser to make a journey on that train or service (provided that any accommodation on such train which may have been reserved by such purchaser shall be deemed to have been made so available if, had it not been so reserved, it would have been available for use by such purchaser);
<b>"Start Date"</b>	means 02:01 on 1 April 2015;
<b>"Station"</b>	means: <ul style="list-style-type: none"> <li>(a) any station in respect of which the Franchisee has entered into a Station Lease; or</li> <li>(b) any New Station at which the Franchisee becomes the Facility Owner;</li> </ul>
<b>"Station Access Conditions"</b>	has the meaning given to it in the relevant Access Agreement to which it relates;
<b>"Station Charge Adjustment"</b>	means any adjustment to payments under an Access Agreement determined in accordance with paragraph 2 of Schedule 8.4 (Track Access Adjustments and Station Charge Adjustments);
<b>"Station Environment Specification Standard"</b>	means the Service Quality Standard in respect of the environment of the Stations as at the date of the Franchise Agreement, or as amended by the Secretary of State and notified to the Franchisee from time to time in accordance with paragraph 2.7 of Schedule 7.2 (Service Quality Management);
<b>"Station Lease"</b>	means: <ul style="list-style-type: none"> <li>(a) any lease of a station that the Franchisee is a party to as at the Start Date; or</li> <li>(b) a lease of any other station to which the Franchisee becomes the Facility Owner at any time during the Franchise Period;</li> </ul>
<b>"Station Service"</b>	means any service specified in paragraph 3 of Schedule 1.6 (Franchise Services) which may be provided by the Franchisee at the Stations;

<b>"Station Sublease"</b>	means a lease or sub lease of premises comprising part or parts of a Station exclusively occupied by another Train Operator;
<b>"Stored Credit Balance"</b>	means any monetary amount held by the Franchisee which a passenger can apply at a future date to the purchase of a Fare (and stored in any medium);
<b>"Suburban Station"</b>	means any station which is not a London Station and which is listed below or which is closer to London than (and on the same line as) the following stations:  Shoeburyness, Southend Victoria, Southminster, Marks Tey (excluding Sudbury branch), Audley End (but not including Stansted Airport), Ashwell & Morden, Arlesey, Harlington, Bletchley (excluding Bedford branch), Aylesbury, Haddenham & Thame Parkway, Twyford (including Henley branch), Earley, Fleet, Alton, Whitley, Christ's Hospital, Brighton (excluding Coastway), Windsor & Eton Riverside, East Grinstead, Crowborough, Wadhurst, Paddock Wood (including the line between Strood and Paddock Wood), Maidstone East, Canterbury East, Margate;
<b>"Successor Operator"</b>	means a Train Operator succeeding or intended by the Secretary of State to succeed (and whose identity is notified to the Franchisee by the Secretary of State) the Franchisee in the provision or operation of all or any of the Franchise Services including, where the context so admits, the Franchisee where it is to continue to provide or operate the Franchise Services following termination of the Franchise Agreement;
<b>"Successor Operator Timetable"</b>	has the meaning given to it in paragraph 8(a) of Schedule 14.1 (Maintenance of Franchise);
<b>"Supplemental Agreement"</b>	means a supplemental agreement between the Franchisee and a Successor Operator to be entered into pursuant to a Transfer Scheme, being substantially in the form of Appendix 2 (Form of Supplemental Agreement) to Schedule 15.4 (Provisions Applying on and after Termination), but subject to such amendments as the Secretary of State may reasonably make thereto as a result of any change of circumstances (including any Change of Law) affecting such supplemental agreement between the date of the Franchise Agreement and the date on which the relevant Transfer Scheme is made and subject further to

paragraph 3.2 of Schedule 15.4 (Provisions Applying on and after Termination);

<b>“Target Passenger Demand”</b>	means the higher of Actual Passenger Demand and Forecast Passenger Demand or any other level of passenger demand specified by the Secretary of State not being greater than the higher of Actual Passenger Demand or Forecast Passenger Demand;
<b>“Taxation”</b>	means any kind of tax, duty, levy or other charge whether or not similar to any in force at the date of the Franchise Agreement and whether imposed by a local, governmental or other competent authority in the United Kingdom or elsewhere;
<b>“Technical Support Contract”</b>	means a contract for technical support to which the Franchisee is a party, relating to the rolling stock vehicles used in the provision of the Passenger Services;
<b>“Tendering/Reletting Process”</b>	means either of the processes described in paragraph 1.1 and 1.2 of Schedule 15.1 (Reletting Provisions);
<b>“Termination Events”</b>	has the meaning given to it in paragraph 3 of Schedule 10.3 (Events of Default and Termination Events);
<b>“Termination Notice”</b>	means a notice from the Secretary of State to the Franchisee terminating the Franchise Agreement following an Event of Default or a Termination Event in accordance with Schedule 10.2 (Termination and Expiry);
<b>“Third Profit Share Threshold”</b>	has the meaning given to it in paragraph 3 of Schedule 8.1 (Franchise Payments);
<b>“Threshold Amount”</b>	means the sum of <sup>2</sup> ;
<b>“Through Ticketing (Non-Travelcard) Agreement”</b>	means the agreement of that name referred to in paragraph (a)(v) of the definition of Inter-Operator Schemes;
<b>“Ticketing and Settlement Agreement”</b>	means the Ticketing and Settlement Agreement dated 23 July 1995 between RSP, the Franchisee and the other Train Operators named therein, as amended from time to time with the approval of the Secretary of State;

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<sup>2</sup> Where text has been omitted from the document this is because the Director General Rail or Secretary of State has decided to exclude the text in accordance with the provisions within the Freedom of Information Act 2000.

**“Timetable”**

means the timetable which reflects the working timetable issued by Network Rail at the conclusion of its timetable development process, containing the departure and arrival times of:

- (a) all Passenger Services which call at Stations and Franchisee Access Stations; and
- (b) principal Connections at those stations and other stations;

**“Timetable Development Rights”**

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

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

**“Timetabling and Train Planning Compliance Investigation”**

has the meaning given to it in paragraph 2.1 of Schedule 1.2 (Operating Obligations);

**“TOC Minute Delay Benchmark”**

means any of the performance levels in respect of Minutes Delay attributable to the Franchisee set out in the TOC Minute Delay Benchmark Table;

**“TOC Minute Delay Benchmark Table”**

means the table set out in Appendix 3 (TOC Minute Delay Benchmark Table) to Schedule 7.1 (Performance Benchmarks);



<b>"Total Actual Operating Costs"</b>	means the sum of the Actual Operating Costs for the relevant Reporting Period and each of the 12 preceding Reporting Periods during the Franchise Term (or the sum of the Actual Operating Costs for the relevant Reporting Period and all of the Reporting Periods that have elapsed since the Start Date where insufficient Reporting Periods have elapsed to enable the former calculation to be made);
<b>"Total Forecast Modified Revenue"</b>	means the sum of the Forecast Modified Revenue for each of the 13 Reporting Periods following the relevant Reporting Period (or, where there are less than 13 Reporting Periods remaining in the Franchise Term, the remaining Reporting Periods);
<b>"Total Forecast Operating Cost"</b>	means the sum of the Forecast Operating Cost for each of the 13 Reporting Periods following the relevant Reporting Period (or, where there are less than 13 Reporting Periods remaining in the Franchise Term, the remaining Reporting Periods);
<b>"Total Modified Revenue"</b>	means the sum of the Modified Revenue for the relevant Reporting Period and each of the 12 preceding Reporting Periods during the Franchise Term (or the sum of the Modified Revenue for the relevant Reporting Period and all of the Reporting Periods that have elapsed since the Start Date where insufficient Reporting Periods have elapsed to enable the former calculation to be made);
<b>"Track Access Adjustment"</b>	means any adjustment to payments under a Track Access Agreement determined in accordance with paragraph 1 of Schedule 8.4 (Track Access Adjustments and Station Charge Adjustments);
<b>"Track Access Agreement"</b>	means each Access Agreement between Network Rail and the Franchisee which permits the Franchisee to provide the Passenger Services on track operated by Network Rail;
<b>"Train Fleet"</b>	means: <ul style="list-style-type: none"> <li>(a) the rolling stock vehicles described in or required by Schedule 1.7 (The Train Fleet); and</li> <li>(b) any other rolling stock vehicles that the Secretary of State consents to in accordance with paragraph 2 of Schedule 1.7 (The Train Fleet) from time to time;</li> </ul>

<b>"Train Mileage"</b>	means, in relation to any period, the aggregate train mileage covered during such period by each train used in the provision of the Passenger Services (excluding, any train mileage covered as a result of positioning or other movements of rolling stock vehicles outside the Timetable) and <b>"Train Miles"</b> shall be construed accordingly;
<b>"Train Operator"</b>	means a franchisee or franchise operator, either of which operate railway passenger services pursuant to a franchise agreement or a Public Sector Operator;
<b>"Train Plan"</b>	means the plan and/or diagram of the Franchisee for the operation of trains and train formations under the Timetable set out in the document in the agreed terms marked <b>TP</b> and any other Train Plan developed in accordance with Schedule 1.1 (Service Development) except that when used in Schedule 7.1 (Performance Benchmarks), it shall have the meaning given to it in paragraph 2.15 of Schedule 7.1 (Performance Benchmarks);
<b>"Train Presentation Specification Standard"</b>	means the Service Quality Standard in respect of the condition of rolling stock vehicles when presented for railway passenger service as at the date of the Franchise Agreement, or as amended by the Secretary of State and notified to the Franchisee from time to time in accordance with paragraph 2.7 of Schedule 7.2 (Service Quality Management);
<b>"Train Slots"</b>	shall have the meaning given to it in the Network Code;
<b>"Transfer Scheme"</b>	means a transfer scheme made by the Secretary of State under Section 12 and Schedule 2 of the Railways Act 2005 (or equivalent statutory provision) pursuant to paragraph 3.1 of Schedule 15.4 (Provisions Applying on and after Termination), being substantially in the form of Appendix 1 (Form of Transfer Scheme) to Schedule 15.4 (Provisions Applying on and after Termination), but subject to such amendments as the Secretary of State may make thereto as a result of any change of Law affecting such transfer scheme or other change of circumstances between the date of the Franchise Agreement and the date on which such scheme is made;
<b>"Transport Act"</b>	means the Transport Act 2000;

<b>“Transport Direct”</b>	means the website offering free information for door to door travel for both public transport and car journeys around Great Britain;
<b>“Transport for London” or “TfL”</b>	means Transport for London as established under the Greater London Authority Act 1999;
<b>“Transport Trading Limited” or “TTL”</b>	means Transport Trading Limited (registered number 03914810) a wholly owned subsidiary of Transport for London;
<b>“Travelcard Agreement”</b>	means the agreement of that name referred to in paragraph (a)(iv) of the definition of Inter-Operator Schemes;
<b>“Traveline”</b>	means the telephone enquiry service providing information on all public transport across the United Kingdom;
<b>“Tripartite Subordination Letter”</b>	means the subordination letter entered into or to be entered into which is ancillary to the Class 156 Daily Hire Agreement between Porterbrook Leasing Company Limited, the Franchisee and the Northern Franchisee;
<b>“Trustee”</b>	Has the meaning given to it in paragraph 3.1 of Schedule 16 (Pensions);
<b>“TSI”</b>	means any Technical Standard for Interoperability with which the Franchisee is required to comply pursuant to Directives EU 96/48 and EU 2001/16 and related legislation;
<b>“Turnaround Time”</b>	means the time specified in the Train Plan between the completion of a Passenger Service in accordance with the Timetable and the commencement of the next Passenger Service in accordance with the Timetable on the same day using some or all of the same rolling stock vehicles;
<b>“Turnover”</b>	means, in relation to any period, the aggregate revenue (excluding any applicable Value Added Tax) accruing to the Franchisee from the sale of Fares and the receipt of Franchise Payments during such period;
<b>“Ultimate Parents”</b>	means First Group plc and Keolis S.A.;
<b>“Value”</b>	means at any time the aggregate of the Projected Revenue of each Fare in the Protected Fares Basket at that time;
<b>“Value Added Tax”</b>	means value added tax as provided for in the Value Added Tax Act 1994;

<b>"Variation"</b>	means a variation to the terms of the Franchise Agreement pursuant to paragraph 1 of Schedule 9.5 (Variations and Incentivising Beneficial Changes);
<b>"Weekday"</b>	means any day other than a Saturday, a Sunday or a Bank Holiday;
<b>"Weekly Season Ticket"</b>	means a Season Ticket Fare which is valid in Standard Class Accommodation from (and including) the day it first comes into effect until (but excluding) the day which falls seven days after such day;
<b>"Works"</b>	has the meaning given to it in paragraph 5 of Part 1 to Schedule 6.1 (List of Committed Obligations);
<b>"Yield Management Data"</b>	<p>means data collected by or on behalf of the Franchisee for the purpose of or in connection with managing or setting the prices at which any tickets for travel on the Passenger Services are sold and/or any quotas and/or restrictions applying to such tickets including:</p> <ul style="list-style-type: none"> <li>(a) the number of passengers travelling upon any particular Passenger Service;</li> <li>(b) the ticket types held by such passengers;</li> <li>(c) the prices paid by such passengers for such tickets; and</li> <li>(d) the dates and/or times between which such tickets were made available to purchase at such prices;</li> </ul>
<b>"Yield Management System"</b>	means any system (whether a Computer System or otherwise) for the collection of Yield Management Data and/or onto which Yield Management Data is input, processed and/or held as such system may be amended or altered from time to time; and
<b>"Zone"</b>	means a zone set out in the map in Schedule 2 of the Travelcard Agreement on the date such agreement came into effect or as amended by agreement with the Secretary of State.

### 3. COMMENCEMENT

3.1 The clauses of this Franchise Agreement and the following Schedules of this Franchise Agreement shall take effect and be binding upon each of the Secretary

of State and the Franchisee immediately upon signature of this Franchise Agreement:

- (a) paragraph 2 of Schedule 2.2 (Security of Access Agreements, Rolling Stock Leases, Station and Depot Leases);
  - (b) paragraph 2 of Schedule 2.3 (Third Party Delivery of Passenger Services and Other Franchisees);
  - (c) paragraph 4.3 of Schedule 4 (Persons with Disabilities and Disability Discrimination);
  - (d) Schedule 5.1 (Purpose, Structure and Construction);
  - (e) Schedule 5.3 (Allocation of Fares to the Protected Fares Basket);
  - (f) Schedule 5.7 (Changes to Fares and Fares Regulation);
  - (g) Paragraph 7 of Schedule 6.2 (TransPennine Express Franchise Specific Provisions);
  - (h) Schedule 9 (Changes and Variations);
  - (i) Schedule 10 (Remedies, Termination and Expiry);
  - (j) paragraph 2 of Schedule 11 (Agreement Management Provisions);
  - (k) paragraph 4 and 5.1 of Schedule 12 (Financial Obligations and Covenants);
  - (l) paragraphs 1, 5, 6, 7 and 8 of Schedule 13 (Information and Industry Initiatives);
  - (m) Schedule 14.3 (Key Contracts);
  - (n) Schedule 15.1 (Reletting Provisions);
  - (o) Schedule 17 (Confidentiality and Freedom of Information); and
  - (p) Schedule 19 (Other Provisions).
- 3.2 The other provisions of this Franchise Agreement shall take effect and be binding upon the parties on and from the Start Date.

#### 4. **TERM**

- 4.1 This Franchise Agreement shall terminate on the Expiry Date or on the date of any earlier termination pursuant to Schedule 10 (Remedies, Termination and Expiry).

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

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

- 5.2 Any obligation on the part of the Franchisee to use all reasonable endeavours shall extend to consequent obligations adequately to plan and resource its activities, and to implement those plans and resources, with all due efficiency and economy.
- 5.3 The Franchisee shall co-operate with the Secretary of State and act reasonably and in good faith in and about the performance of its obligations and the exercise of its rights pursuant to this Franchise Agreement.
- 5.4 The Secretary of State shall act reasonably and in good faith in and about the performance of his obligations and the exercise of his rights pursuant to this Franchise Agreement.

**6. RELATIONSHIP WITH PREVIOUS FRANCHISE AGREEMENT**

- 6.1 Anything done or omitted to be done by the Franchisee under or in relation to or during the term of the Previous Franchise Agreement shall be regarded for the purpose of this Franchise Agreement as if it had been done or omitted to be done by the Franchisee under or in relation to and (only to the extent necessary to give effect to this Clause) during the term of this Franchise Agreement.
- 6.2 Without limiting the generality of Clause 6.1 any breach or contravention of the Previous Franchise Agreement shall be a breach or contravention of the Franchise Agreement, in so far as necessary to ensure that the Secretary of State shall have the same rights under and in respect of this Franchise Agreement in respect of that breach or contravention as it would have had under or in respect of the Previous Franchise Agreement had the Previous Franchise Agreement continued in force.
- 6.3 The Secretary of State agrees that he will not take any action to terminate the Franchise Agreement in respect of any Events of Default which may have existed or been alleged to exist at the Start Date.

**7. COMPLIANCE WITH LAWS**

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

**8. ENTIRE AGREEMENT/WARRANTY**

- 8.1 This Franchise Agreement contains all the terms which the parties have agreed in relation to the subject matter of this Franchise Agreement and supersedes all prior written or oral agreements, representations or understanding between the parties in relation to such subject matter.
- 8.2 The Franchisee hereby acknowledges that this Franchise Agreement has not been entered into wholly or partly in reliance on, nor has the Franchisee been given any warranty, statement, promise or representation other than as expressly set out in this Franchise Agreement. To the extent that any such warranties, statements, promises or representations have been given the Franchisee unconditionally and irrevocably waives any claims, rights or remedies which it might otherwise have had in relation to them.
- 8.3 Nothing in this clause 9 will exclude any liability which one party would otherwise have to the other party in respect of any statements made fraudulently.

- 8.4 The Franchisee hereby acknowledges and agrees with the Secretary of State (for himself and as trustee for each of the other persons referred to therein) to the disclaimer of liability which is contained in the section entitled "Important Notice" of the Request for Proposal.
- 8.5 The Franchisee represents and warrants to the Secretary of State subject only to the matters fairly disclosed to the Secretary of State in writing (and accepted by him) or expressly provided for under the terms of this Franchise Agreement that all information, representations or other matters of fact communicated in writing to the Secretary of State and/or his advisers by the Franchisee, its directors, officers, employees, servants or agents in connection with or arising out of the Franchisee's proposals in connection with entering into this Franchise Agreement were (at the date submitted to the Secretary of State) and remain, in all material respects true, accurate and not misleading.

9. **GOVERNING LAW**

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

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

**SEAL REF No.**

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

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)  
)

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Authenticated by authority of the  
Secretary of State for Transport  
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SIGNED FOR AND ON BEHALF OF  
**FIRST/KEOLIS TRANSPENNINE LIMITED**

)  
)

Director:

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Director/Secretary:

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# **SCHEDULE 1**

## **Passenger Service Obligations**

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

## SCHEDULE 1.1

### Service Development

#### 1. Service Level Commitment - Purpose And Responsibility

- 1.1 A Service Level Commitment is a minimum specification of the Passenger Services and capacity to be provided by the Franchisee.
- 1.2 The Service Level Commitment as at the date of the Franchise Agreement is in the agreed terms marked **SLC**. Such Service Level Commitment shall remain in force unless and until amended or replaced pursuant to this Schedule 1.1. The Service Level Commitment does not in any way limit the Franchisee's obligations pursuant to paragraph 7 of this Schedule 1.1.
- 1.3 A Service Level Commitment may be expressed in whole or in part at any level of generality or to any level of detail the Secretary of State considers appropriate.

#### 2. Train Plan

- 2.1 A Train Plan is the plan or diagram of the Franchisee for the operation of trains and train formations under the Timetable.
- 2.2 The Franchisee shall submit to the Secretary of State a Train Plan in respect of each Timetable in accordance with this Schedule 1.1.
- 2.3 In preparing any Train Plan, the Franchisee shall do so by reference to the timetable that it envisages operating in order to comply with the Service Level Commitment and paragraph 7 of this Schedule 1.1.
- 2.4 The Train Plan for the Timetable as at the Start Date is in the agreed terms marked **TP**.
- 2.5 Each Train Plan is to set out for each railway passenger service in the Timetable to which it relates:
  - (a) its start point and departure time;
  - (b) its terminating point and arrival time;
  - (c) the number and class of rolling stock vehicles allocated to each such railway passenger service;
  - (d) the Passenger Carrying Capacity that each such railway passenger service, as formed, is to have;
  - (e) its Forecast Passenger Demand; and
  - (f) where this has been requested by the Secretary of State and is capable of calculation, the Actual Passenger Demand.
- 2.6 A Train Plan shall be in any format that the Secretary of State may reasonably specify for this purpose.

3. **Not used.**

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

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

- (a) it intends that any future Timetable shall contain Significant Alterations compared to the Timetable then in force otherwise than as a result of restrictions of use proposed by Network Rail or due to its inability to secure the necessary Timetable Development Rights or due to the timetable otherwise able to be secured from Network Rail; and
- (b) such Significant Alterations are likely to have, in the reasonable opinion of the Franchisee, a materially adverse effect on:
  - (i) ability of passengers using any station served by the Passenger Services to make journeys relating to work or education at reasonably convenient times; and/or
  - (ii) the trading prospects of commercial enterprises located in any community in which a station served by the Passenger Services is located in consequence of it being more difficult for customers or employees to access such commercial enterprises through travel on the Passenger Services,

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

For the avoidance of doubt the first Timetable to which these provisions applies is the Timetable with effect from the Passenger Change Date in December 2016.

4.2 In conducting any consultation under paragraph 4.1 the Franchisee shall:

- (a) after first providing a summary to the Secretary of State regarding the Significant Alterations in the future timetable as soon as reasonably practicable give all Stakeholders notice and consult them in respect of the changes to the Passenger Services specified in such summary;
- (b) give consultees such time as is reasonable under all the circumstances to respond (it being agreed that it shall normally be reasonable to give at least 12 weeks to respond in relation to major proposed Timetable changes but that the Franchisee and the Secretary of State in appropriate circumstances may agree a different period);
- (c) after sending or receiving any correspondence in respect of such notice or consultation, provide the Secretary of State with copies of such correspondence;
- (d) take due account of such bodies' views that are submitted to the Franchisee in accordance with any guidance referred to in paragraph 4.2(f);

- (e) inform the Secretary of State of any material changes that it would expect there to be to such timetable if the views of such bodies were accommodated; and
- (f) comply with such reasonable requirements and guidance as the Secretary of State may notify to it from time to time in respect of giving notice to and consulting such stakeholders in accordance with this paragraph 4.2.

## 5. **Timetable Development Rights**

- 5.1 The Franchisee shall use all reasonable endeavours to amend and/or enter into such Access Agreements as may be necessary or desirable from time to time to obtain the timetable development rights that it requires to secure a Timetable that enables it to operate railway passenger services that comply with the Service Level Commitment and otherwise comply with its obligations under the Franchise Agreement (including under paragraph 7 of this Schedule 1.1).
- 5.2 Prior to exercising any Timetable Development Rights to secure a Timetable the Franchisee shall make an informed estimate of Forecast Passenger Demand and in doing so shall make reasonable assumptions based on available evidence and making proper use of recognised railway industry systems and forecasting tools as these may develop over the Franchise Period, with the estimate being in such format and to such level of disaggregation as the Secretary of State may reasonably require.
- 5.3 Subject to the remaining provisions of this paragraph 5, the Franchisee shall exercise its Timetable Development Rights so as to secure a Timetable that enables it to operate railway passenger services that comply with the Service Level Commitment and paragraph 7 of this Schedule 1.1 in accordance with its obligations under paragraph 11 of this Schedule 1.1.
- 5.4 Where the Franchisee proposes to exercise its Timetable Development Rights so that the Timetable in force after the relevant Passenger Change Date contains Significant Alterations to that in force prior to such Passenger Change Date the Franchisee shall, (without prejudice to its obligation to consult pursuant to paragraph 4) act reasonably with the intention of obtaining a Timetable which enables paragraphs 7.1(a) and 7.1(b) of this Schedule 1.1 to be achieved in relation to each Passenger Service in the Timetable to the greatest extent reasonably practicable. It is agreed that in acting reasonably the Franchisee shall take full and proper account of its estimation of Forecast Passenger Demand made pursuant to paragraph 5.2.
- 5.5 Unless the Secretary of State otherwise directs, the Franchisee shall, for the purposes of securing a Timetable that complies with the Service Level Commitment and paragraph 7 of this Schedule 1.1, exercise its rights under the Track Access Agreement (including the Network Code) to object, to make representations and to withhold consent in respect of any actual or proposed act or omission by Network Rail in relation to such agreement in respect of its Timetable Development Rights.
- 5.6 If the Secretary of State does not consider that the Franchisee has taken sufficient steps under paragraph 5.5, he may require the Franchisee to exercise its rights referred to in paragraph 5.5 in such manner as he reasonably considers appropriate in the circumstances, including:

- (a) disputing any actual or proposed act or omission by Network Rail in respect of any Timetable Development Rights; and
- (b) submitting such dispute to any relevant dispute resolution arrangements or procedures and appealing against any award or determination under such arrangements or procedures, including to the ORR.

5.7 Subject to the Franchisee complying with its obligations under paragraph 5.5, it shall not be liable for any failure to secure a Timetable that enables the Franchisee to operate railway passenger services that comply with the Service Level Commitment or paragraph 7 of this Schedule1.1, to the extent that such failure is caused by:

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

5.8 Not used.

5.9

- (a) If and to the extent that the Franchisee is not able to secure a Timetable enabling it to operate railway passenger services that comply with the Service Level Commitment as a result of it not being able to obtain the timetable development rights that it requires for that purpose, then the Secretary of State shall (subject to paragraphs 5.9(b) and 5.9(c) below) issue to the Franchisee such amendments to the Service Level Commitment ("**SLC (TDR) Amendment**") as the Secretary of State considers necessary such that the Franchisee is able to secure a Timetable in compliance with the Service Level Commitment as amended by the SLC (TDR) Amendments by exercise of the Timetable Development Rights that the Franchisee does have.
- (b) The Secretary of State shall have an unfettered discretion as to whether or not to issue an SLC (TDR) Amendment in circumstances where the Franchisee:
  - (i) has failed to exercise all reasonable endeavours to obtain the requisite timetable development rights in accordance with paragraph 5.1; and
  - (ii) it is not relieved by paragraph 5.7 from liability for such failure to secure a Timetable that enables the Franchisee

to operate railway passenger services that comply with the Service Level Commitment.

- (c) Where the Secretary of State reasonably considers that the failure to secure a Timetable that enables the Franchisee to operate the Service Level Commitment is partly due to the default of the Franchisee in not properly complying with its obligations under the Franchise Agreement in relation to securing timetable development rights any SLC (TDR) Amendment shall not relieve the Franchisee of the obligation to comply with the Service Level Commitment to the extent that the Secretary of State determines that the failure is due to such default of the Franchisee and the Franchisee may be in contravention of the Franchise Agreement accordingly.

5.10 Following issue of any SLC (TDR) Amendment pursuant to paragraph 5.9 the Franchisee shall, unless otherwise agreed by the Secretary of State, continue to use all reasonable endeavours to amend and/or enter into such Access Agreements as may be necessary or desirable from time to time to obtain the timetable development rights that it requires to secure a Timetable that enables it to operate railway passenger services that comply with the Service Level Commitment without such SLC (TDR) Amendment.

5.11 Any SLC (TDR) Amendment issued pursuant to paragraph 5.9 shall:

- (a) unless otherwise required by the Secretary of State, cease to have effect on the date (if any) on which the first Timetable comes into effect after the Franchisee has obtained the Timetable Development Rights that it requires to secure a Timetable that enables it to operate railway passenger services that comply with the Service Level Commitment without any such SLC (TDR) Amendment;
- (b) amount to a Change.

5.12 With effect from the date on which any SLC (TDR) Amendment ceases to have effect in accordance with paragraph 5.11:

- (a) the Service Level Commitment without such SLC (TDR) Amendment shall thereafter apply;
- (b) there shall be a further Change to the extent necessary so as, with effect from such date, to disapply the effect of the Change referred to in paragraph 5.11(b) in respect of such SLC (TDR) Amendment.

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

6.1 Before exercising any Timetable Development Right to bid for Train Slots, the Franchisee shall provide a certificate addressed to the Secretary of State and signed by a statutory director of the Franchisee confirming that its proposed exercise of that Timetable Development Right will be compliant with its obligation specified in paragraph 5.3.

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

6.3 The Franchisee shall:

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

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

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

The Franchisee shall, in preparing its Timetable and Train Plan, unless the Secretary of State otherwise agrees, provide for the Passenger Carrying Capacity specified in the SLC and use all reasonable endeavours to:

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

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

If at the time it prepares its Timetable and/or Train Plan, having exercised all reasonable endeavours, the Franchisee is unable to prepare a Timetable and/or Train Plan having the Passenger Carrying Capacity and/or meeting the reasonable expectations referred to in paragraph 7.1, then the Timetable and/or the Train Plan shall specify the best allocation of Passenger Services and rolling stock vehicles to Passenger Services that is reasonably practicable with a view to:

- (a) minimising, so far as is possible, the amount by which Target Passenger Demand exceeds the provision of Passenger Carrying Capacity on the affected Passenger Services;
- (b) ensuring, so far as is possible, that such excess is not unduly concentrated on any particular Route or Passenger Service; and

- (c) minimising, so far as is possible, the extent to which passengers are required to stand:
  - (i) on boarding any Passenger Service during the Off-Peak; and
  - (ii) 20 minutes after boarding (or such other time period as the Secretary of State may stipulate) any Passenger Service during each Peak.

### **Timetable and Train Plan**

#### 7.3

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

### **Finalising the Train Plan**

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

7.5 The Secretary of State may notify the Franchisee of:

- (a) any respect in which he considers that the Train Plan does not comply with the requirements of this Schedule 1.1; and
- (b) any revisions that he requires to address such non-compliance,

and the Franchisee shall revise the Train Plan in accordance with the Secretary of State's requirements.

7.6 If the Franchisee considers that any of the revisions that the Secretary of State requires pursuant to paragraph 7.5(b) are not required for the Train Plan to comply with this Schedule 1.1 then:

- (a) it shall nevertheless make such revisions;



- (b) it may subsequently refer the question as to whether such revisions were so required for resolution in accordance with such dispute resolution procedure as the parties may agree or, in the absence of agreement, in accordance with the Dispute Resolution Rules; and
- (c) following determination of any such dispute, the parties shall take such steps as are required to give effect to such determination.

## 8. Capacity Mitigation Plan

### 8.1

- (a) Without prejudice to the obligation of the Franchisee to include in the Train Plan the capacity specified in the Service Level Commitment, if at any time the Franchisee is unable to prepare a Timetable and/or a Train Plan which meets the requirements of paragraph 7.1 (regardless of whether the Franchisee has used all reasonable endeavours to do so), the Secretary of State may serve a notice on the Franchisee requiring it to produce a plan to a reasonable specification provided with the notice to remedy or mitigate such inability ("**Capacity Mitigation Plan**"). Such specification may, without limitation, include measures to be implemented by the Franchisee to:
  - (i) remedy the circumstances leading to the Franchisee being unable to prepare a Timetable and/or a Train Plan which meets the requirements of paragraph 7.1; and/or
  - (ii) minimise, so far as is possible, the amount by which Target Passenger Demand exceeds the provision of Passenger Carrying Capacity on the affected Passenger Services;
  - (iii) ensure, so far as is possible, that such excess is not unduly concentrated on any particular Route or Passenger Service; and
  - (iv) minimise, so far as is possible, the extent to which passengers are required to stand:
    - (A) on boarding any Passenger Service during each Off-Peak; and
    - (B) 20 minutes after boarding (or such other time period as the Secretary of State may stipulate) any Passenger Service during each Peak,

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

or mitigate such future circumstances on the basis of assumptions provided by the Secretary of State.

- (b) The Capacity Mitigation Plan shall (unless the Secretary of State specifies to the contrary) include the Franchisee's informed estimate of Forecast Passenger Demand, in such format and to such level of disaggregation as the Secretary of State may reasonably require. Without limitation such specification may require the Franchisee to present options to address relevant issues through:
  - (i) alterations to the Service Level Commitment;
  - (ii) modification of rolling stock or the acquisition of additional or replacement rolling stock;
  - (iii) alterations to Fares; and/or
  - (iv) alterations or enhancements to any track, signalling, station, depot or other relevant railway infrastructure.
- (c) The Capacity Mitigation Plan shall provide a comprehensive analysis backed by relevant data and assumptions of:
  - (i) all cost and revenue and other financial implications of options contained within it including the potential implications for Franchise Payments;
  - (ii) the implications (if any) for the Benchmarks; and
  - (iii) the likely impact of options within it for existing and future passenger journeys and journey opportunities.
- (d) The Franchisee shall meet with the Secretary of State to discuss the Capacity Mitigation Plan and provide such further information or analysis and further iterations of the Capacity Mitigation Plan as the Secretary of State shall reasonably require.

9. **Franchisee Informed Opinion and new or amended Service Level Commitment**

9.1 As and when required, whether for the purposes of considering alterations to the Service Level Commitment or otherwise, the Franchisee shall provide to the Secretary of State:

- (a) its informed estimate of Forecast Passenger Demand, in such format and to such level of disaggregation as the Secretary of State may reasonably require in order to assist the Secretary of State's decision making on future service level commitments, infrastructure, station and rolling stock vehicle investment, the best use of the network and the alleviation of overcrowding;
- (b) its informed opinion as to any changes to the current Service Level Commitment which:
  - (i) should be made in order to deliver an optimal range of railway passenger service patterns relative to Target Passenger Demand; and

- (ii) could be implemented and operated without additional resources or an adjustment to the Franchise Payments;
- (c) its informed opinion as to any changes to the current Service Level Commitment which:
  - (i) would deliver an optimal range of railway passenger service patterns relative to Target Passenger Demand; and
  - (ii) could only be implemented and operated with additional resources and/or an adjustment to the Franchise Payments, together with an explanation as to:
    - (A) what additional resources and/or adjustments are necessary to make such changes; and
    - (B) why such additional resources and/or adjustments are necessary;
- (d) a draft of the Train Plan that it considers that each set of proposed changes would require.

9.2 Prior to issuing any amended or new Service Level Commitment the Secretary of State shall provide to the Franchisee his draft of any proposed amended or new Service Level Commitment stating the date upon which he proposes that such amended or new Service Level Commitment should take effect along with the Secretary of State's view as to the changes (if any) that he proposes to make to the Benchmarks.

9.3 On receipt of any such draft of a proposed amended or new Service Level Commitment the Franchisee shall provide to the Secretary of State if so requested:

- (a) its informed opinion with supporting reasons as to the impact of the proposed amended or new Service Level Commitment on the delivery of an optimal range of railway passenger services patterns relative to Target Passenger Demand and compliance with paragraph 7.1 of this Schedule;
- (b) its informed opinion with supporting reasons as to the changes to resources and adjustment to Franchise Payments (if any) which would be required in consequence of the proposed amended or new Service Level Commitment;
- (c) its informed opinion with supporting reasons as to changes (if any) to the Benchmarks;
- (d) its informed opinion of the process to be required to implement the proposed amendment to the Service Level Commitment together with a plan for the implementation of the amendment to the Service Level Commitment (including all steps required to ensure that the Franchisee can deliver a Timetable compliant with such amended or new Service Level Commitment) prepared in accordance with procedural arrangements specified by the Secretary of State pursuant to paragraph 10; and

- (e) a draft of the Train Plan that it considers that the proposed amended or new Service Level Commitment would require.
- 9.4 There may be iterations of drafts of the proposed amended or new Service Level Commitment and the Franchisee shall to the extent required by the Secretary of State have the obligations described in this paragraph 9 in respect of all such iterations.
- 9.5 Processes contained in this paragraph 9 shall take place in accordance with procedural arrangements and timescales stipulated by the Secretary of State pursuant to paragraph 10.2.
- 9.6 The Secretary of State may, in accordance with any stipulation made under paragraph 10.2, issue to the Franchisee any amended or new Service Level Commitment that he requires the Franchisee to operate and notice of the changes (if any) to the Benchmarks. Such amended or new Service Level Commitment will be issued within a reasonable period prior to the commencement of the timetable development process of Network Rail for the Timetable in respect of which it is proposed to implement the change to Passenger Services arising from the amended or new Service Level Commitment. In the absence of the Secretary of State issuing any amended or new Service Level Commitment the existing Service Level Commitment will remain in full force and effect. The degree of variation from any Service Level Commitment specified when the Franchise Agreement was entered into in respect of any particular period and brought about by any amended or new Service Level Commitment issued pursuant to this paragraph 9.6 shall (where relevant) be of a magnitude no greater than that contemplated in the Request for Proposal.
- 9.7 At the same time as the Secretary of State provides the Franchisee with a draft of any proposed amended or new Service Level Commitment pursuant to paragraph 9.2, the Secretary of State shall also provide to the Franchisee his opinion of any changes (if any) that are required to the Benchmarks.
- 9.8 The Secretary of State shall be permitted to carry out indicative Runs of the Financial Model for the purposes of considering the effects of his proposed amended or new Service Level Commitment.
10. **Procedure**
- 10.1 The Franchisee agrees that the effective operation of the provisions of this Schedule 1.1, and of provisions addressing the same or similar matters in other franchise agreements, will require certain procedural arrangements and timescales to be followed to a common timescale by the Secretary of State, the Franchisee and others.
- 10.2 The Franchisee agrees that the Secretary of State may stipulate any reasonable procedural arrangements and timescales that are to be followed by the Secretary of State and the Franchisee for these purposes (which shall be consistent with any relevant standard railway industry processes for timetable development) and that the Secretary of State may amend any such stipulation from time to time.
- 10.3 The Secretary of State agrees to consult the Franchisee as far as reasonably practicable prior to stipulating or amending any such procedural arrangements and timescales in accordance with paragraph 10.2.

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

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

Subject to the terms of the Licences and any applicable Law, the Franchisee shall co-operate with other Train Operators in respect of their timetable development rights where such other Train Operators provide railway passenger services meeting common or displaced passenger demand, with a view to ensuring that:

- (a) the levels of overcrowding over the Routes or other relevant routes are minimised and not unduly concentrated on particular railway passenger services, Routes or other relevant routes;
- (b) the stopping patterns of such railway passenger services are placed at approximately evenly-spaced intervals throughout each relevant hour, taking into account the reasonable needs of passengers and the different types of railway passenger services provided by other Train Operators and the Franchisee; and
- (c) a reasonable pattern of railway passenger service is provided on the relevant route(s) to enable passengers to make Connections (particularly where low frequency railway passenger services are operated or last trains are involved, taking account of seasonal fluctuations in passenger demand and the time needed to make any such Connection).

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

12.1 Where the Secretary of State considers it requisite for the purposes of better securing the delivery of railway passenger services under the Franchise Agreement, or any other franchise agreement, or for the better achievement by him of any of his duties, functions and powers in relation to railways the Secretary of State may require the Franchisee:

- (a) to exercise or refrain from exercising any or all of its rights under any Access Agreement or any Property Lease, or any related rights under such other agreements as the Secretary of State may specify; and/or
- (b) subject to the consent of the counterparty thereto, to assign, novate or surrender its rights under any Access Agreement or Property Lease.

- 12.2 Except to the extent that the Secretary of State otherwise indicates from time to time, the Franchisee shall notify the Secretary of State of its intention to enter into or amend any Access Agreement:
- (a) where the approval of the ORR is required under the Act, not less than 10 Weekdays before the submission to the ORR; and
  - (b) where no such approval is required, not less than 10 Weekdays prior to entering into such amendment or Access Agreement.
- 12.3 The Franchisee shall comply with its obligations under any Access Agreement or any Property Lease to which it is a party from time to time:
- (a) to notify or consult with the Secretary of State on any matter or proposal relating to that Access Agreement or Property Lease; and
  - (b) which are contingent on a particular course of action being taken by the Secretary of State or which are otherwise expressly included in that Access Agreement or Property Lease for the benefit of the Secretary of State.
- 12.4 If and to the extent that:
- (a) the Secretary of State exercises his rights pursuant to paragraph 12.1; and
  - (b) the Franchisee's compliance with the Secretary of State's requirements pursuant to paragraph 12.1 would lead to the unavoidable consequence of the Franchisee contravening any other terms of the Franchise Agreement or the occurrence of an Event of Default; and
  - (c) the Franchisee duly complies with such requirements,
- no such contravention of the Franchise Agreement or Event of Default shall have occurred.

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

- 13.1 Any specification of railway passenger services in a Service Level Commitment shall (unless the Secretary of State states to the contrary) be regarded as relating to how those services are to be provided for in the National Rail Timetable that Network Rail publishes for passengers, and not how they are to be provided for in the working timetable that Network Rail issues to industry parties at the conclusion of its timetable development process.
- 13.2 Accordingly, the Franchisee's obligations specified in paragraph 5.3 shall be construed as an obligation to secure the requisite Train Slots in the working timetable to be issued by Network Rail at the conclusion of its timetable development process that will permit the Franchisee to operate railway passenger services that comply with the Service Level Commitment provided for in the relevant Timetable.
- 13.3 The Franchisee shall ensure, for each period between two consecutive Passenger Change Dates during the Franchise Term, that the Timetable for such period is, in its reasonable opinion, not materially different from the relevant working timetable issued by Network Rail at the conclusion of its timetable development process.

## SCHEDULE 1.2

### Operating Obligations

#### 1. Daily Operating Obligations

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

#### 2. Service Level Commitment and Capacity Compliance

- 2.1 If the Secretary of State considers that the Franchisee may have breached any of its obligations under paragraphs 5.1, 5.3, 5.4, 5.5, 7.1 and 7.2 of Schedule 1.1 (Service Development) or paragraph 1.1 of this Schedule 1.2, he shall (in addition to his right to obtain further information pursuant to paragraph 1.1 of Schedule 1.5 (Information about Passengers) and without prejudice to any other rights of the Secretary of State under the Franchise Agreement or otherwise) have the right, by serving notice on the Franchisee, to instigate an investigation of the Franchisee's compliance with its obligations under paragraphs 5.1, 5.3, 5.4, 5.5, 7.1 and 7.2 of Schedule 1.1 (Service Development) and paragraph 1.1 of this Schedule 1.2 ("**Timetabling and Train Planning Compliance Investigation**").

Following the service of such a notice the Franchisee shall:

- (a) provide such information as the Secretary of State may reasonably require for the purposes of determining if the Franchisee has complied with its obligations under paragraphs 5.1, 5.3, 5.4, 5.5, 7.1 and 7.2 of Schedule 1.1 (Service Development) and paragraph 1.1 of this Schedule 1.2 including;
- (i) evidence of the steps taken by the Franchisee to amend and/or enter into Access Agreements, exercise Timetable Development Rights and exercise its rights under the Track Access Agreement to object, to make representations and to withhold consent in respect of any actual or proposed act or omission by Network Rail in relation to such agreement in respect of its Timetable Development Rights;
- (ii) evidence of the extent to which the Franchisee has operated on each day of the relevant Reporting Period

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

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

## 2.2

- (a) The Franchisee shall be in contravention of the Franchise Agreement if following the completion by the Secretary of State of the Timetabling and Train Planning Compliance Investigation he concludes that the Franchisee breached any of its obligations under paragraphs 5.1, 5.3, 5.4, 5.5, 7.1 and 7.2 of Schedule 1.1 (Service Development) and paragraph 1.1 of this Schedule 1.2 including where the Franchisee:
- (i) failed to act reasonably in calculating Forecast Passenger Demand because it unreasonably assumed that there would be differences between Forecast Passenger Demand and Actual Passenger Demand at the time that the Forecast Passenger Demand calculation was made; or
  - (ii) made unreasonable assumptions about the timetables likely to be operated by other Train Operators serving some or all of the same stations as the Franchisee.
- (b) Where the Secretary of State does conclude pursuant to paragraph (a) above that the Franchisee has breached any relevant obligation the Franchisee shall pay to the Secretary of State the costs incurred by him in undertaking any Timetabling and Train Planning Compliance Investigation (including any audit pursuant to paragraph 2.1(b)).

2.3 The Secretary of State shall notify the Franchisee if he concludes pursuant to paragraph 2.2 that the Franchisee is in contravention of the Franchise Agreement and he may at his discretion, and entirely without prejudice to his other rights consequent upon the relevant contravention, serve a Remedial Plan Notice pursuant to paragraph 1.1 of Schedule 10.1 (Remedial Plans and Remedial Agreements).



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

- 3.1 The Franchisee shall notify the Secretary of State promptly after being notified by Network Rail that Network Rail has decided or proposes to:
- (a) omit from the Plan of the Day Passenger Services that are included in the Timetable; or
  - (b) reschedule in the Plan of the Day Passenger Services from their scheduling in the Timetable,
- 3.2 To the extent that any such decision or proposal may, in the reasonable opinion of the Franchisee, materially (having regard to both duration and scale) prejudice the Franchisee's ability to deliver the Timetable with the Passenger Carrying Capacity stipulated in the Train Plan the Franchisee shall explain in such notification the way in which, in its reasonable opinion, such omission or rescheduling may materially prejudice the Franchisee's ability to deliver the Timetable with the Passenger Carrying Capacity stipulated in the Train Plan.
- 3.3 The Franchisee agrees to supply to the Secretary of State from time to time, in the format required by the Secretary of State, such details of any actual or proposed omission or rescheduling of Passenger Services by Network Rail as the Secretary of State may reasonably require, including details of the steps which the Franchisee proposes to take pursuant to paragraph 3.4.
- 3.4 Where the actual or proposed omission or rescheduling of Passenger Services is one which may, in the reasonable opinion of the Secretary of State or the Franchisee, materially prejudice the Franchisee's ability to deliver the Timetable with the Passenger Carrying Capacity stipulated in the Train Plan, the Franchisee agrees (unless the Secretary of State specifically agrees otherwise) to exercise its rights under the Track Access Agreement (including the Network Code) to:
- (a) object (including submitting its objection to any relevant dispute resolution arrangements or procedures and appealing against any award or determination under such arrangements or procedures, including to the ORR);
  - (b) make representations; and
  - (c) withhold consent,
- in respect of any actual or proposed omission or rescheduling of Passenger Services by Network Rail.
- 3.5 If the Secretary of State does not consider that the Franchisee has taken sufficient steps under paragraph 3.4, the Secretary of State may require the Franchisee to exercise its rights referred to in paragraph 3.4 in such manner as the Secretary of State may consider appropriate in the circumstances.
- 3.6 The provisions of this paragraph 3 shall apply to any actual or proposed omission or rescheduling of Passenger Services that originates from any person other than Network Rail, as those provisions apply to Network Rail.

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

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

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

without the Secretary of State's prior consent.

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

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

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

- (a) the addition to the Plan of the Day of any railway passenger services that are not included in the Timetable. The Franchisee shall, following a request by the Secretary of State to operate additional railway passenger services under this paragraph 5(a), provide to the Secretary of State a train plan which complies with the requirements of paragraph 2.5 and 2.6 of Schedule 1.1 (Service Development);
- (b) the omission from the Plan of the Day of any Passenger Services that are included in the Timetable; and/or
- (c) the rescheduling in the Plan of the Day of any Passenger Services from their scheduling in the Timetable.

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

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

- (a) without prejudice to any other provision of this Schedule 1.2, notify the Secretary of State promptly where such disruption would materially (having regard to both duration and scale) prejudice the Franchisee's ability to deliver the Timetable or deliver the Timetable in accordance with the Train Plan;
- (b) co-operate with Network Rail and other Train Operators to act in the overall interests of passengers using such railway passenger services, including using all reasonable endeavours to ensure that such

disruption is not concentrated on a particular part of the network, except where such concentration either:

- (i) would be in the overall interests of passengers using such Passenger Services or railway passenger services and would not result in disproportionate inconvenience to any group of passengers; or
  - (ii) is reasonably necessary as a result of the cause or the location of the disruption; and
- (c) use all reasonable endeavours to provide or secure the provision of alternative transport arrangements in accordance with paragraph 6.2.

6.2 The Franchisee shall use all reasonable endeavours to provide or secure the provision of alternative transport arrangements to enable passengers affected by any disruption referred to in paragraph 6.1 to complete their intended journeys in accordance with this paragraph 6.2. In particular, the Franchisee shall use all reasonable endeavours to:

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

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

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

- (a) ensure (so far as it is able to do so) the provision of the Passenger Services as set out in the Plan of the Day in accordance with the Train Plan in ordinary operating conditions;
- (b) take reasonable measures to avoid and/or reduce the impact of any disruption to the Franchise Services having regard to all the circumstances, including the reasonably foreseeable risks arising from the matters referred to in paragraph 7.2; and

- (c) actively manage the performance by Network Rail of its contractual relationship with the Franchisee (and provide appropriate management resources for this purpose) so as to secure the best performance reasonably obtainable from Network Rail by these means (including taking the steps referred to in paragraph 7.4), having regard to all the circumstances.

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

- (a) variations in weather and operating conditions (including Network Rail's infrastructure not being available for any reason), which may in either case include seasonal variations;
- (b) default by, or restrictions imposed by, suppliers to the Franchisee;
- (c) shortages of appropriately skilled or qualified Franchise Employees;
- (d) disputes with Franchise Employees;
- (e) the availability of the Train Fleet, having regard to maintenance requirements and any Mandatory Modifications;
- (f) establishing reasonable Turnaround Time allowances for enabling or disabling (as appropriate) any part of a train, the rostering of any train crew and the servicing or cleaning of any rolling stock vehicles in accordance with the then current Train Presentation Specification Standard; and
- (g) failures of rolling stock vehicles in service and contingency arrangements (including Hot Standbys and rescue traction).

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

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

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

- (a) co-operating with Network Rail in the development, agreement and implementation of:
  - (i) a 5-year (rolling) Performance Strategy Plan; and

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

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

7.5 The Franchisee undertakes to reasonably co-operate with Network Rail with regard to Network Rail's management of the network, including in relation to the

establishment of up to date Timetable Planning Rules (as such term is defined under the Network Code).

- 7.6 To the extent not already provided for in the Franchise Agreement, the Franchisee shall use all reasonable endeavours to ensure the performance by Network Rail of its obligations under any relevant agreement including, where appropriate or where requested by the Secretary of State, enforcing its rights against Network Rail under any such agreement.
- 7.7 When and to the extent reasonably requested by the Secretary of State, the Franchisee shall provide to the Secretary of State evidence of the steps taken by it in order to comply with its obligations under this paragraph 7.

**SCHEDULE 1.3**

**Not Used**

## **SCHEDULE 1.4**

### **Passenger Facing Obligations**

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

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

1.1 The Franchisee shall publish on the Start Date:

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

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

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

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

1.3 In addition, the Franchisee shall:

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



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

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

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

- 1.4 The Franchisee shall also comply with the requirements of paragraphs 1.1 to 1.3 inclusive by making available booklets and displaying information in information displays and otherwise displaying posters in respect of any other Train Operator's timetable at each Station where the railway passenger services of such other Train Operator are scheduled to call:
  - (a) within the time limits specified in paragraphs 1.2 and 1.3 where and to the extent that such other Train Operator delivers to the Franchisee the relevant information and materials in sufficient time for the Franchisee to so publish; and
  - (b) as soon as reasonably practicable thereafter where and to the extent that such other Train Operator delivers the relevant information and materials late to the Franchisee.

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

- 1.5 The Franchisee shall use all reasonable endeavours to procure (including by virtue of any arrangements made from time to time between Network Rail and RSP) that the National Rail Timetable (or any replacement), which Network Rail is responsible for publishing from time to time in relation to the Passenger Services, incorporates or is consistent with its Timetable from time to time.
- 1.6 The Franchisee shall use all reasonable endeavours to procure that information in relation to:
  - (a) the Timetable; and
  - (b) any significant alterations to the Timetable to take effect between any two Passenger Change Dates,

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

## **2. Late Timetable Changes**

- 2.1 Save in respect of significant alterations, for which the provisions of paragraphs 1.3 and 1.6 shall apply, the Franchisee shall inform passengers, so far as possible on not less than seven days' prior notice, if it will be unable to operate its trains in accordance with the Timetable. Such information shall include any revised Timetable or travelling arrangements.
- 2.2 Such information shall be provided by:
  - (a) revising or adding to the information displays referred to in paragraph 1.1;

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

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

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

The Franchisee shall ensure that the purchaser of any Protected Fare:

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

3.2 The Franchisee shall procure that for any:

- (a) Protected Return Fare, such Fare shall be offered for sale wherever and whenever any other Fare (not being a Season Ticket Fare) for a journey between the same origin and destination stations is offered for sale; and
- (b) Protected Weekly Season Ticket, such Fare shall be offered for sale at all staffed ticket offices at which Fares for a journey between the same origin and destination stations are sold and otherwise wherever and whenever any Season Ticket Fare is offered for sale,

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

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

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

3.4 The Franchisee shall not sell or offer to sell:

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

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

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

- (a) for Fares in respect of which the:
  - (i) Prices are regulated under Schedules 5.4 (Regulation of Protected Fares Basket Values) and 5.5 (Regulation of Individual Fares), sell or offer to sell at prices no greater than the Prices set for such Fares from time to time in accordance with Schedule 5.4 (Regulation of Protected Fares Basket Values) and Schedule 5.5 (Regulation of Individual Fares); and
  - (ii) Child Prices are regulated under Schedule 5.4 (Regulation of Protected Fares Basket Values) and Schedule 5.5 (Regulation of Individual Fares), sell or offer to sell at prices no greater than the Child Prices set for such Protected Fares from time to time in accordance with Schedules 5.4 (Regulation of Fares Basket Values) and Schedule 5.5 (Regulation of Individual Fares);
- (b) for Fares in respect of which the Child Price has been set pursuant to paragraph 2.1 of Schedule 5.2 (Franchisee's Obligation to Create Fares), sell or offer to sell such Fares to any person under the age of 16 for an

amount which is no greater than the lowest amount that would be paid if that person were the holder of a 16 to 25 Railcard with no minimum fare (as amended or replaced from time to time) and whose purchase was made without condition; and

- (c) for all Fares:
  - (i) do not sell or offer to sell any Fare or Discount Card with a validity of 13 or more months without the consent of the Secretary of State (such consent not to be unreasonably withheld); and
  - (ii) comply with the provisions of paragraph 3 of Schedule 15.2 (Last 12 or 13 Months of Franchise Period and other conduct of business provisions) to the extent they apply to the selling of Fares by the Franchisee.

### 3.6 **Additional Ancillary Services**

The Franchisee shall, subject to this paragraph 3, be entitled to charge a purchaser of any Protected Fare for any additional services:

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

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

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

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

### 4.1 **Content**

The Franchisee shall:

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

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

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

The Franchisee shall publicise its Passenger's Charter by:

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

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

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

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

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

The Franchisee shall:

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

4.7 The Franchisee shall use all reasonable endeavours:

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

5. **Not Used**

6. **Cycles**

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

7. **Not Used**

8. **Statutory Notices**

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

## SCHEDULE 1.5

### Information about Passengers

#### 1. Passenger Numbers Information

1.1 The Franchisee shall, as and when reasonably requested by the Secretary of State, provide information to the Secretary of State on the extent of the use by passengers of the Passenger Services. In particular and when so requested, the Franchisee shall provide information relating to:

- (a) the number of passengers travelling in each class of accommodation:
    - (i) on each Passenger Service;
    - (ii) on each Route; and/or
    - (iii) at any station or between any stations;
  - (b) the times of the day, week or year at which passengers travel; and
  - (c) the type of Rolling Stock Unit used in each case,
- (together, "**Actual Passenger Demand**").

1.2 The Franchisee shall obtain the information specified in paragraph 1.1:

- (a) on each Passenger Service;
- (b) on each Route; and
- (c) at any station or between any stations,

by using the technology specified in paragraph 1.6. The Franchisee shall ensure that any technology for determining the number of passengers travelling in each class of accommodation that is fitted on the Train Fleet remains operational and in good working order throughout the Franchise Period. The Secretary of State acting reasonably shall have the right to obtain such other information that the Franchisee has which may provide a more detailed or accurate view of the extent of use by passengers of the Passenger Services including information about ingress and egress of passengers at ticket gates at Stations.

1.3 The Franchisee shall provide to the Secretary of State all of the information generated by the technology specified in paragraph 1.6 including the information specified in paragraph 1.1:

- (a) using such systems, in such a format and to such level of disaggregation as the Secretary of State may reasonably require including by directly inputting data into a database maintained by the Secretary of State;
- (b) at a frequency and within timescales that the Secretary of State may reasonably request pursuant to paragraph 1.1;
- (c) to the extent required by the Secretary of State, by providing the Secretary of State with direct remote access to the system used by the Franchisee

to collect such information such that the Secretary of State is able to download such information; and

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

1.4 At the same time as the Franchisee provides any information in accordance with paragraph 1.1, it shall (if the Secretary of State requests it to do so):

- (a) update any Forecast Passenger Demand accordingly in the same format and to the same level of disaggregation as the Secretary of State requires pursuant to paragraph 1.3(a); and
- (b) notify the Secretary of State of any such update.

1.5 **Manual Passenger Counts**

- (a) The Secretary of State shall have the right to require the Franchisee to carry out manual counts in relation to some or all of the Passenger Services at such times as may be required and in such manner (including as to levels of accuracy and the number of days) as may be specified from time to time by the Secretary of State.
- (b) The Franchisee shall supply the details of any such counts undertaken to the Secretary of State, as soon as reasonably practicable but within 6 weeks from the date of completion of such counts, in such form as the Secretary of State may stipulate including by directly inputting data into a database maintained by the Secretary of State.
- (c) The Secretary of State shall be entitled to audit such counts (whether by specimen checks at the time of such counts, verification of proper compliance with the manner approved by him or otherwise). In the event that such audit reveals, in the reasonable opinion of the Secretary of State, a material error, or a reasonable likelihood of material error, in such counts, the Secretary of State may require the counts to be repeated or the results adjusted as he considers appropriate, and in these circumstances the Franchisee shall pay to the Secretary of State the costs of any such audits.

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

- (a) The technology to be used for the purpose of paragraph 1.2 shall be:
  - (i) Loadweigh on the Class 170 fleet (acknowledging the level of functionality of this technology and the anticipated return of the Class 170 fleet during the Franchise Term) and infra-red on the Class 350 and Class 185 fleets; and
  - (ii) in respect of the rolling stock in the Train Fleet from time to time, fitted to at least those rolling stock vehicles on which it was fitted at the Start Date; and
  - (iii) deployed by the Franchisee on each Passenger Service (for the entire duration of that Passenger Service) planned to be



operated with either Class 170, Class 350 or Class 185 rolling stock at least twice on each day, twice on a Saturday and twice on a Sunday (or such less frequent requirement as may be stipulated by the Secretary of State) in each period of not less than 24 weeks as the Secretary of State may from time to time specify for this purpose. This means that, for example, in relation to any individual Passenger Service, the passenger counting technology must have been deployed on that Passenger Service at least twice on a Monday, at least twice on a Tuesday and so on and so forth during the relevant period,

it being acknowledged that, for the purposes of paragraph 1.6(a)(iii), where any Passenger Service is not planned to be operated with either Class 170, Class 350 or Class 185 rolling stock (or any other class of rolling stock as may form part of the Train Fleet from time to time and which is fitted with relevant passenger counting technology) the Secretary of State will require the Franchisee to conduct manual counts (in such manner (including as to levels of accuracy) as the Secretary of State may specify) on each such Passenger Service at least twice on each day, twice on a Saturday and twice on a Sunday (or such less frequent requirement as may be stipulated by the Secretary of State) in each period of not less than 24 weeks as the Secretary of State may from time to time specify for this purpose. The provisions of paragraph 1.5 shall apply in respect of any manual counts conducted by the Franchisee pursuant to this paragraph 1.6(a).

(b) The Franchisee shall comply with its obligation under sub paragraph (a) above by no later than the Start Date.

1.7 The Parties acknowledge that the information supplied under paragraph 1.1 above, may constitute Confidential Information to which Schedule 17 (Confidentiality and Freedom of Information) applies.

2. Not used.

3. **CRM Data**

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

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

(b) the property of the Franchisee.

3.2 In relation to any CRM Data obtained by or on behalf of the Franchisee, the Franchisee shall ensure or procure that at the same time as the Franchisee seeks consent to Process such CRM Data, the consent of the Data Subject is also sought to such CRM Data being disclosed to any Successor Operator and/or the Secretary of State and Processed by any Successor Operator for the same purposes as the Franchisee sought consent to Process such CRM Data.

3.3 Any consent referred to in paragraph 3.2 shall be sought in such manner as shall from time to time be approved by the Secretary of State (such approval not to be

unreasonably withheld or delayed) and shall be on terms such as shall permit, in each case in compliance with the Data Protection Act:

- (a) the Franchisee to disclose such CRM Data to any Successor Operator and/or the Secretary of State; and
- (b) any such Successor Operator to process such CRM Data in the manner contemplated by paragraph 3.2.

3.4 The Franchisee shall not be required to:

- (a) disclose, publish, share or otherwise provide or make available any Personal Data (including CRM Data) to any person (including a Successor Operator or any participant involved with the re-letting of the Franchise); or
- (b) provide access to any CRM System,

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

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

4.1 The Franchisee shall ensure that any Yield Management Data and Yield Management System are the property of the Franchisee or are licensed to the Franchisee on terms which have been approved by the Secretary of State (such approval not to be unreasonably withheld or delayed).

4.2 If and to the extent that the collection, use and/or processing of any Yield Management Data is subject to the Data Protection Act then paragraphs 3.1(a), 3.2, 3.3 and 5 of this Schedule 1.5 shall apply in respect of Yield Management Data in the same way as they apply to CRM Data.

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

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

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

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

- (c) obtain and maintain all appropriate notifications as required under the Data Protection Act.

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

- (a) the Franchisee shall procure that any CRM Data Processor which it appoints shall:
  - (i) prior to any disclosure of CRM Data to the CRM Data Processor, enter into written terms between itself and the Franchisee which are equivalent to those contained in this paragraph 5.3; and
  - (ii) Process CRM Data only on behalf of the Franchisee, only for the purpose(s) as defined by the Franchisee and only in accordance with instructions received from the Franchisee from time to time;
- (b) the Franchisee shall, and shall procure that any CRM Data Processor which it appoints shall, at all times have in place appropriate technical and organisational measures against unauthorised or unlawful processing of CRM Data and against accidental loss or destruction of, or damage to, CRM Data and that such measures shall:
  - (i) reflect the level of harm, damage and/or distress that might be suffered by the Data Subject to whom the CRM Data relates in the event of a breach of the measures as set out herein; and
  - (ii) ensure that only authorised personnel have access to CRM Data and that any persons authorised to have access to CRM Data will respect and maintain all due confidentiality; and
  - (iii) (in the case of the CRM Data Processor) include compliance with a schedule of minimum security measures pursuant to the written terms between the Franchisee and the CRM Data Processor;
- (c) the Franchisee shall procure that any CRM Data Processor which it appoints shall:
  - (i) promptly notify the Franchisee of any actual or suspected, threatened or 'near miss' incident of accidental or unlawful destruction or accidental loss, alteration, unauthorised or accidental disclosure of or access to the CRM Data or other breach of this paragraph 5.3(c) ("**Security Breach**") and, pursuant to this the Franchisee shall promptly notify the Secretary of State of all Security Breaches by itself or by the CRM Data Processor (the Franchisee hereby acknowledges that whilst the Secretary of State is not a Data Controller in respect of the CRM Data, the Secretary of State's legitimate interests given its duties under the Act may be affected in the event of a Security Breach and as such

the Secretary of State wishes to be notified of the same);  
and

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

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

## SCHEDULE 1.6

### Franchise Services

#### 1. Franchise Services

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

#### 2. Restrictions relating to Franchise Services

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

2.2 The Franchisee shall not without the prior written consent of the Secretary of State operate Passenger Services other than on the following routes (and in the event of disruption, any reasonable diversionary route):

(a) are between:

(i) North TransPennine:

- (A) Leeds and Hull;
- (B) Liverpool Lime Street and Hull;
- (C) Manchester Piccadilly and Hull;
- (D) Manchester Airport and Middlesbrough via Yarm;
- (E) York and Middlesbrough via Darlington;
- (F) York and Middlesbrough via Yarm;
- (G) Liverpool Lime Street and Middlesbrough via Yarm;
- (H) Liverpool Lime Street and Newcastle via Manchester Victoria;
- (I) Manchester Airport and Newcastle;
- (J) Manchester Piccadilly and Newcastle;
- (K) York and Newcastle;
- (L) Liverpool Lime Street and Scarborough via Manchester Piccadilly;
- (M) Leeds and Scarborough;
- (N) Manchester Airport and Scarborough;

- (O) Liverpool Lime Street and York via Manchester Piccadilly;
- (P) Manchester Airport and York;
- (Q) Manchester Piccadilly and York;
- (R) Hull and Huddersfield;
- (S) Middlesbrough and Manchester Airport via Darlington;
- (T) Middlesbrough and Manchester Piccadilly via Yarm;
- (U) Newcastle and Liverpool Lime Street;
- (V) Scarborough and Manchester Piccadilly;
- (W) Scarborough and York;
- (X) Leeds and Manchester Piccadilly;
- (Y) Manchester Piccadilly and Liverpool Lime Street; and
- (Z) Scarborough and Liverpool Lime Street;

(ii) South TransPennine:

- (A) Manchester Airport and Cleethorpes via Stockport, Rotherham and Mexborough;
- (B) Manchester Airport and Sheffield via Stockport;
- (C) Manchester Airport and Sheffield via Romiley;
- (D) Manchester Airport and Sheffield via Huddersfield;
- (E) Sheffield and Cleethorpes via Rotherham and Mexborough;
- (F) Sheffield and Cleethorpes via Rotherham Central; and
- (G) Doncaster and Manchester Airport via Stockport, Rotherham and Mexborough;

(iii) North West TransPennine:

- (A) Lancaster and Windermere via Morecambe;
- (B) Lancaster and Windermere (direct);

- (C) Lancaster and Barrow-in-Furness;
- (D) Manchester Airport to Blackpool North;
- (E) Manchester Airport and Barrow-in-Furness;
- (F) Manchester Airport and Windermere;
- (G) Manchester Piccadilly and Barrow-in-Furness;
- (H) Oxenholme Lake District and Windermere;
- (I) Preston and Barrow-in-Furness;
- (J) Preston and Windermere;
- (K) Preston and Blackpool North;
- (L) Barrow-in-Furness and Manchester Airport via Chorley and Bolton;
- (M) Barrow-in-Furness and Manchester Victoria via Chorley and Bolton;
- (N) Blackpool North and Manchester Airport via Wigan North Western;
- (O) Blackpool North and Manchester Airport via Chorley and Bolton;
- (P) Blackpool North and Manchester Oxford Road via Chorley and Bolton;
- (Q) Preston and Manchester Airport via Chorley and Bolton;
- (R) Windermere and Manchester Airport via Chorley and Bolton; and
- (S) Windermere and Blackpool North; and

(iv) Anglo-Scottish:

- (A) Edinburgh Waverley and Manchester Airport via Golborne Junction and Carlisle;
- (B) Edinburgh Waverley and Manchester Airport via Carlisle;
- (B) Glasgow Central and Manchester Airport via Golborne Junction and Carlisle;
- (D) Glasgow Central and Manchester Airport via Carlisle;
- (E) Preston and Manchester Airport via Carlisle;

- (F) Lancaster and Manchester Airport via Carlisle;
- (G) Manchester Piccadilly and Glasgow Central via Carlisle;
- (H) Manchester Piccadilly and Preston via Golborne Junction; and
- (I) Manchester Airport and Preston via Golborne Junction.

2.3 The Secretary of State may impose such conditions to his consent as he considers appropriate for the purpose of securing the continuity of the provision of the Franchise Services at the end of the Franchise Term.

2.4 The Franchisee shall not during the Franchise Term, without the consent of the Secretary of State:

- (a) provide or operate any railway passenger services other than the Passenger Services or Charter Services;
- (b) operate any stations or light maintenance depots other than the Stations and Depots; or
- (c) hold shares, participations or any other interest in any other company or body corporate unless such company or body corporate is:
  - (i) Network Rail; or
  - (ii) owned directly or indirectly by another participant in the railway industry and the holding is incidental to the Franchisee's participation in an Inter-Operator Scheme or any other arrangement designed to ensure or facilitate co-operation between such participants or between any such participants and any other person.

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

### 3. **Station Services**

3.1 The Station Services shall comprise:

- (a) the provision of any services to persons at Stations or to Train Operators whose trains call at such Stations, provided that such services:
  - (i) are made available only or principally to passengers alighting from or joining trains calling at such Stations and to such Train Operators;
  - (ii) are provided in connection with the calling of trains at such Stations and are not designed to encourage passengers or other persons to use such Station Services other than in connection with a journey on a train calling at such Stations;



- (iii) exclude the sale or issue (for a charge) of any goods other than passenger timetables and any items included in the price of a Fare; and
- (iv) may include the provision of car parking spaces; and
- (b) the provision of access to any person under an Access Agreement at any Station.

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

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

4.1 Light Maintenance Services shall comprise:

- (a) the provision of access to any other person under an Access Agreement;
  - (b) the carrying out of inspections of rolling stock vehicles;
  - (c) the carrying out of maintenance work on rolling stock vehicles of a kind which is normally carried out at regular intervals of 12 months or less;
  - (d) replacement of failed components and consumables on rolling stock vehicles;
  - (e) the preparation of rolling stock vehicles for service;
  - (f) the stabling or other temporary holding of rolling stock vehicles;
  - (g) the refuelling of rolling stock vehicles;
  - (h) the replenishment of water tanks; and
  - (i) the cleaning of the exterior or the interior of rolling stock vehicles,
- in each case for itself and/or other Train Operators, at any Station or Depot.

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

#### 5. **Ancillary Services**

The Franchisee may carry out the following Ancillary Services:

- (a) the selling, lending or hiring of any goods or rights and the provision of any services (whether for a charge or not) on any train used in the provision of the Passenger Services where such goods or services are sold or provided principally for consumption or use on the relevant train, including the sale of any Fares, meals, light refreshments, newspapers, magazines, books, entertainment materials or phone cards;
- (b) the provision of any service at any station which, if provided on a train used in the provision of the Passenger Services, would fall within

paragraph 5(a) or which, if provided at a Station, would fall within paragraph 3 and which, in each case, is made available only or principally to persons at such stations who either are about to travel or have recently travelled on a train used in the provision of the Passenger Services;

- (c) in any Reporting Period, the subleasing, hiring or licensing of up to ten per cent. of the rolling stock vehicles used in the provision of the Passenger Services (such percentage to be determined by reference to the aggregate period of time for which such rolling stock vehicles are sub-let, hired or licensed and the aggregate period of time for which they are used in the provision of the Passenger Services);
- (d) the lending, seconding, hiring or contracting out during any Reporting Period to another person or persons (whether for a charge or not) of:
  - (i) up to one per cent. of the number of Franchise Employees as at the Start Date, for over ninety per cent. of their normal working hours during such Reporting Period (including on a full-time basis); and
  - (ii) one per cent. of any other Franchise Employees as at the Start Date,  
  
provided that this paragraph shall not apply to any employee lent, seconded, hired or contracted out under any of paragraphs 5(a) to 5(c) inclusive and 5(e) to 5(o) inclusive, or engaged in any other activity which is permitted under this Schedule 1.6;
- (e) the selling at any location of any Fare which is valid, in whole or in part, on the Passenger Services and the selling of any other Fare at any location where such Fares may be purchased from the Franchisee on or before the date of the Franchise Agreement or at any other location, provided that the majority of Fares sold at any such other location shall be Fares which are valid, in whole or in part, on the Passenger Services;
- (f) the selling, in conjunction with any Fare, of any other rights which entitle the purchaser thereof to:
  - (i) travel on any other train or light rail service;
  - (ii) travel on any aircraft;
  - (iii) travel on any shipping or ferry service;
  - (iv) travel on any bus; or
  - (v) attend any event or attraction or enter any location;
- (g) the lending, seconding, hiring or contracting out of Franchise Employees to other Train Operators in order to enable such Train Operators to provide services at the Stations to passengers travelling on any such operator's trains;
- (h) the provision of telephone information relating to railway passenger services within Great Britain to passengers;

- (i) the supervision, management and training of train crew of other Train Operators provided such activity is necessarily incidental to the provision of the Passenger Services and could not reasonably be carried out by or through an Affiliate of the Franchisee;
- (j) the subleasing, hiring, licensing, lending, selling of any rolling stock vehicles or other assets of the Franchisee or the lending, hiring or contracting out of any employees of the Franchisee or the provision of any other services to Network Rail or any other Train Operator on an emergency basis;
- (k) the licensing or permitting of any other person (including an Affiliate of the Franchisee) to carry out any activity or business, in connection with the provision of the Franchise Services, or otherwise, on any rolling stock vehicle operated by the Franchisee, at any station served by the Passenger Services, at any Depot, or otherwise (including the letting, leasing or licensing (on an exclusive basis or otherwise) of any part or all of a Station or Depot to such other person);
- (l) such other activity or business as may be reasonably necessary for the purpose of providing any other Franchise Services or complying with the Franchise Agreement, provided that it could not reasonably be carried out by or through an Affiliate of the Franchisee;
- (m) not used;
- (n) the provision or operation of Charter Services, subject to the Train Mileage of such Charter Services not exceeding in any Reporting Period two per cent. of the scheduled Train Mileage of Passenger Services provided by the Franchisee in such Reporting Period;
- (o) the provision of consultancy services reasonably ancillary to the provision of the other Franchise Services; and
- (p) any services or activity not falling within paragraphs 3, 4 or 5(a) to 5(o), subject to the gross value of any such services or activity (excluding any attribution of costs) not exceeding £25,000 per annum in each Franchisee Year, per item and in aggregate, £250,000 per annum in each Franchisee Year, provided that in the second Franchisee Year (if applicable), these amounts will be increased by "RPI", and "RPI" shall have the meaning given to it in Schedule 8.2 (Annual Franchise Payments).

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

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

## **SCHEDULE 1.7**

### **The Train Fleet**

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

The Train Fleet consists of the rolling stock vehicles set out in Table 1, with the capacity characteristics referred to there, until the lease expiry dates referred to there.

2. The Passenger Carrying Capacity of any rolling stock vehicles shall be determined by the Secretary of State in accordance with paragraph 6 of this Schedule 1.7.

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

- (a) to the classes or types;
- (b) to the interior configurations; or
- (c) which may reduce the journey time capabilities,

of any rolling stock vehicles specified in the Train Fleet.

4. The Franchisee shall procure that the rolling stock vehicles described in Table 1, with the capacity and other characteristics referred to there, are available for deployment in the provision of the Passenger Services to the extent required by the Timetable and Train Plan during the periods referred to there.

5. During the Franchise Term, the Franchisee shall advise the Secretary of State of any rolling stock vehicles damaged beyond economic repair or likely to be unavailable for service for a period of three consecutive Reporting Periods or more.

6. If any change is made to the Train Fleet in accordance with this Schedule 1.7, the Secretary of State may, after consulting the Franchisee, notify the Franchisee of the Passenger Carrying Capacity of any rolling stock vehicles or class of rolling stock vehicles comprising the Train Fleet following such change.

**Table 1 (existing vehicles) <sup>3</sup>**

<b>Column 1</b>	<b>Column 2</b>	<b>Column 3</b>				<b>Column 4</b>	<b>Column 5</b>
<b>Class of vehicle</b>	<b>Number of vehicles and unit configuration</b>	<b>Capacity of units</b>				<b>Owner / Lessor</b>	<b>Lease start / expiry date(s)</b>
		<b>Seats</b>	<b>Standing</b>	<b>Total</b>	<b>Standard Class</b>		
185	153 / 3-car	181	N/A	181	166		
350/4	40 / 4-car	205	N/A	205	186		
170	18 / 2-car (until May 2015)	124	N/A	124	116		
170	8 / 2-car (until Feb 7 2016)	124	N/A	124	116		
156	Up to 14 / 2-car units as may be delivered on a daily basis*	146	N/A	146	146		

\* The Class 156 sub-hire agreement is dated the same date as this Franchise Agreement and provides for units to be provided for use in passenger service from the Passenger Change Date in May 2015.

<sup>3</sup> Where text has been omitted from the document this is because the Director General Rail or Secretary of State has decided to exclude the text in accordance with the provisions within the Freedom of Information Act 2000.

## **SCHEDULE 2**

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

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

## SCHEDULE 2.1

### Asset Vesting and Transfer

#### 1. Property Leases

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

## **SCHEDULE 2.2**

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

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

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

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

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

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

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

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

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

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



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

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

2. **Rolling Stock Related Contracts and insurance arrangements**

2.1 The Franchisee shall not:

- (a) execute any Rolling Stock Related Contract;
- (b) exercise any option or other discretion in any Rolling Stock Related Contract that would result in any increased payment or delay in delivery being made by or to the Franchisee or the relevant counterparty or which may result in it being reasonably likely to be unable to comply with the terms of the Franchise Agreement; or
- (c) amend or waive the terms of any Rolling Stock Related Contract,

without, in each case, the prior written consent of the Secretary of State (not to be unreasonably withheld); and

2.1A The Franchisee shall supply a copy of all draft Rolling Stock Related Contracts and, immediately following execution, all executed Rolling Stock Related Contracts (including any agreement amending any Rolling Stock Related Contract) together with such other information or documentation relating to such Rolling Stock Related Contract and/or the relevant rolling stock as the Secretary of State may request (which may include offer letters (original and final), the terms proposed by any person providing finance in relation to the relevant rolling stock (including cash flows), any agreement (in whatever form) to which the Franchisee (or an Affiliate of the Franchisee) is a party and which relates to the relevant rolling stock, information relating to capital allowances, details of any changes in the terms (including rentals) on which the relevant rolling stock is proposed to be leased compared to the terms on which such rolling stock was previously leased, a detailed justification of the Franchisee's proposed maintenance strategy for the relevant rolling stock and/or the Franchisee's analysis of the whole life costs of the relevant rolling stock) to the Secretary of State.

2.1B Where the information or documentation so requested by the Secretary of State is not held by the Franchisee, the Franchisee shall use reasonable endeavours to obtain the relevant information or documentation from a third party (including any person from whom the Franchisee leases rolling stock).

2.2 The Franchisee shall not, without the prior written consent of the Secretary of State:

- (a) amend the terms of any insurance arrangements which relate to rolling stock vehicles used by it in the provision of the Passenger Services to which it is a party on the Start Date; or
- (b) enter into any new insurance arrangements after the Start Date which relate to rolling stock vehicles used or to be used by it in the provision of the Passenger Services ("**New Insurance Arrangements**").

- 2.3 Not used.
- 2.4 The Franchisee shall, in addition, if it enters into any New Insurance Arrangements, use all reasonable endeavours to ensure that the relevant insurers waive their rights of subrogation against any Train Operator which may have equivalent insurance arrangements providing for a similar waiver of rights of subrogation against the Franchisee, whether on a reciprocal basis or otherwise.
- 2.5 Without limiting paragraph 2.1, where the rolling stock to be leased by the Franchisee under any Rolling Stock Lease is Cascaded Rolling Stock the Secretary of State may:
- (a) as a condition of giving his consent to the Franchisee executing such Rolling Stock Lease, require that such Rolling Stock Lease contains a provision whereby, in the event of a Relevant Delay, the Secretary of State may require that such Cascaded Rolling Stock can continue to be used by the Prior Train Operator during such period as the Secretary of State shall specify. Without limitation this may include the Franchisee subleasing the Cascaded Rolling Stock back to the Prior Train Operator and/or a delay to the date on which the Cascaded Rolling Stock is required to be delivered to the Franchisee under such Rolling Stock Lease; and
  - (b) where the Secretary of State requires such a provision to be included in the relevant Rolling Stock Lease, if a Relevant Delay occurs, require the Franchisee to make the Cascaded Rolling Stock available for use by the Prior Train Operator during such period as the Secretary of State may require.

For the purpose of paragraph 2.5, paragraph 2.6 and paragraph 2.7:

**"Cascaded Rolling Stock"** means rolling stock proposed to be used by the Franchisee in the provision of the Passenger Services the availability of which is, in the opinion of the Secretary of State, directly or indirectly dependent upon the successful introduction into service of any Relevant Rolling Stock by any other Train Operator;

**"Prior Train Operator"** means the Train Operator which used or is using the Cascaded Rolling Stock immediately prior to its proposed use by the Franchisee;

**"Relevant Delay"** means any delay to the successful introduction into service of any Relevant Rolling Stock; and

**"Relevant Rolling Stock"** means rolling stock to be acquired by another Train Operator which, when acquired, will initiate the "cascade" of rolling stock that directly or indirectly makes the Cascaded Rolling Stock available for use by the Franchisee.

2.6

- (a) Where the Secretary of State exercises his right pursuant to paragraph 2.5(b) to make Cascaded Rolling Stock available for use by the Prior Train Operator during a specified period there shall be a Change and where this is a Qualifying Change, it shall be assumed that the period that the Prior Train Operator retains any Cascaded Rolling Stock shall not exceed ninety days and the only Revised Inputs shall be in relation to the difference between each of the rolling stock lease

costs and variable track usage charge for the Cascaded Rolling Stock and the rolling stock lease costs and variable track usage charge applicable in relation to whatever rolling stock is to be used by the Franchisee in place of the Cascaded Rolling Stock.

- (b) Where there is a Change pursuant to paragraph 2.6(a) and the period that the Prior Train Operator retains any Cascaded Rolling Stock is more than ninety days there shall be a further Change. Where such Change is a Qualifying Change the modifications to the methodology for calculating Revised Inputs provided for in paragraph 2.6(a) shall not apply.
- (c) Where there is a Change pursuant to paragraphs 2.6(a) or 2.6(b) and any such Change is a Qualifying Change there shall be a further Change (which shall be a Qualifying Change irrespective of whether such Change meets the requirements of the definition of Qualifying Change) on the date that the last Cascaded Rolling Stock ceases to be retained by the Prior Train Operator.

## 2.7

- (a) Where the Secretary of State exercises his right pursuant to paragraph 2.5(b) to make the Cascaded Rolling Stock available for use by the Prior Train Operator during a specified period the Franchisee shall not be liable for any failure to comply with its obligations under the Franchise Agreement to the extent that:
  - (i) such failure to comply arises directly as a result of the Franchisee being unable to use the Cascaded Rolling Stock; and
  - (ii) the Franchisee uses all reasonable endeavours to comply with the relevant obligations notwithstanding the unavailability of the Cascaded Rolling Stock.
- (b) The Franchisee shall notify the Secretary of State as soon as reasonably practicable if it becomes aware of any material risk that a Relevant Delay will occur. If a Relevant Delay does occur the Franchisee shall use all reasonable endeavours to mitigate the impact on the delivery of the Franchise Services of the unavailability of the Cascaded Rolling Stock at the expected time including by identifying and proposing value for money alternative sources of replacement rolling stock.
- (c) If a Relevant Delay has occurred or the Secretary of State believes that there is a material risk that a Relevant Delay will occur he may serve a notice on the Franchisee requiring it to produce a plan to a reasonable specification provided with the notice to remedy or mitigate the impact of the delayed availability of the Cascaded Rolling Stock ("**Delayed Cascade Mitigation Plan**"). Such specification may include measures to be implemented by the Franchisee to mitigate the direct or indirect impact of the Relevant Delay on the Prior Train Operator or any other affected Train Operator. The Delayed Cascade Mitigation Plan shall provide a comprehensive analysis backed by relevant data and assumptions of:

- (i) all cost and revenue and other financial implications of options contained within it including the potential implications for Franchise Payments;
- (ii) the implications (if any) for the Benchmarks; and
- (iii) the likely impact of options within it for existing and future passenger journeys and journey opportunities.

The Franchisee shall meet with the Secretary of State to discuss the Delayed Cascade Mitigation Plan and provide such further information or analysis and further iterations of the Delayed Cascade Mitigation Plan as the Secretary of State shall reasonably require.

### 3. **Assignment of Property Leases during the Franchise Term**

- 3.1 The Franchisee shall (other than on termination of the Franchise Agreement, for which the provisions of paragraph 4.5 of Schedule 15.4 (Provisions Applying on and after Termination) shall apply) following receipt of a notice purporting to terminate a Property Lease or on becoming aware of any proceedings or any other steps having or purporting to have similar effect, if requested by the Secretary of State, assign its interest under all or any Property Leases to the Secretary of State or as he may direct, subject where applicable to the agreement of any other party to such Property Lease or the ORR.
- 3.2 Such assignment shall be on such terms as the Secretary of State may reasonably require, including:
  - (a) that the Franchisee shall not be released from any accrued but unperformed obligation, the consequences of any antecedent breach of a covenant or obligation in the Property Leases or any liability in respect of any act or omission under or in relation to the Property Lease prior to, or as at the date of, any such assignment (except to the extent that the Secretary of State or his nominee agrees to assume responsibility for such unperformed obligation, such liability or the consequences of such breach in connection with the relevant assignment); and
  - (b) that neither the Secretary of State nor his nominee shall be obliged, in connection with such assignment, to agree to assume responsibility for any unperformed obligation, liability or consequences of a breach referred to in paragraph 3.2(a), and the Franchisee shall indemnify the Secretary of State or his nominee, as the case may be, on an after-tax basis against any costs, losses, liabilities or expenses suffered or incurred in relation thereto.
- 3.3 The Franchisee shall, on the occurrence of any of the circumstances specified in paragraph 3.1 in relation to any other Train Operator who is a party to a Property Lease to which the Franchisee is also party, agree to the assignment of such Train Operator's interest under the relevant Property Lease to the Secretary of State or as he may direct, subject, where applicable, to the consent of Network Rail. The provisions of paragraph 3.2 shall apply to any such assignment.
- 3.4 The Franchisee shall notify the Secretary of State on becoming aware of any circumstances which might lead to the Secretary of State being able to require the Franchisee to assign its interest or agree to the assignment of another Train Operator's interest under this paragraph 3.

#### 4. **Station and Depot Leases**

4.1 The Franchisee shall at all times enforce its rights under each Station Lease and Depot Lease.

4.2 The Franchisee shall not:

- (a) terminate or agree to terminate in whole or in part, or take or omit to take any other action which might result in the termination of any Station Lease or Depot Lease;
- (b) assign all or part of its interest under any Station Lease or Depot Lease; or
- (c) sublet the whole or substantially the whole of the property comprised in any Station Lease or Depot Lease,

except to the extent that the Secretary of State may otherwise agree from time to time (such agreement not to be unreasonably withheld if the Franchisee has made arrangements, reasonably satisfactory to the Secretary of State, for the continued operation of such Station or Depot (as the case may be) for the remainder of the Franchise Term or if consent to the Closure of the relevant Station or Depot has been granted).

#### 5. **Station Subleases**

5.1 Unless the Secretary of State agrees otherwise, the Franchisee shall not sublet to any of its Affiliates any part of the property comprised in any Property Lease except on terms that any such subletting:

- (a) (other than any subletting to an Affiliate which is a Train Operator) is terminable without compensation immediately upon the termination of the Franchise Agreement; and
- (b) is excluded from the provisions of Part II of the Landlord and Tenant Act 1954 and the Tenancy of Shops (Scotland) Act 1949.

5.2 If so requested by the Secretary of State, the Franchisee shall:

- (a) extend each Station Sublease on the same terms for such period as the Secretary of State may request (including a period equivalent to the franchise term of the Train Operator who is the lessee under such Station Sublease); and
- (b) if such Station Sublease terminates (which for the purposes of this paragraph 5.2(b) shall include the termination, at or around the time of termination of the Previous Franchise Agreement, of a station sublease in respect of which the Franchisee was the lessor), grant a new Station Sublease on the same terms to such Train Operator and for such period as the Secretary of State may request (including a period equivalent to the franchise term of the Train Operator who is the lessee under such Station Sublease),

subject, where required, to the consent of Network Rail (and, if required, the relevant sub-lessee) and to the duration of the relevant Station Lease.

- 5.3 The Franchisee shall notify the Secretary of State immediately on it becoming aware of any event which might give the Franchisee a right to forfeit or terminate any Station Sublease. The Franchisee shall notify the Secretary of State if it wishes to forfeit or terminate any such Station Sublease but shall not (without the Secretary of State's prior written consent) effect such forfeiture or termination until the date which occurs three months after the date of such notice.

## **SCHEDULE 2.3**

### **Third Party Delivery of Passenger Services and Other Franchisees**

#### **1. Subcontracting any Passenger Services**

- 1.1 Subject to paragraph 1.2, the Franchisee may not subcontract or delegate the provision of the Passenger Services without the prior written consent of the Secretary of State.
- 1.2 The Franchisee may subcontract or delegate the provision of the Passenger Services, provided that:
- (a) the Secretary of State receives prior written notice of any such subcontracting or delegation;
  - (b) the Franchisee continues to be party to all Access Agreements and Property Leases necessary to provide such Passenger Services and to enjoy all relevant access and operational rights thereunder;
  - (c) the Franchisee continues to specify and control the terms and conditions (subject to the requirements of the Inter-Operator Schemes) on which such Passenger Services are to be provided, including the determination of the Price or Child Price (as the case may be) of any Fares;
  - (d) the Train Mileage of the Passenger Services so delegated or subcontracted does not exceed 5 per cent. of the aggregate scheduled Train Mileage of the Franchisee in any Reporting Period; and
  - (e) the Franchisee continues to perform its obligations under Schedule 1.1 (Service Development) in respect of any subcontracted or delegated services.
- 1.3 Any such subcontracting or delegation shall not relieve the Franchisee from any of its obligations under the Franchise Agreement, including its obligations under this paragraph 1 and Schedule 14 (Preservation of Assets).

#### **2. Other Franchisees**

- 2.1 If the franchise agreement of another franchisee terminates or a railway administration order is made in respect of another franchisee, the Franchisee shall co-operate with any reasonable request of the Secretary of State to ensure:
- (a) that the services provided or operated by such other franchisee may continue to be provided or operated by any successor Train Operator or the railway administrator; and
  - (b) that the benefit of any arrangements between the Franchisee and such other franchisee which were designated as a key contract under such franchise agreement immediately prior to its termination or to a railway administration order being made will continue to be provided to any successor Train Operator or to the railway administrator.
- 2.2 The benefit of any arrangements of the type referred to in paragraph 2.1(b) shall be provided on substantially the same terms as previously obtained by the

relevant franchisee, subject to paragraph 9 of Schedule 19 (Other Provisions) and paragraph 2.3, provided that the Secretary of State may exclude or modify any terms agreed or amended by such franchisee in the 12 months preceding the date on which such franchisee's franchise agreement was terminated or the date on which the relevant railway administration order was made which were, in the Secretary of State's reasonable opinion, to the material detriment of such franchisee's business. The benefit of such arrangements shall be provided for such period as the Secretary of State may reasonably require to allow the relevant Train Operator or railway administrator to renegotiate such arrangements or make alternative arrangements.

- 2.3 The Franchisee shall notify the Secretary of State of its intention to terminate any contract with any other Train Operator which is designated as a "Key Contract" under that Train Operator's franchise agreement and shall give that Train Operator sufficient notice to enable it to make suitable alternative arrangements for its passengers without causing disruption to the railway passenger services provided by such Train Operator.
- 2.4 If the franchise agreement of another franchisee terminates in contemplation of the entry into or entry into effect of a new franchise agreement with the same franchisee in respect of all or a material part of the relevant railway passenger services, the Franchisee shall waive any event of default or other right it may have to terminate any agreement with such franchisee arising out of such termination, provided that the entry into or entry into effect of such new franchise agreement takes place.
- 2.5 References in this paragraph 2 to a franchisee include references to any franchise operator of that franchisee.



## **SCHEDULE 2.4**

### **Other Franchise Operations**

#### **1. Rolling Stock Testing and Commissioning**

1.1 The Franchisee shall, to the extent reasonably requested by the Secretary of State and subject to payment of the Franchisee's reasonable costs by the relevant third party, co-operate with any third party which the Secretary of State may specify (including a Successor Operator, a rolling stock vehicle manufacturer, Network Rail or the Secretary of State) in connection with the testing and commissioning of new rolling stock vehicles or any new equipment to be fitted to rolling stock vehicles (whether such rolling stock vehicles are new or otherwise). Such co-operation shall not unreasonably disrupt the provision and operation of the Franchise Services and may include:

- (a) the movement of test trains within and around depots;
- (b) making available suitably qualified personnel to operate test trains along the Routes and provide information on the Routes;
- (c) making Train Slots available for such purposes;
- (d) granting or procuring the grant of access to the third party and its representatives to any relevant facilities; and
- (e) the delivery of rolling stock vehicles to specific locations.

#### **2. Restrictions on Closures of Railway Passenger Services or Railway Facilities**

2.1 Except to the extent that the Secretary of State agrees otherwise, the Franchisee shall not:

- (a) cease to operate;
- (b) cease to secure the operation of; or
- (c) propose to terminate the use of,

any Station (or part of a Station) or any railway passenger service over a Route where such cessation or proposal might result in a Closure.

2.2 If any procedures are commenced under Part 4 of the Railways Act 2005 in relation to a Closure, the Franchisee shall, at its own cost and to the extent so requested by the Secretary of State, take such action as the Secretary of State may require in order to enable the Secretary of State to comply with any duty imposed on him under Part 4 of the Railways Act 2005 in relation to such Closure.

#### **3. Not Used**

#### **4. Royal Train**

4.1 The Franchisee shall, if and to the extent requested by any person (including Rail Express Systems Limited) and subject to the payment by such person of any

reasonable costs of the Franchisee, co-operate in the provision by such person of railway passenger services for Her Majesty Queen Elizabeth II or any successor head of state or members of the family or representatives of either of them.

4.2 The provision of railway services for Her Majesty Queen Elizabeth II or any successor head of state or members of the family or representatives of either of them may include:

- (a) running a "sweeper" train in front of the royal train;
- (b) having spare locomotives on standby as rescue traction; and/or
- (c) carrying out security requirements or co-operating with other persons in ensuring that security requirements are carried out prior to calling at any station on the Routes.

## SCHEDULE 2.5

### Transport, Travel and Other Schemes

1. **Not Used**

2. **Local Authority Concessionary Travel Schemes**

2.1 The Franchisee shall:

- (a) subject to paragraph 2.2, participate in and comply with its obligations under:
  - (i) the Concessionary Travel Schemes; and
  - (ii) any other concessionary travel scheme which the Franchisee is required to participate in during the Franchise Term pursuant to paragraph 2.1(b); and
- (b) subject to paragraph 2.3, if so requested by the Secretary of State, participate in and comply with its prospective obligations under:
  - (i) any Concessionary Travel Schemes, the terms of which have been amended since the date of the Franchise Agreement; and
  - (ii) such other concessionary travel schemes as any relevant Local Authority may require or request it to participate in.

2.2 Subject to the terms of the relevant Concessionary Travel Schemes, the Franchisee shall be entitled to cease to participate in any scheme referred to in paragraph 2.1(a) where, in the reasonable opinion of the Secretary of State:

- (a) the Franchisee's continuing participation in such scheme; and/or
- (b) the obligations assumed by the relevant Local Authority in connection therewith;

each pursuant to Part II of the Travel Concession Schemes Regulations 1986 (SI 1986/77) (the "**Regulations**"), would fail to leave the Franchisee financially no worse off (within the meaning of the Regulations) that it was immediately following the Start Date.

2.3 The Secretary of State shall not require the Franchisee to participate in a scheme referred to in paragraph 2.1(b) where the Secretary of State is reasonably satisfied that:

- (a) the reimbursement arrangements with respect to the Franchisee's participation in any such scheme; and/or
- (b) the obligations to be assumed by such Local Authority in connection therewith,

each pursuant to the Regulations would fail to leave the Franchisee financially no worse off (within the meaning of the Regulations) as a result of such participation.

- 2.4 The Secretary of State shall consult the Franchisee before making any request of the Franchisee to participate in any amended or new concessionary travel scheme pursuant to paragraph 2.1(b) and shall allow the Franchisee a reasonable opportunity to make representations to him with respect to any such participation.
- 2.5 The Franchisee shall supply to the Secretary of State, in respect of any concessionary travel schemes referred to in paragraph 2.1, such information within such period as the Secretary of State may reasonably require for the purposes of determining whether or not the Franchisee is or will be financially no worse off (within the meaning of the Regulations) as a consequence of its participation in any such scheme, and/or the obligations assumed by such Local Authority in connection therewith.
- 2.6 If the Secretary of State and the Franchisee are unable to agree whether the Franchisee will be financially no worse off (within the meaning of the Regulations), the Secretary of State and the Franchisee may resolve such dispute in accordance with the Dispute Resolution Rules.

3. **Not Used**

4. **Discount Fare Schemes**

4.1 If the Secretary of State:

- (a) effects, or proposes to effect, an amendment to a Discount Fare Scheme;
- (b) introduces any new Discount Fare Scheme; or
- (c) ceases to approve a Discount Fare Scheme,

for the purposes of Section 28 of the Act, such amendment, intended amendment, introduction or cessation of approval shall be a Change.

- 4.2 The Secretary of State shall provide a reasonable opportunity to the Franchisee to make representations to him before amending, introducing or ceasing to approve a Discount Fare Scheme pursuant to paragraph 4.1.
- 4.3 The Franchisee shall supply to the Secretary of State, in respect of any Discount Fare Scheme referred to in paragraph 4.1, such information within such period as the Secretary of State may reasonably require for the purposes of determining the financial effect of any such amendment, intended amendment, introduction or cessation of approval.

5. **Inter-Operator Schemes**

- 5.1 The Franchisee shall participate in and comply with its obligations under the terms of each of the Inter-Operator Schemes.
- 5.2 Without limiting paragraphs 5.1 and 5.3, the Franchisee agrees to be bound by Parts IV and V of Chapter 4 of the Ticketing and Settlement Agreement and shall not amend, or agree or propose to amend, the Ticketing and Settlement Agreement without the prior written consent of the Secretary of State.
- 5.3 The Franchisee shall not amend, or agree or propose to amend, any Inter-Operator Scheme other than in accordance with its terms.

5.4 The Franchisee shall:

- (a) provide reasonable notice to the Secretary of State of any proposal to amend any Inter-Operator Scheme which it intends to make or of which it receives notification and which, in its opinion, is reasonably likely materially to affect the provision of the Franchise Services; and
- (b) have regard to the Secretary of State's views in respect of any such proposal.

5.5 If an amendment is effected or proposed to be effected to an Inter-Operator Scheme which requires the consent or approval of the Secretary of State in accordance with the terms thereof, such amendment shall be treated as a Change to the extent and only to the extent that the Franchisee makes a saving as a consequence of such amendment or proposed amendment.

## **APPENDIX 1**

### **Concessionary Travel Schemes**

The Concessionary Travel Schemes for this Franchise are as follows:

#### **1 Integrated Transport Schemes**

None

#### **2 Local Authority Concessionary Travel Schemes**

2.1 Transport for Greater Manchester: Concessionary Fares Scheme (free, discounted price or flat fares for elderly, disabled and young persons).

2.2 Merseytravel: Concessionary Fares Scheme (free or discounted price travel for elderly, disabled and young persons).

2.3 West Yorkshire Combined Authority: Concessionary Fares Scheme (free or discounted price travel for senior citizens, blind, disabled and young persons).

2.4 South Yorkshire Passenger Transport Executive: Concessionary Fares Scheme.

2.5 Education season ticket schemes also operate with the following:

Lancashire County Council, Cheshire County Council, Derbyshire County Council, and Cumbria County Council.

2.6 Concessionary schemes with the following bodies:

Durham County Council, North Lincolnshire County Council, North East Lincolnshire County Council, Hull City Council and Derbyshire County Council.

2.7 Scholar Season Ticket schemes with the following authorities:

North Lincolnshire County Council, North East Lincolnshire County Council, West Yorkshire Combined Authority, Lincolnshire County Council, Hull City Council.

#### **3 Multi-modal Fares Schemes**

3.1 Transport for Greater Manchester:

- (a) County Cards (Greater Manchester Travelcards Limited season tickets);
- (b) Metrolink tickets (Metro and train);
- (c) Wayfarer tickets (bus, Metro and train);
- (d) Day Saver (Off peak Rover ticket with bus, train and tram combinations);  
and
- (e) Rail Ranger.

3.2 Merseytravel:

TRIO, Rail Pass and Saveaway- Multi-modal season tickets and off peak Rovers.

3.3 West Yorkshire Combined Authority:

- (a) Metrocards/M-Cards;
- (b) Metro Dayrover tickets (daily off-peak);
- (c) Not used;
- (d) Metrorover tickets (half-price travel for the unemployed).

3.4 South Yorkshire Passenger Transport Executive:

- (a) Travelmaster;
- (b) Railmaster.

3.5 Derbyshire County Council

Derbyshire Wayfarer - off peak Rover

## **SCHEDULE 3**

**Not Used**



## **SCHEDULE 4**

### **Persons with Disabilities and Disability Discrimination**

**Schedule 4**

**Persons with Disabilities and Disability Discrimination**

**Appendix 1: Minor Works**

**Appendix 2: Alternative Transport**

## **SCHEDULE 4**

### **Persons with Disabilities and Disability Discrimination**

#### **1. Relationship with other obligations relating to persons with disabilities**

1.1 The Franchisee acknowledges that its obligations in this Schedule 4 are in addition to and do not limit its obligations to comply with:

- (a) the EA and any regulations imposed by it;
- (b) any applicable condition(s) in any of its Licences (including in respect of persons with disabilities); and
- (c) any other of the requirements of the Franchise Agreement.

1.2 This Schedule 4 sets out:

- (a) specific arrangements which apply in respect of physical alterations to stations to facilitate accessibility and use by Disabled Persons; and
- (b) specific obligations of the Franchisee directed at meeting the needs of persons with disabilities.

#### **2. Physical Alterations and Accessibility of Stations**

2.1 In respect of physical alteration works at stations to facilitate accessibility and use by Disabled Persons, it is acknowledged by the Franchisee that:

- (a) there is limited funding available to the Secretary of State to assist franchisees and/or franchise operators with the carrying out of those works;
- (b) consequently, there is a need for such works to be carried out over a period of time to reflect the availability of funding, and for such works to be prioritised with regard to where there is the greatest need and/or where physical alterations can have the greatest effect; and
- (c) the Secretary of State's national programme of works of physical alterations at stations addresses these issues in a structured way.

2.2 The Franchisee shall:

- (a) co-operate reasonably with and assist the Secretary of State in the development and furtherance by the Secretary of State of the programme described in paragraph 2.1(c) by providing to the Secretary of State:
  - (i) information concerning the usage of Stations (including, where and to the extent reasonably practicable, usage of Stations by Disabled Persons); and
  - (ii) advice as to the most economic way in which accessibility for Disabled Persons could, in the Franchisee's reasonable opinion, be improved at Stations;

- (b) co-operate reasonably with other Train Operators and/or Network Rail to seek to ensure that, where it would be advantageous to do so, having regard to the needs of Disabled Persons, any planned work on the Stations to facilitate accessibility and use by Disabled Persons is, so far as reasonably practicable, co-ordinated with other work to be carried out at the Stations and/or other parts of the network; and
- (c) use all reasonable endeavours to secure sources of grant funding (other than from itself or an Affiliate) for improving accessibility for Disabled Persons at Stations (in addition to any funding secured through the Secretary of State pursuant to paragraph 2.5), including from Local Authorities, local development agencies and the Lottery Commission. The Franchisee shall notify the Secretary of State of:
  - (i) any such additional funding which it secures; and
  - (ii) the terms on which such additional funding has been granted.

2.3 In participating in any multi-modal fares scheme, the Franchisee shall use all reasonable endeavours to secure, through the planning and development of such scheme, improvements in disabled access to the entrances of any relevant station, including within and in the immediate proximity of such station.

2.4 If, during the Franchise Term:

- (a) the Franchisee has complied with its obligations in Section 20(4) and Section 20(9), as varied by paragraph 2(3) of Schedule 2, of the EA (to take such steps as are reasonable to provide a reasonable alternative method of making services at a Station accessible to a Disabled Person to avoid a Disabled Person being placed at a substantial disadvantage by a physical feature at a Station) and its obligations in paragraph 2.7 concerning Minor Works; and
- (b) notwithstanding such compliance, the Franchisee reasonably considers it is still required to carry out or procure physical works of alteration at a Station in order to comply with the EA Requirements in respect of that Station, and, in so carrying out or procuring, would incur expenditure which it would not otherwise have an obligation to incur,

the Franchisee may seek funding from the Secretary of State in respect of that expenditure.

2.5 If the Franchisee seeks funding from the Secretary of State under paragraph 2.4, and demonstrates to the Secretary of State's satisfaction that the criteria in paragraph 2.4 have been satisfied, then the Secretary of State may agree to adjust the amount of Franchise Payments in respect of some or all of the works and/or expenditure. In considering his response to any such request, the Secretary of State will have regard to the availability of funding and the priorities set out in the national programme described in paragraph 2.1(c), together with any other available sources of funding described in paragraph 2.2(c). If and to the extent the Secretary of State agrees to adjust Franchise Payments in accordance with this paragraph 2.5 in any Franchisee Year:

- (a) the Secretary of State shall make such adjustment to the Franchise Payments; and
- (b) the Franchisee shall spend such additional funds:

- (i) in order to comply with the EA Requirements referred to in paragraph 2.4(b); and
- (ii) in accordance with any conditions the Secretary of State may notify the Franchisee of.

2.6 If and to the extent the Franchisee is required to pay any increased access charges as a result of additional expenditure required to be incurred by another station Facility Owner for the purpose of complying with the EA Requirements in respect of a Franchisee Access Station, provided that the Franchisee:

- (a) notifies the Secretary of State within seven days of becoming aware of any proposal for the increase in such charges (or the works to which they relate); and
- (b) complies with the Secretary of State's reasonable directions regarding the exercise of any rights the Franchisee may have in respect thereof,

the imposition of the increased access charges shall be a Change.

2.7 The Franchisee shall:

- (a) establish and manage the Minor Works' Budget to fund the carrying out of Minor Works. For the purposes of this paragraph 2.7, Minor Works means small scale physical alterations or additions to improve accessibility of Stations to Disabled Persons, not involving substantial works of construction or reconstruction. The Minor Works:
  - (i) may, but shall not necessarily include, the Minor Works described in Appendix 1 of this Schedule 4;
  - (ii) shall not include any works which Network Rail, the Franchisee or any other person has a separate obligation to carry out, except where:
    - (A) such obligation is an obligation of the Franchisee under the EA; or
    - (B) the inclusion of such works would lead to the acceleration of the timescale for their completion and the Secretary of State gives his consent pursuant to paragraph 2.7(a)(iii);
  - (iii) shall only include works other than those permitted by paragraphs 2.7(a)(i) and (a)(ii) with the prior consent of the Secretary of State; and
  - (iv) must comply with the standards provided for in the Code of Practice, unless otherwise agreed with the prior consent of the Secretary of State;
- (b) as soon as reasonably practicable (and in any event within four months) after the Start Date and thereafter before the start of each Franchisee Year:

- (i) develop a Minor Works' Programme and consult with the Disabled Persons Transport Advisory Committee and relevant Rail Passengers' Council in relation thereto;
  - (ii) in conjunction with its activities in paragraph 2.7(b)(i), and, consistent with its obligations under paragraph 2.2(b), liaise with Network Rail and other Train Operators as necessary with regard to the determination and implementation of each Minor Works' Programme; and
  - (iii) following the consultation and liaison described in paragraphs 2.7(b)(i) and (b)(ii), obtain the Secretary of State's prior approval (such approval not to be unreasonably withheld) of each Minor Works' Programme;
- (c) carry out or procure the carrying out of the Minor Works' Programme in each Franchisee Year and in doing so, spend at least the amount of the Minor Works' Budget for the relevant Franchisee Year in such Franchisee Year (unless otherwise agreed by the Secretary of State);
  - (d) report progress to the Secretary of State in determining and carrying out the Minor Works' Programme no less than once every three Reporting Periods; and
  - (e) co-operate, as the Secretary of State may reasonably require, with Network Rail or any other person seeking to carry out or procure Minor Works at the Stations or any other stations.

### 3. **Dealing with Claims Relating to Stations**

3.1 If the Franchisee receives notification of a claim under the EA in respect of any alleged non-compliance with the EA Requirements or otherwise in respect of any Station (an "**EA Claim**") then the Franchisee shall:

- (a) notify the Secretary of State within seven days of receiving notification of the EA Claim. The Franchisee shall at the same time notify the Secretary of State of any reasonable alternative methods of making services at the Station accessible to Disabled Persons that it has considered and/or put in place pursuant to Section 20(4) and Section 20(9), as varied by paragraph 2(3) of Schedule 2, of the EA;
- (b) if required by the Secretary of State, defend the EA Claim or any aspect of the EA Claim (which may include appealing the judgment). The Secretary of State will, subject to paragraph 3.4, pay the Franchisee's reasonable costs of:
  - (i) any defence or appeal required by the Secretary of State; and/or
  - (ii) compliance with the Secretary of State's instructions in accordance with paragraph 3.1(c); and
- (c) act in accordance with the reasonable instructions of the Secretary of State to defend the EA Claim (or any aspect of it) as required under paragraph 3.1(b) and shall not (without the prior consent of the Secretary of State) settle or enter into any compromise in relation to the EA Claim (or the relevant aspect of it), including by entering into mediation.

- 3.2 If, in the reasonable opinion of the Franchisee, it will be more cost effective to settle the EA Claim rather than act in accordance with the Secretary of State's requirement under paragraph 3.1, it shall produce for the Secretary of State's approval a settlement proposal, setting out the terms of the Franchisee's proposals to make an offer to the Disabled Person making the EA Claim and its reasons for making such offer (the "**Settlement Proposal**").
- 3.3 If the Secretary of State does not accept the Settlement Proposal and still requires the Franchisee to defend the EA Claim (or any aspect of it) then the Franchisee shall defend the EA Claim in accordance with paragraph 3.1.
- 3.4 If the Franchisee is required to defend an EA Claim where it has submitted a Settlement Proposal to the Secretary of State and an award is made in respect of the EA Claim in favour of the person bringing it which is higher than the figure set out in the Settlement Proposal, then, subject to paragraph 3.5, the Secretary of State shall pay to the Franchisee:
- (a) the difference between such an award and the figure set out in the Settlement Proposal; and
  - (b) the further reasonable costs incurred or payable by the Franchisee in defending the EA Claim, to the extent that such costs have not already been paid by the Secretary of State under paragraph 3.1(b).
- 3.5 The Secretary of State shall not have any obligation to make the payments described in paragraphs 3.1(b) or 3.4 where it is determined or, if no declaration or determination by the court on this point has been sought or made, the Secretary of State, in his reasonable opinion, considers that the Franchisee has not taken such steps as it is reasonable, in all the circumstances of the case, for it to take to provide a reasonable alternative method of making services at the Station accessible to Disabled Persons.
4. **Specific additional obligations relating to persons with disabilities**
- 4.1 Not used.
- 4.2 The Franchisee shall establish and implement procedures necessary to:
- (a) record the making of reservations for seating accommodation for and/or the provision of assistance to, persons with disabilities which are made through the Assisted Passenger Reservation System (or whatever system may replace it from time to time for the purposes of ORR Guidance on Disabled People's Protection Policies) and where the Franchisee is responsible for making the reservation and/or delivering the seating accommodation or assistance reserved. Any helpline established by the Franchisee for the purposes of making reservations for seating accommodation for and/or the provision of assistance to, persons with disabilities shall be provided free of charge;
  - (b) record whether such seating accommodation and/or assistance is actually provided; and
  - (c) provide such records to the Secretary of State on his request.
- 4.3 Where the Franchisee's Disabled People's Protection Policy:
- (a) has been established before the date of the Franchise Agreement; and

- (b) has not been revised and approved by the ORR to take into account the ORR's most recent published Guidance on Disabled People's Protection Policies as at the date of the Franchise Agreement,

the Franchisee shall within six months of the date of the Franchise Agreement revise its Disabled People's Protection Policy such that it complies with that guidance, and obtain the ORR's approval of the revised version.

- 4.4 The Franchisee shall comply with the requirements set out in Appendix 2 (Alternative Transport) of this Schedule 4 in respect of the provision of alternative means of transportation for persons with disabilities.

## APPENDIX 1 TO SCHEDULE 4

### Minor Works

1. Providing additional signage, where it does not currently exist, to allow better way finding around the station by Disabled Persons.
2. Removing:
  - 2.1 thresholds (above 15 millimetres) which do not comply with the Code of Practice; or
  - 2.2 fewer than three steps,  
  
from the entrances to booking halls or platforms to enable those facilities to have step-free access.
3. Providing contrasting manifestations on glazed areas where contrasting manifestations do not currently exist.
4. Providing additional handrails around the station where handrails do not currently exist and where the Franchisee reasonably believes they may be required by a Disabled Person.
5. Providing new accessible stair nosings where stair nosings do not currently exist.
6. Providing new tactile surfaces, including at the top and bottom of flights of steps (but excluding at platform edges) where tactile surfaces do not currently exist.
7. Providing additional seating that is accessible to Disabled Persons, but not replacing existing seating.
8. Providing induction loops for ticket office windows where induction loops do not currently exist.
9. Replacing non-standard fittings with fittings that are compliant with the Code of Practice in existing disabled toilets, which would include replacing non-standard fittings in respect of toilet bowls and sinks, but would not include making major changes to plumbing or to the dimensions of the toilet area.
10. Providing dropped kerbs at drop off/set down points or station car parks to enable access/egress thereto where dropped kerbs do not currently exist.
11. Marking out existing car-parking bays for use by persons with disabilities which comply with the Code of Practice, where such car parking bays do not currently comply.



## APPENDIX 2 TO SCHEDULE 4

### Alternative Transport

1. References in this Appendix to passengers are references to passengers with disabilities who are wheelchair users or otherwise severely mobility impaired.
2. Subject to paragraph 4, where:
  - (a) a passenger wants to travel on a Passenger Service; and
  - (b) the design of the station at which the passenger's journey on such Passenger Service is to start (the "**Departure Station**") or finish (the "**Destination Station**") prevents the passenger from using that station to access or disembark from that Passenger Service,

the Franchisee shall provide alternative transport for that passenger in accordance with paragraph 3.
3. The Franchisee shall provide alternative transport for the passenger referred to in paragraph 2:
  - (a) from the Departure Station to the next station at which the Passenger Service is scheduled to call and at which it is possible for the passenger to access that Passenger Service;
  - (b) to the Destination Station, from the station closest to such station at which the Passenger Service is scheduled to call and which it is possible for the passenger to use to disembark from that Passenger Service; and/or
  - (c) to or from such other station as the Franchisee may, having regard to the journey and the needs of the passenger, agree,

and, in any case, at no cost additional to the price of the Fare which would otherwise be payable for the passenger's rail journey.
4. The Franchisee's obligations under this Appendix are subject to:
  - (a) reasonable prior notice of the passenger's requirement for alternative transport; and
  - (b) the availability of suitable alternative transport (provided that the Franchisee has used all reasonable endeavours to ensure that it has arrangements in place to meet requirements for the provision of such alternative transport).

## **SCHEDULE 5**

### **Fares**

- Schedule 5.1: Purpose, Structure and Construction**
- Schedule 5.2: Franchisee's Obligation to Create Fares**
- Schedule 5.3: Allocation of Fares to the Protected Fares Basket**
- Schedule 5.4: Regulation of Protected Fares Basket Values**
- Schedule 5.5: Regulation of Individual Fares**
- Schedule 5.6: Exceeding the Regulated Value, Regulated Price or Regulated Child Price**
- Schedule 5.7: Changes to Fares and Fares Regulation**
- Schedule 5.8: Fares Regulation Information and Monitoring**
- Schedule 5.9: ITS0 Certified Smartmedia**

## **SCHEDULE 5.1**

### **Purpose, Structure and Construction**

#### **1. Purpose of Schedule 5**

##### **Purpose of provisions relating to Creating Fares**

1.1 The purpose of Schedule 5.2 (Franchisee's Obligation to Create Fares) is to ensure that:

- (a) Protected Fares are Created in accordance with the Ticketing and Settlement Agreement; and
- (b) appropriate restrictions are placed on the Franchisee's ability to Create Fares.

##### **Purpose of Fares Regulation**

1.2 The purpose of Schedules 5.3 (Allocation of Fares to the Protected Fares Basket) to 5.8 (Fares Regulation Information and Monitoring) (inclusive) is to provide for the regulation of Fares by the Secretary of State pursuant to Section 28 of the Act.

1.3 For the purpose of regulating Fares, each Fare that is to be regulated shall be allocated in accordance with this Schedule 5 to the Protected Fares Basket:

1.4 The Secretary of State's regulation of Fares places a limit on the Price or Child Price of each Fare that is allocated by the Secretary of State to the Protected Fares Basket. The limit on the Price or Child Price of each Fare is set by reference to:

- (a) the overall increase of the Prices and the Child Prices of all Fares in the Protected Fares Basket; and
- (b) the individual increase in the Price or the Child Price of each Fare in the Protected Fares Basket.

1.5 Subject to the more detailed provisions of Schedules 5.4 (Regulation of Protected Fares Basket Values) and 5.5 (Regulation of Individual Fares):

- (a) the overall increase of the Prices and the Child Prices of all Fares in the Protected Fares Basket may not exceed the Retail Prices Index + k per cent. per annum in respect of each Fare Year; and
- (b) the increase in the Price or the Child Price of any individual Fare in the Protected Fares Basket may not exceed the Retail Prices Index + k + f per cent. per annum in respect of each Fare Year; and
- (c) for the purposes of sub paragraph (a) of paragraph 1.5 "k" shall have the meaning ascribed to it in paragraph 4.2 of Schedule 5.4; and
- (d) for the purpose of sub paragraph (b) of this paragraph 1.5 "k" and "f" shall have the meaning ascribed to them in paragraph 2.2 of Schedule 5.5.

1.6 The Secretary of State may alter these limits, and other aspects of the regulation of Fares, in accordance with the more detailed provisions of Schedule 5.7 (Changes to Fares and Fares Regulation).

## 2. **Structure of Schedule 5**

2.1 Schedule 5.2 (Franchisee's Obligation to Create Fares) sets out or refers to the Franchisee's obligations to Create Fares.

2.2 Schedule 5.3 (Allocation of Fares to the Protected Fares Basket) sets out the allocation of Fares to the Protected Fares Basket.

2.3 Schedule 5.4 (Regulation of Fares Basket Values) sets out the limits applicable to the overall increase in Prices and Child Prices of all Fares in the Protected Fares Basket.

2.4 Schedule 5.5 (Regulation of Individual Fares) sets out the limits applicable to the increase in the Price or Child Price of any individual Fare in the Protected Fares Basket.

2.5 Schedule 5.6 (Exceeding the Regulated Value, Regulated Price or Regulated Child Price) sets out the consequences of the Franchisee exceeding:

(a) the Regulated Value of the Protected Fares Basket; or

(b) the Regulated Price or Regulated Child Price of any Fare.

2.6 Schedule 5.7 (Changes to Fares and Fares Regulation) sets out the Secretary of State's ability to vary the foregoing provisions.

2.7 Schedule 5.8 (Fares Regulation Information and Monitoring) sets out Fares regulation information and monitoring provisions.

2.8 Schedule 5.9 (ITSO Certified Smartmedia) sets out provisions relating to the ITSO Certified Smartmedia.

## 3. **Construction**

### **References to "Fare"**

3.1 For the purposes of:

(a) Schedule 5.2 (Franchisee's Obligation to Create Fares), Fare shall have the wide meaning given to it in paragraph (a) of that definition; and

(b) Schedules 5.3 (Allocation of Fares to the Protected Fares Basket) to 5.8 (Fares Regulation Information and Monitoring) (inclusive), Fare shall have the narrow meaning given to it in paragraph (b) of that definition.

3.2 References in this Schedule 5 to a Fare shall, except to the extent the context otherwise requires, be construed as references to the Fare which is or can be Created by the Lead Operator for the Flow to which the Fare relates or, if such Flow is not a Compulsory Inter-available Flow, any Fare which the Franchisee has Created or can Create in respect of that Flow as the Secretary of State may specify.

### **Protected Fares Document**

3.3 In the event that, in the Secretary of State's reasonable opinion, there is a immaterial inconsistency between the Fares, the maximum Price or Child Price (as the case may be) for any Fare recorded by RSP in 2010 or the 2010 Nominal Ticket Sales:

- (a) described in or determined in accordance with this Schedule 5; and
- (b) described in the Protected Fares Document,

the Protected Fares Document shall prevail.

3.4 In the event that, in the Secretary of State's reasonable opinion, there is a material inconsistency between the Fares, the maximum Price or Child Price (as the case may be) for any Fare recorded by RSP in 2010 or the 2010 Nominal Ticket Sales:

- (a) described in or determined in accordance with this Schedule 5; and
- (b) described in the Protected Fares Document,

this Schedule 5 shall prevail.

### **Setting of Child Prices**

3.5 Any requirement under this Schedule 5 to set a Child Price in respect of a Fare shall be satisfied by the Franchisee Creating either:

- (a) a Fare which is only valid for use by persons under the age of 16; or
- (b) a Fare which is valid for use:
  - (i) by any person at a price; and
  - (ii) by persons under the age of 16 at a discounted price relative to the price set pursuant to paragraph 3.5(b)(i).

### **New Stations**

3.6 Subject to paragraph 3.2, the Secretary of State may include within the definitions of:

- (a) Protected Fares Basket; and
- (b) Protected Fare,

Fares to or from any New Station, on such basis as he may, after consultation with the Franchisee, reasonably determine and references in this Schedule 5 to the Protected Fares Basket, Protected Fare and Fares and other relevant definitions shall be construed accordingly.

## **SCHEDULE 5.2**

### **Franchisee's Obligation to Create Fares**

#### **1. Creation of Protected Fares**

The Franchisee shall ensure that each Protected Fare has been Created, to the extent it is entitled or obliged to do so under the terms of the Ticketing and Settlement Agreement.

#### **2. Restrictions on Creation of Fares**

- 2.1 The Franchisee shall set the Child Price for any Fare that it Creates so that that Fare may be purchased by or for a person under the age of 16 for an amount which is no greater than the lowest amount that would be paid if that person were the holder of a 16 to 25 Railcard with no minimum fare (as amended or replaced from time to time) and whose purchase was made without condition.
- 2.2 The Franchisee shall not Create or agree to Create any Fare or Discount Card with a validity of 13 or more months without the consent of the Secretary of State (such consent not to be unreasonably withheld).

## **SCHEDULE 5.3**

### **Allocation of Fares to the Protected Fares Basket**

#### **1. Allocation of Fares to the Protected Fares Basket**

1.1 On or prior to the Start Date the Secretary of State shall allocate each Protected Fare to the Protected Fares Basket in accordance with this Schedule 5.3.

1.2 Subject to paragraph 2, every Protected Fare shall be allocated by the Secretary of State to the Protected Fares Basket.

#### **2. Designation of Non-Fares Basket Fares**

2.1 On or prior to the Start Date, the Secretary of State shall:

(a) separately (or in aggregate with other Fares of the same type in the opposite direction or for similar journeys that have the same Price or Child Price as the case may be) rank, in descending order according to their Gross Revenue for the period of 12 months which ended 31 March 2010 all the Protected Fares.

(b) aggregate, following such ranking those Protected Fares with the lowest Gross Revenue, until the total of the aggregated Gross Revenue of such fares accounts for up to five per cent. of the aggregate Reference Revenue of all Protected Fares; and

(c) designate, following such aggregation those Protected Fares referred to in paragraph 2.1(b)(i) as Non-Fares Basket Fares.

2.2 Without prejudice to the Secretary of State's right to require the content of the Protected Fares Basket to change at any time prior to the Start Date, or, thereafter, prior to the commencement of any Fares Setting Round, pursuant to paragraph 1 of Schedule 5.7 (Changes to Fares and Fares Regulation), any Protected Fare that is also designated as a Non-Fares Basket Fare shall not be allocated to the Protected Fares Basket.

2.3 The Secretary of State may de-designate any Non-Fares Basket Fare pursuant to paragraph 1.1 of Schedule 5.7 (Changes to Fares and Fares Regulation).

## SCHEDULE 5.4

### Regulation of Protected Fares Basket Values

1. **Value of the Protected Fares Basket not to exceed Regulated Value**

Subject to paragraph 1.3 of Schedule 5.6 (Exceeding the Regulated Value, Regulated Price or Regulated Child Price) the Franchisee shall procure that the Value of the Protected Fares Basket at any time in any Fare Year does not exceed its Regulated Value for that Fare Year.

2. **Value**

The Value of the Protected Fares Basket at any time shall be the aggregate of the Projected Revenue of each Fare in the Protected Fares Basket at that time.

3. **Projected Revenue**

3.1 The Projected Revenue of any Fare at any time shall be an amount equal to:

$P \times 2010 \text{ Nominal Ticket Sales}$

where:

P is the Price or Child Price (as the case may be) of that Fare at that time; and

2010 Nominal Ticket Sales is the number of nominal ticket sales of that Fare for 2010 ascertained as follows:

$$\frac{A}{B}$$

where:

A is the aggregate Gross Revenue recorded by RSP as attributable to sales of that Fare and any other Fare with which it was aggregated under paragraph 2.1(a) of Schedule 5.3 (Allocation of Fares to the Protected Fares Basket) for the period of 12 months which ended 31 March 2010; and

B is the Price or Child Price (as the case may be) for that Fare recorded by RSP in February 2010.

4. **Regulated Value**

4.1 The Regulated Value of the Protected Fares Basket for any Fare Year shall be an amount equal to:

$2010 \text{ Ticket Revenue} \times \text{PPAI}$

where:



2010 Ticket Revenue is the aggregate Gross Revenue recorded by RSP as attributable to sales of all Fares in the Protected Fares Basket for the period of 12 months which ended 31 March 2010;

PPAI is:

- (a) in respect of the Fare Year commencing 1 January 2011, the Permitted Aggregate Increase for that Fare Year; and
- (b) in respect of each Fare Year commencing on or after 1 January 2012, the product of the Permitted Aggregate Increase for each Fare Year between that Fare Year and the Fare Year which begins on 1 January 2011 (inclusively).

4.2 ***4The Permitted Aggregate Increase in any Fare Year shall be determined in accordance with the following formula:***

$$PAI = \frac{(100 \times RPI) + k}{100}$$

***where:***

***PAI*** is the Permitted Aggregate Increase in that Fare Year;

***RPI*** is an amount equal to:

$$\frac{RPI_{-1}}{RPI_{-2}}$$

***where:***

***RPI -1*** is the Retail Prices Index for the July of the calendar year preceding that Fare Year; and

***RPI -2*** is the Retail Prices Index for the July of the calendar year preceding the calendar year referred in the definition of *RPI-1*; and

***k*** is equal to, subject to paragraph 5 of Schedule 5.7 (Change to Fares and Fares Regulation), 0 for the Fare Years commencing on 1 January 2014, 1 January 2015, 1 January 2016 and 1 January 2017 and is equal to +1 for any other Fare Year.

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<sup>4</sup> Date of change 27/11/2015

## SCHEDULE 5.5

### Regulation of Individual Fares

#### 1. Price or Child Price not to exceed Regulated Price or Regulated Child Price

1.1 The Franchisee shall procure that the Price or Child Price (as the case may be) of each Protected Fare included in the Protected Fares Basket in any Fare Year does not exceed the Regulated Price or Regulated Child Price (as the case may be) for such Fare in that Fare Year.

1.2 The Franchisee shall procure that the Price or Child Price (as the case may be) of any Season Ticket Fare shall be the same in both directions.

#### 2. Regulated Price

2.1 The Regulated Price or the Regulated Child Price (as the case may be) for any Fare in any Fare Year shall be an amount equal to the greater of:

- (a) Preceding Year Ticket Price + £0.10p; and
- (b) Preceding Year Ticket Price x PII

where:

Preceding Year Ticket Price for the Fare Year commencing 1 January 2011, is the maximum Price or Child Price (as the case may be) for that Fare recorded by RSP in 2010 and, for any subsequent Fare Year, is the maximum Price or Child Price (as the case may be) recorded by RSP in the Fare Year preceding that Fare Year, provided that such maximum Price or Child Price (as the case may be) complied with the requirements of this Schedule 5. If such maximum Price or Child Price (as the case may be) did not so comply, then such maximum Price or Child Price (as the case may be) shall be the last Price or Child Price (as the case may be) recorded by RSP which did so comply; and

PII is the Permitted Individual Increase in any Fare Year, as determined in accordance with paragraph 2.2.

2.2 ***<sup>5</sup>The Permitted Individual Increase in any Fare Year shall be determined in accordance with the following formula:***

$$PII = \frac{(100 \times RPI) + k + f}{100}$$

***where:***

***PII is the Permitted Individual Increase in that Fare Year;***

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<sup>5</sup> Date of change 27/11/2015

**RPI** is an amount equal to:

$$\frac{\text{RPI-1}}{\text{RPI-2}}$$

**where:**

**RPI -1** is the Retail Prices Index for the July of the calendar year preceding that Fare Year; and

**RPI -2** is the Retail Prices Index for the July of the calendar year preceding the calendar year referred in the definition of RPI-1;

**k** is equal to, subject to paragraph 5 of Schedule 5.7 (Change to Fares and Fares Regulation), 0 for the Fare Years commencing on 1 January 2014, 1 January 2015, 1 January 2016 and 1 January 2017 and is equal to +1 for any other Fare Year; and

**f** is equal to 0 for all Fare Years commencing on or after 1 January 2016.

2.3 Where:

- (a) the Franchisee sets the Price or Child Price (as the case may be) of any Protected Fare in any Fare Year; and
- (b) the Secretary of State reasonably determines that the Price or Child Price (as the case may be) of such Protected Fare was set solely for the purpose of increasing the value of the Preceding Year Ticket Price in the next Fare Year,

the Preceding Year Ticket Price for the purposes of determining the Regulated Price or Regulated Child Price (as the case may be) pursuant to paragraph 2.1 in the next Fare Year shall be the maximum Price or Child Price (as the case may be) prior to such setting that complied with the requirements of this Schedule 5, as recorded by RSP in the relevant preceding Fare Year.

## **SCHEDULE 5.6**

### **Exceeding the Regulated Value, Regulated Price or Regulated Child Price**

#### **1. Exceeding the Regulated Value**

1.1 If the Franchisee is in contravention of paragraph 1 of Schedule 5.4 (Regulation of Protected Fares Basket Values) in respect of the Protected Fares Basket:

- (a) it shall reduce the Price or Child Price of Fares in the Protected Fares Basket at the next available opportunity and, in any event, at the next Fares Setting Round, so as to comply with the requirements of paragraph 1 of Schedule 5.4 (Regulation of Protected Fares Basket Values) from such date; and
- (b) the Secretary of State may adjust Franchise Payments by an amount equivalent in his opinion to the sum of:
  - (i) any additional gross revenue accruing to the Franchisee or any person selling Fares on its behalf as a result of the Value of the Protected Fares Basket exceeding its Regulated Value permitted under Schedule 5.4 (Regulation of Protected Fares Basket Values); and
  - (ii) any costs incurred by the Secretary of State in determining the amount of such additional gross revenue.

1.2 Any adjustment to Franchise Payments by the Secretary of State pursuant to paragraph 1.1:

- (a) shall not be treated as a Change; and
- (b) shall be without prejudice to any other rights or remedies of the Secretary of State under the Act or the Franchise Agreement in respect of such contravention.

#### **2. Exceeding the Regulated Price or Regulated Child Price**

2.1 If the Franchisee is in contravention of paragraph 1 of Schedule 5.5 (Regulation of Individual Fares):

- (a) it shall reduce the Price or Child Price of any relevant Fare at the next available opportunity and, in any event, at the next Fares Setting Round, so as to comply with the requirements of paragraph 1 of Schedule 5.5 (Regulation of Individual Fares) from such date; and
- (b) the Secretary of State may adjust Franchise Payments by an amount equivalent in his opinion to the sum of:
  - (i) any additional gross revenue accruing to the Franchisee or any person selling Fares on its behalf as a result of the sale of Fares at Prices and/or Child Prices in excess of the relevant amounts permitted under Schedule 5.5 (Regulation of Individual Fares); and

- (ii) any costs incurred by the Secretary of State in determining the amount of such additional gross revenue.

2.2 Any adjustment to Franchise Payments by the Secretary of State pursuant to paragraph 2.1:

- (a) shall not be a Change; and
- (b) shall be without prejudice to any other rights or remedies of the Secretary of State under the Act or the Franchise Agreement in respect of such contravention.

## SCHEDULE 5.7

### Changes to Fares and Fares Regulation

#### 1. Changes to the Protected Fares Basket

1.1 The Secretary of State may require the content of the Protected Fares Basket to change in accordance with the following:

- (a) where the Secretary of State is not satisfied that the Price or Child Price of any Non-Fares Basket Fare is reasonably constrained by the Price or Child Price of other Fares which:
  - (i) have been set in respect of the same, or part of the same, Flow as such Non-Fares Basket Fare, or a Flow which is reasonably proximate to the Flow on which such Non-Fares Basket Fare has been set; and
  - (ii) have been included in the Protected Fares Basket,the Secretary of State may de-designate any Non-Fares Basket Fare and include such Non-Fares Basket Fare in the Protected Fares Basket;
- (b) where any Protected Fare for a Flow has been included in the Protected Fares Basket, the Secretary of State may require the inclusion in the Protected Fares Basket of any Protected Return Fare or Protected Weekly Season Ticket that existed on that Flow in February 2003; and/or
- (c) where the Secretary of State changes the Reference Revenue and/or the Gross Revenue of any Fare pursuant to paragraph 3.1(a) and/or (b) then, in relation to the Protected Fares Basket in which such Fare is or would be included, and without limiting paragraphs 1.1(a) to (c) inclusive, the Secretary of State may also:
  - (i) make any of the changes to the Protected Fares Basket contemplated by this paragraph 1.1;
  - (ii) designate any Fare as a Non-Fares Basket Fare in accordance with the provisions (other than the requirement that such designation occurs on or prior to the Start Date) of paragraph 2 of Schedule 5.3 (Allocation of Fares to the Protected Fares Basket); and/or
  - (iii) de-designate any Non-Fares Basket Fare and include such Non-Fares Basket Fare in the Protected Fares Basket.

1.2 The Secretary of State shall serve notice in writing on the Franchisee:

- (a) at any time prior to the Start Date; and
- (b) thereafter, no later than the commencement of any Fares Setting Round, to require any Fare to be included in the Protected Fares Basket or to designate any Fare as a Non-Fares Basket Fare pursuant to paragraph 1.1.

2. **Changes to the 2010 Nominal Ticket Sales**

2.1 The Franchisee may, in the event of any significant change to the pattern of travel on the Passenger Services during the Franchise Term, apply to the Secretary of State for the value of factors A and/or B in the formula for determining 2010 Nominal Ticket Sales in paragraph 3 of Schedule 5.4 (Regulation of Protected Fares Basket Values) to be adjusted to take account of such changes, such that:

- (a) the value of factor A is re-calculated by using the Gross Revenue in respect of the sales of the relevant Fares for the most recently completed period of 12 months ending 31 March; and/or
- (b) the value of factor B is recalculated by using the Price or Child Price (as the case may be) of the relevant Fares recorded by RSP in the month of February during such period.

2.2 The Secretary of State shall act reasonably in relation to any such application but shall not under any circumstances be obliged to accept any such application in whole or in part. The Secretary of State shall be entitled to impose conditions upon any such acceptance, including conditions requiring that the value of both factors A and B are adjusted and/or that the value of factors A and B are adjusted in respect of any or all Fares in the Protected Fares Basket.

3. **Changes to the Reference Revenue, Gross Revenue, 2010 Nominal Ticket Sales and/or 2010 Ticket Revenue**

3.1 The Secretary of State may, by notice in writing served on the Franchisee no later than the date of commencement of any Fares Setting Round, require:

- (a) the Reference Revenue of the Protected Fares Basket to be calculated by reference to a different reference period for the purpose of paragraph 2 of Schedule 5.3 (Allocation of Fares to the Protected Fares Basket) than the period of 12 months ended 31 March 2010; and/or
- (b) the Gross Revenue of all Protected Fares to be re-calculated for the purpose of paragraph 2 of Schedule 5.3 (Allocation of Fares to the Protected Fares Basket) by reference to a different reference period than the period of 12 months ended 31 March 2010; and/or
- (c) the value of factor A in the formula for determining the 2010 Nominal Ticket Sales in paragraph 3 of Schedule 5.4 (Regulation of Protected Fares Basket Values) to be re-calculated in respect of any Fare by reference to a different reference period than the period of 12 months ended 31 March 2010; and/or
- (d) the value of factor B in the formula for determining the 2010 Nominal Ticket Sales in paragraph 3 of Schedule 5.4 (Regulation of Protected Fares Basket Values) to be re-calculated in respect of any Fare by reference to a different reference date other than February 2010; and/or
- (e) the 2010 Ticket Revenue in respect of the Protected Fares Basket to be re-calculated for the purpose of paragraph 4 of Schedule 5.4 (Regulation of Protected Fares Basket Values) by reference to a different reference period than the period of 12 months ended 31 March 2010.

3.2 Where, in accordance with paragraph 3.1(e), the 2010 Ticket Revenue in respect of the Protected Fares Basket is re-calculated by reference to a different reference

period, the value of "PPAI" in paragraph 4 of Schedule 5.4 (Regulation of Protected Fares Basket Values) shall be determined solely by reference to the product of the Permitted Aggregate Increase for each Fare Year beginning after the end of such reference period.

- 3.3 Any revision pursuant to paragraph 3.1 or 3.2 shall take effect upon commencement of the next Fare Year to commence after the Fares Setting Round referred to in paragraph 3.1.

#### 4. **Changes to Prices**

The Franchisee may request permission from the Secretary of State from time to time to increase any Prices or Child Prices beyond the levels permitted under Schedules 5.4 (Regulation of Protected Fares Basket Values) and 5.5 (Regulation of Individual Fares) in connection with any proposed or actual improvement in any aspect of the Passenger Services relating to such Fares. The Secretary of State shall act reasonably in relation to any such request but shall not under any circumstances be obliged to accept any such request in whole or in part.

#### 5. **Changes to Fares Regulation**

The parties agree that the Secretary of State shall have the power at any time and on more than one occasion during the Franchise Term to alter the obligations of, and restrictions on, the Franchisee under Schedule 5.1 (Purpose Structure and Construction), Schedules 5.2 (Franchisee's Obligation to Create Fares) to 5.8 (Fares Regulation Information and Monitoring) inclusive for any Fare Year, or part thereof (including alteration of the value of "k" under paragraph 4.2 of Schedule 5.4 (Regulation of Protected Fares Basket Values) and/or paragraph 2.2 of Schedule 5.5 (Regulation of Individual Fares)) and/or alteration of the value of "f" under paragraph 2.2 of Schedule 5.5 (Regulation of Individual Fares)). The exercise by the Secretary of State of his powers under this paragraph 5 shall be a Change.

#### 6. **Changes to Compulsory Inter-available Flows**

##### 6.1 Where:

- (a) pursuant to Clause 4-7 of the Ticketing and Settlement Agreement, the consent of the Secretary of State is requested for the abolition of a Compulsory Inter-available Flow (the "**Reference Flow**") in respect of which any Fare Created would be a Protected Fare (the "**Reference Fare**"); and
- (b) a Flow exists, which, in the Secretary of State's opinion, is substantially similar to the Reference Flow (the "**Equivalent Flow**"),

the Secretary of State may, as a condition of granting his consent to the abolition of the Reference Flow, by written notice to the Franchisee, require any Fare Created in respect of the Equivalent Flow which has substantially the same characteristics as the Reference Fare to be included in the Protected Fares Basket (the "**Equivalent Fare**").

- 6.2 The Secretary of State shall not issue any such notice in respect of an Equivalent Fare unless the provisions of such notice have first been approved by the Ticketing and Settlement Scheme Council (as defined in the Ticketing and Settlement Agreement) or a delegate of such council.



6.3 The Price and Child Price of any Equivalent Fare in the first Fare Year in which it is to be introduced shall be no greater than the maximum permitted Price or Child Price in that Fare Year of the relevant Reference Fare, as if such Reference Fare had not been abolished.

7. **Change of Lead Operator/Major Flow Operator**

7.1 The Franchisee shall not without the Secretary of State's prior approval, agree to any request under the Ticketing and Settlement Agreement that it cease to be Lead Operator in respect of any Flow.

7.2 The Franchisee shall inform the Secretary of State if it becomes the Lead Operator in respect of any Flow. Upon the Franchisee becoming the Lead Operator in respect of any Flow, the Secretary of State may without limiting paragraph 3, exercise his rights pursuant to paragraph 3 in relation to the Protected Fares Basket.

7.3 The Franchisee shall inform the Secretary of State if it ceases to be a Major Flow Operator in respect of any Flow.

8. **Changes to the Protected Fares Document**

8.1 Following:

(a) any allocation of Fares to the Protected Fares Basket pursuant to Schedule 5.3 (Allocation of Fares to the Protected Fares Basket); or

(b) any subsequent adjustment thereof pursuant to this Schedule 5.7,

the Secretary of State shall set out in the Protected Fares Document all Fares then included in the Protected Fares Basket and, as soon as reasonably practicable thereafter, the Secretary of State shall issue or reissue (as the case may be) the Protected Fares Document to the Franchisee.

## **SCHEDULE 5.8**

### **Fares Regulation Information and Monitoring**

#### **1. Information**

- 1.1 The Franchisee shall provide to the Secretary of State by no later than week 12 of each Fares Setting Round, a summary (to such level of detail or generality as the Secretary of State may reasonably require) of the Prices and Child Prices of the Protected Fares it is intending to set.
- 1.2 The Franchisee shall notify, or procure the notification to, the Secretary of State of any proposed increase to the Price or Child Price of any Protected Fare and shall provide such details of any such proposal at such times (including before and during each Fares Setting Round) and in such form (including by electronic data transfer) as the Secretary of State may reasonably request from time to time.
- 1.3 The Franchisee shall make available, or procure that RSP makes available, to the Secretary of State, for any Fares Setting Round during the Franchise Term, such details (including the proposed Prices or Child Prices) of the Initial Permanent Fare for each such Fares Setting Round of such Fares as the Secretary of State may reasonably request from time to time.

#### **2. Monitoring**

- 2.1 The Franchisee shall provide to the Secretary of State:
  - (a) such access as the Secretary of State may require to information pertaining to the Prices or Child Prices of Protected Fares from time to time; and
  - (b) such further information as the Secretary of State may require for the purpose of determining the Gross Revenue of the Franchisee in relation to any particular Fare or Fares or any particular period.
- 2.2 By no later than week 17 of each Fares Setting Round, the Franchisee will provide to the Secretary of State written confirmation from a statutory director of the Franchisee of whether the Franchisee has complied with its obligations under this Schedule 5 during each such Fares Setting Round. It shall be a contravention of the Franchise Agreement if any such written confirmation from a statutory director of the Franchisee is, in the reasonable opinion of the Secretary of State, in any material respect, untrue, inaccurate and/or misleading.
- 2.3 The Franchisee shall take such action as the Secretary of State may require following receipt of any details from the Franchisee pursuant to paragraph 1 in order to ensure that the Franchisee will comply with the provisions of Schedule 5.2 (Franchisee's Obligation to Create Fares) to this Schedule 5.8 (inclusive).

## SCHEDULE 5.9

### Smart Ticketing

#### 1. Smart Ticketing

##### 1.1 The Franchisee shall:

- (a) join and comply with any ATOC approved smart ticketing related schemes;
- (b) develop an approach to the use of smart ticketing to facilitate the roll out of more flexible ticket types and demand management over time;
- (c) co-operate with Network Rail, other Train Operators, relevant local authorities, passenger transport executives, combined authorities created pursuant to the Local Democracy, Economic Development and Construction Act 2009 and TfL in relation to the provision, maintenance and operation of smart ticketing equipment, and in relation to proposals to:
  - (i) introduce new multi-modal fare schemes; and
  - (ii) convert any multi-modal fare schemes to use smart ticketing.

##### 1.2 Not used.

##### 1.3 In relation to any ITSO Certified Smartmedia ticketing scheme, the Franchisee shall:

- (a) continue to provide, make available and promote (and where applicable effectively maintain) such a scheme (including any associated equipment and resources) for the Franchise Period; and
- (b) ensure that all scheme components (and any amendment, extension or replacement thereof) inherited, used or introduced by the Franchisee (whether on a permanent or a trial basis) are at all times compliant with:
  - (i) version 2.1.4;
  - (ii) version 02-00 of RSPS3002

of the ITSO specification and the ITSO operating licence, or such subsequent versions as the Franchisee and the Secretary of State may agree; and

- (c) any ITSO Certified Smartmedia readers introduced by the Franchisee (whether on a permanent or temporary basis) shall conform to EMV level 1 certification (hardware) and be capable of being upgraded whilst in operation to EMV level 2 (application).

##### 1.4 The Franchisee shall undertake such actions as the Secretary of State may reasonably require in connection with the introduction of smart ticketing on the

network. The Secretary of State will reimburse the reasonable costs incurred by the Franchisee in complying with any such requirement provided that:

- (a) prior to incurring such costs, the Franchisee has obtained the Secretary of State's approval of the same; and
- (b) the Franchisee has not already recovered (or is able to recover) such costs through any Franchise Payment, pursuant to any other provision of this Franchise Agreement or pursuant to any other agreement between the Franchisee and the Secretary of State.

1.5 The Franchisee shall continue to allow passengers, at least to the same extent as on the Start Date, to print tickets in respect of the Passenger Services remotely.

## **SCHEDULE 6**

### **Committed Obligations and Franchise Specific Obligations**

**Schedule 6.1: Committed Obligations and Related Provisions**

**Schedule 6.2: TransPennine Express Franchise Specific Provisions**

## **SCHEDULE 6.1**

### **Committed Obligations and Related Provisions**

**Part 1:**                      **List of Committed Obligations**

**Part 2:**                      **Miscellaneous Provisions**

## **Part 1 to Schedule 6.1**

### **List of Committed Obligations**

1. **Not used**

2. **Committed Obligations**

2.1 Where, in delivering a Committed Obligation, the Franchisee is required by Law to obtain one or more regulatory Consents or has a contractual obligation to obtain applicable Consents, the Franchisee shall use all reasonable endeavours to obtain such Consents. If the Franchisee is unable to obtain the relevant Consent or the proposed terms upon which the relevant Consent would be granted would, in the reasonable opinion of the Franchisee, be likely to prejudice the financial and/or commercial viability of delivering the Committed Obligation, the Franchisee may apply to the Secretary of State for the consent referred to in paragraph 2.2. For the purposes of this paragraph 2.1 the expression "**Consent**" shall mean those approvals, authorisations, consents, derogations, exemptions, licences, permissions, and registrations which are required by Law or any contract to which the Franchisee is a party to, to be obtained by the Franchisee in connection with the delivery of a Committed Obligation.

2.2 The Secretary of State's consent for the purposes of paragraph 2.2 is his consent for the Franchisee to modify the relevant Committed Obligation so as to deliver a scheme which would give rise to benefits to passengers using the Passenger Services similar to (but not necessarily the same as) those benefits which would have arisen if the Franchisee delivered the relevant Committed Obligation. The modifications to the relevant Committed Obligation shall be agreed between the Franchisee and the Secretary of State or failing such agreement shall be reasonably determined by the Secretary of State. The consent of the Secretary of State may not be unreasonably withheld.

2.3 If the Secretary of State consents to an application pursuant to paragraph 2.1 in respect of a Committed Obligation, then to the extent that the Franchisee delivers the modified Committed Obligation by the date agreed between the Franchisee and the Secretary of State, or failing such agreement by the date reasonably determined by the Secretary of State, the Franchisee shall not be in breach of the Franchise Agreement.

3. **Repainting of Stations**

The Franchisee acknowledges that under paragraph 4.2(b)(ii) of Schedule 13 of the Previous Franchise Agreement it had an obligation to repaint each Station at least once in every three Reporting Years (provided that areas the responsibility of Network Rail or which may not be accessible for redecoration without access to the Network being restricted could be painted on a less frequent basis). The Franchisee shall have an obligation under this Franchise Agreement to repaint Stations in continuity with its obligation under paragraph 4.2(b)(ii) of Schedule 13 of the Previous Franchise Agreement so that the rolling repainting programme in relation to the Stations shall continue during the Franchise Term.

4. **Human Resources Management**

4.1 The Franchisee shall continue to implement the full meeting process for "up and down communication" between the Franchisee and its Franchise Employees

operated during the term of the Previous Franchise Agreement, including senior managers' meetings, team and departmental briefing meetings and annual management conferences.

- 4.2 By no later than 31 January 2016 the Franchisee shall conduct a staff attitude survey and shall review any management or organisational issues identified in such survey.

#### **Training and development**

- 4.3 The Franchisee shall regularly carry out a training needs analysis for its Franchise Employees, utilising the National Rail Passenger Survey results and customer feedback.

- 4.4 From the Start Date until the Expiry Date or earlier termination of this Franchise Agreement, the Franchisee shall implement and maintain a "National Vocational Qualification" in customer service (the "**Customer Services Qualification**") and shall, as far as reasonably practicable, provide assistance to its Franchise Employees who wish to attain the Customer Services Qualification by covering the costs of obtaining the Customer Services Qualification.

- 4.5 For the purposes of enhancing customer comfort and convenience throughout the Franchise Term, the Franchisee shall:

- (a) send all new customer-facing members of staff (excluding drivers) on appropriate customer training for at least 3 days;
- (b) provide other customer-facing members of staff (excluding drivers) with a one day's "customer ambassador" training, with such training to commence by 31 May 2015 and to be provided to relevant staff at a rate consistent with all relevant staff being able to be trained from the period starting on or before 31 May 2015 and ending on 6 February 2016;
- (c) ensure that all customer-facing members of staff (excluding drivers) have received appropriate levels of confrontation handling and disability awareness training; and
- (d) ensure that the costs of all customer services training envisaged by this paragraph 4.5 and provided during the Franchise Term are borne by the Franchisee.

#### **Reward schemes and appraisals**

- 4.6 For the duration of the Franchise Term the Franchisee shall implement and maintain a staff reward programme to reward staff who demonstrate a positive attitude to, or performance excellence in, customer service.

- 4.7 For the duration of the Franchise Term the Franchisee shall implement and maintain a long-term incentive plan and a system of performance targets and appraisals for all members of staff.

#### **5. MIA Ground Transport Interchange**

The Franchisee shall co-operate with the Secretary of State, Network Rail and all third parties involved in the enabling works proposed for securing an integrated heavy and light rail solution at MIA Ground Transport Interchange (for the purposes of this paragraph 5 the "**Works**") and shall provide to the Secretary of



State regular updates in writing in respect of the progress of the Works and any requirement or request for the Franchisee to fund the heavy rail proportion of the Works.

For the purposes of this paragraph 5, **“MIA Ground Transport Interchange”** means the station at Manchester International Airport.

## 6. **Road Signage**

The Franchisee shall co-operate and liaise with relevant Local Authorities and the Highways Agency (being the executive agency of the Department for Transport) for the purposes of promoting clear road signage to each Station for motorists, cyclists and pedestrians from all major approach routes, in the case of motorists beginning from the trunk road/strategic road network intersections.

## 7. **Onboard Cleaners**

7.1 Within 1 month of the Start Date until the Expiry Date or earlier termination of this Franchise Agreement, the Franchisee shall implement an in-transit cleaning programme on Passenger Services so that cleaning is planned to be delivered and the Franchisee uses all reasonable endeavours to ensure that it is delivered as follows:

- (a) on all Passenger Services travelling between Carlisle - Edinburgh/Glasgow;
- (b) on all Passenger Services travelling between Warrington and Liverpool; and
- (c) on all Passenger Services travelling between Leeds and York between 10.00 and 15.00 on Weekdays.

7.2 The Franchisee shall ensure that each Rolling Stock Unit (and any additional rolling stock vehicles comprised in a train used by the Franchisee in the provision of a Passenger Service) receives a 'turnaround clean' (turnaround clean being the removal of litter, dealing with major spillages and cleaning of toilets) at every 'turnaround', either at the turnaround station or en route to the turnaround station (which may be performed as part of cleaning under paragraph 7.1), it being acknowledged that (without prejudice to paragraph 7.1) the Franchisee shall not be required to conduct a turnaround clean pursuant to this paragraph 7.2 in circumstances where:

- (a) the applicable turnaround station is Oxenholme;
- (b) the relevant Rolling Stock Unit (and any additional rolling stock vehicles comprised in the applicable train) has just come from or is about to travel to a depot; or
- (c) a relevant Passenger Service is delayed and the conduct of a turnaround clean pursuant to the Franchisee's obligations under this paragraph 7.2 would result in the delayed departure of that (or another) Passenger Service following completion of the turnaround.

## 8. **Onboard Trolley Service**

8.1 From the Start Date until the Expiry Date or earlier termination of this Franchise Agreement, the Franchisee shall provide and maintain an at-seat catering trolley

service on all services between the North-West and Scotland offering hot and cold drinks, sandwiches and light refreshments for purchase in Standard Class Accommodation and complimentary hot and cold drinks and snacks in first class accommodation.

- 8.2 From the Start Date until the Expiry Date or earlier termination of this Franchise Agreement, the Franchisee shall provide and maintain catering trolleys on those parts of all Passenger Services running between:
- (a) Manchester Central Stations and York;
  - (b) Manchester Central Stations and Doncaster;
  - (c) Manchester Central Stations and Preston

in either direction in each case (including services extending to Manchester Airport which depart their originating station after 07:00). The Franchisee shall ensure that such catering trolleys are available throughout the day until 19:00 Mondays to Fridays (excluding Bank Holidays).

The obligation under this paragraph 8.2 shall not extend to the operating of catering trolleys on Services between Blackpool and Manchester.

For the purposes of this paragraph 8, "**Manchester Central Stations**" means 'Manchester Piccadilly Station' or 'Manchester Victoria Station' as the case may be.

## 9. **Telesales Services**

From the Start Date until the Expiry Date or earlier termination of this Franchise Agreement, the Franchisee shall provide and maintain a dedicated local rate telephone number operating from 07:00 to 22:00 Mondays to Fridays and from 09:00 to 19:00 on Saturdays and Sundays for telesales of rail tickets of £10 and over (without making any charge beyond the cost of the call and the ticket for the telesales service) for as long as it remains commercially viable to sell rail tickets using this medium. The Franchisee shall: (i) notify the Secretary of State in writing prior to taking any action to withdraw the service described in this paragraph 9; and (ii) confirm in such notice that the reason for the planned withdrawal was lack of commercial viability and provide such information as the Secretary of State may reasonably require to enable this to be verified.

## 10. **Simulators**

From the Start Date the Franchisee shall continue to carry out the programme for simulator training of drivers ("**Simulator Training**") commenced under the Previous Franchise Agreement and maintain the driver simulators (including associated software, infrastructure and connection works) for the duration of the Franchise Term.

## 11. **Customer Contact Centre and Helpdesk**

- 11.1 For the duration of the Franchise Term the Franchisee shall continue the provision of and maintain:
- (a) the help desk support facilities for the purpose of providing drivers with in-service fault-finding capability; and

- (b) a 'TransPennine Express' branded customer contact centre dealing with the provision of real-time information on the progress and performance of the Passenger Services (and (where reasonably obtainable) connecting services), the handling of customer complaints and other general enquiries.

## 12. **Lost Property**

For the duration of the Franchise Term the Franchisee shall provide and maintain a central lost property facility at Huddersfield station, which shall be open Monday to Friday from 07:00 to 19:00 and on Saturdays from 09:00 to 12:00 accessible through a local rate number advertised in the Passenger's Charter.

## 13. **Cleaning of Stations, Fleet and Maintenance**

13.1 The Franchisee shall ensure that each:

- (a) Rolling Stock Unit receives:
  - (i) an exterior clean at least once every two days; and
  - (ii) a full interior clean at least once every day;
- (b) Station is cleaned on a daily basis and deep cleaned on a weekly basis; and
- (c) Station is subject to a review of its maintenance requirements and such maintenance requirements for each Station are detailed in a log by the Franchisee every six months and any maintenance or other remedial work identified by such review is carried out within a reasonable time.

13.2 The obligations under paragraph 13.1 shall not extend to Class 156 units hired from Northern Rail Limited (or any successor operator to Northern Rail Limited).

## 14. **Stations**

14.1 During the Franchise Term the Franchisee shall ensure that at each Station there are:

- (a) maps showing the layout of that Station, its facilities and immediate local environment;
- (b) information boards detailing all local inter-modal opportunities including highlighting major or popular destinations and inter-modal opportunities for travelling to such destinations; and
- (c) overall network passenger maps detailing interchange points and station categorisation.

## 15. **TransPennine Express Information Control Centre**

15.1 During the Franchise Term the Franchisee shall provide and maintain a dedicated 'TransPennine Express' information control centre which shall:

- (a) monitor the provision of real-time information through the customer information screens, overriding the automated systems during periods of

service disruption or other emergency to ensure consistency and to the extent possible, the accuracy of information provided;

- (b) monitor the closed circuit television systems (as necessary) and ensure that the appropriate video record copies are made and retained; and
- (c) respond to activation of help points.

## 16. **Passenger Information and Ticket Sales**

16.1 During the Franchise Term the Franchisee shall provide and maintain a dedicated local rate telephone number operating from 07:00 to 22:00 on Mondays to Fridays and from 09:00 to 19:00 on Saturdays and Sundays through which passengers:

- (a) travelling with bicycles can make their travel arrangements for all rail legs of their journey whether or not made on a Passenger Service (the number also being available to other train operators wishing to make similar arrangements for their passengers);
- (b) who are disabled can arrange the following:
  - (i) during specified hours during the day assistance to and from the Franchisee's Passenger Services at specified starting and destination stations as well as intermediate points;
  - (ii) seat reservations, including the booking of dedicated wheelchair spaces (where these facilities are available);
  - (iii) on Passenger Services, the complimentary upgrading (subject to availability) to premium class for that passenger and one helper; and
  - (iv) onward travel reservations on train services provided by other train operators (where reservations are available); and
- (c) can purchase TransPennine Express branded season tickets of 1 month or longer or receive assistance with purchasing such season tickets of 1 month or longer online.

16.2 For the purposes of paragraph 16.1(b)(ii) and paragraph 16.1(b)(iii) respectively it is noted that seat reservations and the facility to upgrade class will not be available on Class 156 stock operated by the Franchisee.

## 17. **Real-time Information**

During the Franchise Term the Franchisee shall establish and maintain a facility whereby passengers may upon application be advised by email or text message of real-time information on the progress of the Passenger Services;

## 18. **Onward Journeys**

During the Franchise Term the Franchisee shall provide and maintain a facility which enables conductors to arrange taxis to enable passengers whose journeys are disrupted to complete that journey.

## 19. **Customer Complaints**

During the Franchise Term the Franchisee shall provide and maintain a customer complaints handling system through which it will co-ordinate responses to customer complaints and feedback, and shall provide suitable reports on the nature of such customer complaints and/or feedback and the action (if any) taken in respect of each complaint and/or feedback received by the Franchisee in respect of the Passenger Services to the Secretary of State every six months. The first of such reports to be issued to the Secretary of State no more than three months following the Start Date.

## 20. **Manchester International Airport ("MIA")**

20.1 The Franchise shall liaise and co-operate with the operators of MIA and:

- (a) meet with the operators of MIA at least once every six months to discuss mutually beneficial proposals for integrated service development;
- (b) maintain the availability to the operators of MIA of a real-time rail information feed from the Franchisee's systems;
- (c) subject to co-operation from the operators of MIA, promoting within the airport the use of rail travel;
- (d) encourage co-ordinated marketing, retail and information activities by all train operators serving MIA;
- (e) co-operate and liaise with the operator of MIA in the sale of tickets for other modes of transport;
- (f) subject to co-operation from the operators of MIA, promote an airport shuttle concept Passenger Service between MIA and Manchester Piccadilly through signage at MIA and real-time information at MIA station on the next train to Manchester Piccadilly;
- (g) subject to co-operation from the operators of MIA, co-operate with those airlines using MIA in the provision of integrated ticketing; and
- (h) subject to co-operation from the operators of MIA, co-operate with the operators of MIA in the provision of airport information screens at appropriate Stations.

## 21. **EFQM**

The Franchisee acknowledges that under the Previous Franchise Agreement it was required to adopt an appropriate business management system, such as the 'European Business Excellence Model' (previously known as the European Foundation for Quality Management Model) (the "**Approved Model**") to manage the process of change and drive up internal and external quality standards and maintain the Approved Model for the self assessment of its performance ("**Performance Monitoring**") under the Previous Franchise Agreement. The Franchisee, from the Start Date until the expiry or earlier termination of this Franchise Agreement, shall have an obligation under this Franchise Agreement to continue such Performance Monitoring in respect of its obligations under this Franchise Agreement and the provision and operation of the Franchise Services.

## 22. **Employee Safety**

22.1 Throughout the Franchise Term, the Franchisee shall:

- (a) undertake quarterly reviews of the extent of verbal and physical abuse of all members of staff;
- (b) identify and monitor trends;
- (c) agree action plans to address these issues with appropriate representatives and implement such agreed action plans; and
- (d) adopt a policy of zero tolerance of offenders.

## 23. **Customer Safety**

23.1 Throughout the Franchise Term, the Franchisee shall:

- (a) monitor key performance indicators relating to the safety of customers throughout the journey experience with the Franchisee;
- (b) identify and monitor trends;
- (c) establish and implement action plans to address such issues; and
- (d) adopt a policy of zero tolerance of offenders.

## 24. **Stakeholder Interfaces**

24.1 During the Franchise Term the Franchisee shall

- (a) co-operate with Stakeholders to identify and implement or where more appropriate facilitate improvements to services, stations and other passenger facilities; and
- (b) hold a Stakeholder forum at least once every 6 months to consult on timetable planning and the introduction of change, to discuss the evolution of the Service Level Commitment to secure a better service for passengers, to exchange information on important projects especially those involving integration and to discuss multi-modal fares and ticketing arrangements. The first such Stakeholder forum shall be held within 3 months of the Start Date.

## 25. **Marketing and Programme of Communications**

25.1 During the Franchise Term the Franchisee shall incur expenditure of at least <sup>6</sup> on marketing and marketing communications. On and from the Start Date, such marketing and marketing communications may include:

- (a) using its reasonable endeavours to work with major tourist bodies and leisure destinations to make available to rail passengers inclusive tickets which incorporate entrance discounts and other special offers;

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<sup>6</sup> Where text has been omitted from the document this is because the Director General Rail or Secretary of State has decided to exclude the text in accordance with the provisions within the Freedom of Information Act 2000.

- (b) producing local area maps for each Station showing access, train service and connection details, and shall make these available for passengers at all Stations and on the internet;
- (c) incorporating Journey Solutions / Plus Bus and other through journey/ticketing products into its annual marketing plans; and
- (d) marketing and communications expenditure in relation to the Franchise Services, including communications expenditure on the Programme of Communication under paragraph 25.4 to the extent in excess of the sum referred to in paragraph 25.2, provided always that if the Franchisee wishes to utilise funding under this paragraph 25.1 for the purposes of communications expenditure on the Programme of Communication under paragraph 25.4 it shall first submit a written proposal to the Secretary of State and shall not incur expenditure in excess of the sum referred to in paragraph 25.2 unless and until the Secretary of State has provided his prior written consent to such proposal.

25.2 Subject to paragraph 25.4(e) below the Franchisee shall incur expenditure of at least <sup>7</sup> on a communications programme relating to the major infrastructure projects taking place during the Franchise Term which may disrupt Passenger Services. Such amount shall be additional to the sum referred to in paragraph 25.1.

25.3 At the end of the Franchise Term the Franchisee shall report to the Secretary of State the amount of its expenditure under this paragraph 25 and shall within thirty days after the end of the Franchise Term pay to the Secretary of State an amount equivalent to any shortfall in its meeting such expenditure commitment (including any shortfall consequent upon the Secretary of State exercising his right under paragraph 25.4(e) to reduce the scope of the Programme of Communication).

#### 25.4 **Programme of Communication**

- (a) Subject to paragraph 25.4(e) below the Franchisee shall fully and effectively co-operate with Network Rail for the purpose of the Franchisee playing its part as a diligent and responsible operator of the Franchise Services in the agreement and delivery of a comprehensive, accurate and readily understandable programme of communication to stakeholders and potential passengers in relation to the Northern Hub ("**Programme of Communication**"), reflecting the state of knowledge of such matters at the time of publication and to a level of detail appropriate for stakeholders and passengers. The Franchisee shall fully and effectively co-operate with Network Rail for the purpose of ensuring that the Programme of Communication is regularly updated as required to ensure it remains accurate in relation to the Franchise Services and having regard to the information available to the Franchisee as the delivery of Northern Hub develops, with updates provided at least with each summer and winter timetable. In its cooperation with Network Rail over the delivery of the Programme of Communication, it is acknowledged that the Programme of Communication is intended to deal

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<sup>7</sup> Where text has been omitted from the document this is because the Director General Rail or Secretary of State has decided to exclude the text in accordance with the provisions within the Freedom of Information Act 2000.

with matters of reasonable concern to stakeholders and passengers including through providing information in relation to:

- (1) short, medium and long term impacts on the Passenger Services of planned restrictions of use (including "blockades"), arrangements for bus substitution and diversion, cancellation and rescheduling of Passenger Services;
  - (2) arrangements for handling unplanned relevant alterations to the Passenger Services including as a result of overrunning restrictions of use;
  - (3) the purpose of relevant changes to the Passenger Services in the context of the works required to deliver the Northern Hub; and
  - (4) the benefits to be delivered by the Northern Hub and the dates from which such benefits are likely to be delivered.
- (b) It is acknowledged that the delivery of the Programme of Communication in which the Franchisee is to cooperate under paragraph 25.4(a) will include the use of all reasonable channels of communication including notices at stations and on ticketing vending machines screens and passenger information screens, media advertising, announcements on stations and trains, briefings to Stakeholders, the circulation of leaflets and the use of appropriate "social media" platforms.
- (c) If so required by the Secretary of State the Franchisee shall consult with him in relation to the Programme of Communication and any amendments to it.
- (d) Without prejudice to the provisions of paragraph 25.4(a) above the Franchisee shall throughout the Franchise Term allocate such relevant resource consistent with its obligations under paragraph 25.2 as is reasonably required for the purposes of complying with its obligations in relation to the Programme of Communication and related communication obligations pursuant to this paragraph 25.4 and railway industry procedures including Network Change and Station Change as applicable.
- (e) The Secretary of State and the Franchisee acknowledge that there is uncertainty about the timings of works in relation to the Northern Hub meaning that some disruptive works may be delayed until after the end of the Franchise Term. Accordingly the Secretary of State shall have the right to direct the Franchisee to reduce the scope of its contribution to the Programme of Communications to the extent he believes to be reasonable under the circumstances and the obligation of the Franchisee to spend monies pursuant to paragraph 25.2 shall be amended accordingly leading to a payment of monies able to be saved as a consequence to the Secretary of State pursuant to paragraph 25.3 (unless it is agreed between the Secretary of State and the Franchisee that such monies be spent by the Franchisee on other commitments).

25.5 For the purposes of this paragraph 25 "**Station Change**" has the meaning given to the term "Proposal for Change" under the Station Access Conditions.



**26. Community Rail Partnerships**

26.1 The Franchisee shall contribute to the funding of Community Rail Partnerships designated as such on the date of this Franchise Agreement and in relation to routes over which Passenger Services are operated as follows in respect of the period from the Start Date:

- (a) Furness Line CRP;
- (b) Lakes Line CRP (Oxenholme to Windermere);
- (c) Yorkshire Coast CRP (YCCRP); and
- (d) Barton - Cleethorpes CRP (BCCRP).

**27. Fares and Ticketing<sup>i</sup>**

The Franchisee shall install, operate and maintain four new Integrated Transport Smartcard Organisation (ITSO) enabled ticket vending machines at Huddersfield Station within seven months of the date of this Franchise Agreement. Such ticket vending machines shall be transferred to a Successor Operator at nil value and the Supplemental Agreement shall be amended accordingly. The four existing ticket vending machines replaced by the new machines shall be either cascaded to other Stations or used for spares to maintain other of the Franchisee's ticket vending machines.

**28. Graduates, Apprentices and Support for Long Term Unemployed**

28.1 The Franchisee shall contribute to the delivery of sustainable long term socio-economic benefits for communities and the wider UK economy by maintaining:

- (a) not less than 8 apprentices throughout the Franchise Term; and
- (b) its partnership agreements with organisations which provide life support to the homeless and marginalized and promote sustainable solutions through the provision of food, clothing, furniture, training and enterprise,

throughout the Franchise Term.

**29. Supplier Engagement**

During the Franchise Term the Franchisee shall deliver two supplier engagement days which will include in their objectives the encouragement of efficiency and innovation.

**30. Environmental Impact Strategy**

30.1 During the Franchise Term the Franchisee shall:

- (a) Continue to run the EcoDrive challenge in the Class 185 fleet;
- (b) subject to an acceptable business case, seek to extend the EcoDrive challenge to incorporate the Class 350 fleet by the Expiry Date;
- (c) install and maintain platform recycling facilities on all Stations;

- (d) install lighting control systems at two Stations to be agreed between the Franchisee and the Secretary of State (or, in the absence of agreement, two Stations notified to the Franchisee by the Secretary of State acting reasonably;
- (e) maintain data loggers in water meters at the following six key locations on the network:
  - (i) Barrow;
  - (ii) Huddersfield;
  - (iii) Hull;
  - (iv) Manchester International Airport;
  - (v) Middlesbrough; and
  - (vi) Scarborough;
- (f) complete an assessment of all Stations to review opportunities to reduce water consumption;
- (g) hold six environmental awareness events at different regions on the network to engage staff at these locations; and
- (h) engage stakeholders and encourage more environmental improvements and community engagement by running a Green Grants Scheme, and provide no less than <sup>8</sup> to charities, schools and community groups for the purpose of funding green projects.

### 31. **Travel Plan Audit**

Within 6 months of the Start Date, the Franchisee will conduct a travel plan audit for all Stations and will liaise with local authorities, community rail partnerships, and cycling organisations in the community to develop site specific plans regarding routing and requirements for improved Station access.

### 32. **Train Modifications**

- 32.1 The Franchisee shall in accordance with the terms of its rolling stock leases support a programme of replacement of STARS Type 3 relay cards fitted on Class 185 units (and where reasonably practicable on the basis that new STARS relay cards are of a higher specification) and the fitment of variable stiffness radial arm bushes to the bogies of Class 185 units, recognising that whilst the Franchisee will use all reasonable endeavours to progress the programme of fitment of the bushes during the Franchise Term it is not expected that such fitment programme will be fully completed by the Expiry Date.

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<sup>8</sup> Where text has been omitted from the document this is because the Director General Rail or Secretary of State has decided to exclude the text in accordance with the provisions within the Freedom of Information Act 2000.

32.2 The Franchisee shall ensure that progress with the Franchisee's obligations under paragraph 32.1 is included in the Periodic Update Reports provided in accordance with paragraph 4.6 of Schedule 11.

33. **Automatic Selective Door Opening (ASDO)**

33.1 The Secretary of State and the Franchisee acknowledge that:

- (a) certain of the Passenger Services call at stations at which the useable platform length is shorter than trains diagrammed to use such platforms;
- (b) the Passenger Services referred to in paragraph 33.1(a) are (as at the date of this Agreement) operated by the Franchisee pursuant to derogations (each a "**Derogation**") from the Rail Safety and Standards Board and the ORR to reflect the fact that units in the Train Fleet are not fitted with automatic selective door equipment ("**ASDO**"); and
- (c) the Derogations are expected to expire in March and April 2016 respectively.

33.2 The Franchisee shall:

- (a) as soon as reasonably practicable following the Start Date, and in any case by 1 July 2015 consult with the Secretary of State in relation to the required applications for extensions to the Derogations (such applications to be informed, to the extent available, by the outcomes of any consultations conducted between the Secretary of State and the Franchisee pursuant to paragraph 33.2(b)) and, in accordance with the outcome from the consultation conducted pursuant to this paragraph 33.2(a), the Franchisee shall thereafter promptly (and in any case in sufficient time for the Rail Safety and Standards Board and the ORR (as applicable) to consider, process and respond to such applications prior to the relevant dates on which the Derogations are scheduled to expire) make applications to the Rail Safety and Standards Board and the ORR (as applicable) to extend the Derogations until April 2018; and
- (b) to the extent that Network Rail do not address relevant issues through platform extensions consult with the Secretary of State over measures which may be taken or commenced during the Franchise Term to address short platform issues, including the cost effective fitting of ASDO to the Class 185 Fleet and/or the necessary service changes required if the necessary Derogation is not extended in order to mitigate the consequences. The Franchisee shall develop feasibility plans and provide such further information in relation to them as the Secretary of State may reasonably require and discuss them with him. The Franchisee shall use all reasonable endeavours to implement such plans as the Secretary of State shall reasonably require. Any requirement to implement such a Plan shall be a Change.

33.3 It shall be a Change if a Derogation is not extended for the duration of the Franchise Term in circumstances where plans are not established under paragraph 33.2(b) such that no service changes or Train Plan alterations or increased costs of working are required as a result of the Derogation not continuing in effect. Without prejudice to any other rights of the Secretary of State pursuant to this Agreement where there is a Change pursuant to this paragraph 33.3 the Franchisee shall consult with, and take account of any representations from, the

Secretary of State in relation to any alteration to the Franchise Services consequent upon the circumstances giving rise to the Change.

33.4 The Franchisee shall not be regarded as in contravention of this Agreement where it has complied with its obligations under paragraph 33.2(a), but the withdrawal or expiry of any Derogation results in any changes to the Train Plan or the inability of trains to call at any stations

34. **Station Wi-Fi Fitment**

34.1 The Franchisee shall procure that by 31 December 2015 commissioned and operational Wi-Fi is fitted at the following Stations:

- (a) Huddersfield;
- (b) Dewsbury;
- (c) Manchester Airport;
- (d) Middlesbrough;
- (e) Stalybridge;
- (f) Warrington Central; and
- (g) Selby,

(each a "**Wi-Fi Station**").

34.2 On and from the date of fitment of Wi-Fi at a Wi-Fi Station pursuant to paragraph 34.1, and thereafter for the remainder of the Franchise Term, the Franchisee shall:

- (a) maintain such Wi-Fi service; and
- (b) provide access to such Wi-Fi service free of charge to passengers and other Station users.

## **Part 2 to Schedule 6.1**

### **Miscellaneous Provisions**

#### **1. APPLICATION**

This Part 2 of this Schedule 6.1 sets out further terms which apply to the Committed Obligations set out in Part 1 (List of Committed Obligations) to this Schedule 6.1 and the references to Committed Obligations in this Part 2 of this Schedule 6.1 are only to the Committed Obligations in Part 1 (List of Committed Obligations) of this Schedule 6.1.

#### **2. CONTINUATION OF AVAILABILITY**

##### **2.1**

- (a) Save as expressly provided in this Schedule 6.1, the Franchisee shall maintain facilities, activities or other matters established in accordance with its Committed Obligations throughout the remainder of the Franchise Term.
- (b) The provisions of this paragraph 2.1 shall apply in relation to each Committed Obligation regardless of whether or not such Committed Obligation specifically provides for the Franchisee to maintain throughout the Franchise Term the facilities, activities or other matters established in accordance with such Committed Obligation.

2.2 The Franchisee shall be treated as maintaining the relevant facilities, activities or other matters which are the subject of the Committed Obligations notwithstanding temporary non-availability due to accidental damage or vandalism or maintenance, repair or replacement activities, or temporary staff absence, subject in each case to the Franchisee taking all reasonable steps to keep any such period of temporary non-availability to a minimum.

2.3 Where Part 1 (List of Committed Obligations) to this Schedule 6.1 includes a commitment regarding staffing or particular appointments the Franchisee plans to make:

- (a) the obligation of the Franchisee applies, but shall not be regarded as being contravened by:
  - (i) temporary absences (for example for sickness or holiday); or
  - (ii) temporary non-fulfilment of a relevant post whilst the Franchisee is recruiting for that post, subject to the Franchisee using all reasonable endeavours to keep the duration between appointments as short as reasonably practicable; and
- (b) the Franchisee's rights and obligations in relation to the numbers or deployment of its other staff remain unaffected.

### 3. **EXPENDITURE COMMITMENTS**

#### **Annual Expenditure**

3.1 Where Part 1 (List of Committed Obligations) to this Schedule 6.1 provides for the expenditure of an annual amount (or an amount over some other period) by the Franchisee, that amount:

- (a) is assessed net of Value Added Tax; and
- (b) is the amount required to be expended by the Franchisee itself or procured by the Franchisee to be expended.

#### **Expenditure Commitments in real amounts**

3.2 All expenditure commitments set out in Part 1 (List of Committed Obligations) to this Schedule 6.1, to the extent they have not already been incurred by the Franchisee, shall be indexed by the Retail Prices Index (in the same way as variable costs are indexed in Schedule 8.2 (Annual Franchise Payments)).

#### **Expenditure by Network Rail**

3.3 All amounts which the Franchisee has committed (whether unconditionally or otherwise) pursuant to Part 1 (List of Committed Obligations) to this Schedule 6.1 to expend in connection with improvements to track or Stations shall be in addition to any expenditure made by Network Rail as part of its infrastructure improvements or maintenance programme to the extent such expenditure is not directly funded or reimbursed by the Franchisee.

#### **Underspend**

3.4 Where in relation to any Committed Obligation that is expressed in terms of a requirement to spend not less than a specified sum in fulfilling its stated objective, the Franchisee is able to achieve that stated objective without incurring the full amount referred to in that Committed Obligation, whether because of cost savings or otherwise, the Franchisee shall notify the Secretary of State, together with a statement of the costs it has incurred (excluding any third party funding) in delivering the relevant obligations and a reconciliation against the amount it had committed to spend (excluding any third party funding) ("**Underspend**").

3.5 The Parties shall, acting reasonably, seek to agree an alternative scheme or schemes which would give rise to benefits to passengers using the Passenger Services to be funded using the Underspend and, once agreed, the Franchisee shall apply such Underspend in the delivery of the agreed scheme(s). In circumstances only where, despite having used reasonable endeavours the Parties fail to agree an alternative scheme in relation to which the Underspend will be applied, such Underspend shall be repaid to the Secretary of State as soon as reasonably practicable.

### 4. **LIAISON AND CO-OPERATION**

Where the Franchisee is committed to liaison and co-operation under Part 1 (List of Committed Obligations) to this Schedule 6.1, it shall participate actively in the relevant measures including through the application of management time and internal resources, correspondence and attendance at meetings, in each case as the Franchisee reasonably considers in all the circumstances to be an appropriate use of its resources and effective to help achieve the relevant objective.

**5. NATURE OF COMMITMENT**

- 5.1 Any commitment in terms of Part 1 (List of Committed Obligations) to this Schedule 6.1 shall be in addition to any obligation of the Franchisee elsewhere in this Franchise Agreement and nothing in this Schedule 6.1 shall limit or restrict an obligation imposed on the Franchisee elsewhere in this Franchise Agreement.
- 5.2 Save as expressly provided in Part 1 (List of Committed Obligations) to this Schedule 6.1, each Committed Obligation is a separate obligation from any other Committed Obligation and satisfaction of or steps taken towards the satisfaction of one Committed Obligation will not amount to or contribute towards satisfaction of any other Committed Obligation
- 5.3 Where in Part 1 (List of Committed Obligations) to this Schedule 6.1, references are made to particular manufacturers or suppliers of equipment or services, the Franchisee may fulfil its relevant commitment by using reasonable equivalents.
- 5.4 Each commitment under this Schedule 6.1 shall come to an end on expiry of the Franchise Term for whatever reason.

**6. REVIEW OF COMPLIANCE**

- 6.1 Progress with Committed Obligations is an agenda item for Franchise Performance Meetings and the Franchisee shall ensure that at such meetings, the Secretary of State is given such progress reports as he may reasonably request.
- 6.2 In addition to its obligation under paragraph 6.1, the Franchisee shall from time to time promptly provide such evidence of its compliance with any Committed Obligation as the Secretary of State may reasonably request.

**7. LATE COMPLETION OR NON-DELIVERY OF COMMITTED OBLIGATIONS**

If the Franchisee fails to deliver in full a Committed Obligation in accordance with and by the timeframe specified for its delivery in Part 1 (List of Committed Obligations) to this Schedule 6.1, such late, partial or non-delivery shall constitute a contravention of the Franchise Agreement.

**8. REASONABLE ENDEAVOURS**

Where in respect of any Committed Obligation the Franchisee is obliged to use all reasonable endeavours or reasonable endeavours to do or procure that something is done by a specified date then, without prejudice to any other rights the Secretary of State may have (whether under the Franchise Agreement or otherwise) in respect of any contravention arising if the same is not achieved by such specified date the Franchisee shall consult with the Secretary of State and if required by the Secretary of State shall continue to use all reasonable endeavours or reasonable endeavours (as applicable) to do or procure that the relevant thing is done as soon as reasonably practicable thereafter.

## SCHEDULE 6.2

### TransPennine Express Franchise Specific Provisions

#### 1. **British Transport Police Accommodation**

1.1 The Franchisee shall give due consideration to any request by the British Transport Police to provide suitable accommodation (including additional or alternative accommodation) or facilities at Stations to enable the British Transport Police to effectively perform the services owed to the Franchisee under any contract or arrangement entered into between the British Transport Police and the Franchisee.

1.2 The Franchisee shall:

- (a) work in partnership with the British Transport Police to assess and review regularly the security and crime risk at all Stations and across the franchise generally;
- (b) work with the British Transport Police to:
  - (i) reduce crime on the railway;
  - (ii) reduce minutes lost to police-related disruption; and
  - (iii) increase passenger confidence with personal security on train and on station; and
- (c) co-operate with the British Transport Police to provide the British Transport Police with access to records and/or systems maintained by the Franchisee which relate to lost property to enable the British Transport Police to have access to such information when dealing with items reported to them as lost. The Franchisee shall consult with the British Transport Police as to its requirements in relation to such records and/or systems and shall ensure that the British Transport Police has access to such records and/or systems within 12 months of the Start Date.

1.3 The Franchisee shall consult with the British Transport Police in relation to plans to develop any part of the land within a Property Lease which could affect staff or customers and give the British Transport Police an opportunity to advise on and/or provide comments on any opportunities for the enhancement of safety and reduction in crime.

#### 2. **REBS**

Where participation in a Route Efficiency Benefit Share Mechanism is made available to the Franchisee under a Track Access Agreement, the Franchisee must elect not to participate in such mechanism for all of its routes. Should the Franchisee for any reason fail to comply with this requirement and participate in such a mechanism, then the Secretary of State reserves the right to fully recover from the Franchisee any financial benefits paid to it under the mechanism and the Franchisee agrees that the Secretary of State shall be entitled to receive details of those benefits from Network Rail or any other relevant party.



### 3. **Infrastructure Projects**

- 3.1 The Franchisee shall from the Start Date until the completion of each Infrastructure Project engage constructively with all relevant parties responsible for the delivery of such Infrastructure Project with the intention of assisting its timely, efficient and cost effective completion.
- 3.2 To the extent that any Infrastructure Project leads to the Franchisee having rights under railway industry procedures (including Network Change and Station Change) the Franchisee shall not act in a way designed to directly or indirectly prevent, prejudice or frustrate the delivery of such Infrastructure Project and the Franchisee shall not unreasonably raise any objection under any railway industry procedure (including Network Change or Station Change) and any reasonable objections shall be raised by the Franchisee in accordance with the relevant railway industry procedures. It is acknowledged that the Franchisee may make reasonable objections with a view to mitigating the impact of the Infrastructure Projects and their implementation on passengers and the Franchise Services, while recognising the need for the Infrastructure Projects to be able to be undertaken in a reasonable manner.
- 3.3 The Franchisee shall throughout the Franchise Term allocate such appropriate Franchise Employees and other relevant resource as is reasonably required for the purposes of complying with its obligations in relation to all of the Infrastructure Projects pursuant to both this Franchise Agreement and the Access Agreements to which it is a party.
- 3.4 The Franchisee shall provide within 17 days of the end of each Reporting Period a detailed report complying with the reasonable requirements of the Secretary of State describing progress in relation to matters relating to each Infrastructure Project and identifying and quantifying so far as the Franchisee is reasonably able the emerging risk position in relation to each such Infrastructure Project as it affects passengers and the Franchise Services. The Franchisee shall provide such additional information as the Secretary of State shall reasonably request and if requested by the Secretary of State it shall develop such alternative and contingency plans as the Secretary of State may reasonably require for the purpose of mitigating relevant risk and ensuring that the adverse impacts on passengers and the Franchise Services of any relevant risk arising are mitigated to the greatest extent reasonable practicable.
- 3.5 For the purposes of this paragraph 3:

**"Infrastructure Project"** means any of the following infrastructure projects:

- (i) Northern Hub; and
- (ii) Electrification Programme.

### 4. **National Stations Improvement Programme/Access For All**

The Franchisee shall co-operate with Network Rail in the development of plans and proposals in relation to the 'National Stations Improvement Programme' and the 'Access for All programme'.

### 5. **Publication of Public Performance Measure Information**

- 5.1 The Franchisee shall, from the Start Date, Publish the statistics in relation to its Public Performance Measure to such level of disaggregation (including by Route or

Service Group) as is reasonably specified by the Secretary of State. The initial relevant level of disaggregation from the Start Date shall be:

- (a) North TransPennine;
- (b) South TransPennine;
- (c) North West TransPennine; and
- (d) Anglo-Scottish.

5.2 For the purposes of this paragraph 5:

**"Publish"** means making the relevant information available upon request in one or more booklets or in similar form at Stations and displaying such information on information displays at all Stations and/or on the Franchisee's website.

## 6. National Rail Passenger Survey

6.1 The Franchisee shall use all reasonable endeavours to achieve in the National Rail Passenger Survey due to be carried out in the autumn of 2015 results which are equal to or greater than the target scores shown in the table below:

	NRPS BENCHMARK		
	STATION	TRAINS	CUSTOMER SERVICES
2015	75%	74%	73%

6.2 Without prejudice to any contravention of the Franchise Agreement in the event that any scores in the National Rail Passenger Survey are less than the target the Franchisee shall within one calendar month of the results being published produce a report to the Secretary of State analysing the likely reasons for failure to achieve the targets and actions that can reasonably be taken with the intention that targets will be achieved, in the event of any extension of this Franchise Agreement pursuant to paragraph 2 of Schedule 18 (Additional Reporting Periods), at the next National Rail Passenger Survey. The Franchisee shall consult with the Secretary of State in relation to such report take account of his comments and use all reasonable endeavours to implement the actions identified in a finalised report (to be produced within two calendar months of the publication of the submission of the report to the Secretary of State).

6.3 The Parties agree that if the Secretary of State provides notice to the Franchisee of his intention to continue the Franchise Agreement in accordance with paragraph 2 of Schedule 18 (Additional Reporting Periods), then the Franchisee shall use all reasonable endeavours to achieve in the National Rail Passenger Survey due to be carried out in the spring of 2016 results which are equal to or greater than the target scores shown in the table above.

## 7. Project Arcturus

### Class 156 Daily Hire

7.1 The Franchisee shall on or before the date of this Agreement enter into

- (a) the Class 156 Daily Hire Agreement;

- (b) the Retained Chiltern Class 170 Sub-lease;
- (c) the Angel Trains Subordination Letter; and
- (d) the Tripartite Subordination Letter.

7.2 The Franchisee agrees and undertakes to

- (a) observe and comply with all the conditions and obligations on its part contained in each of the Retained Class 170 Sub-lease, Class 156 Daily Hire Agreement, the Angel Trains Subordination Letter and the Tripartite Subordination Letter;
- (b) not vary, agree to vary, waive performance of, terminate or in any other way deal with or change the terms of the Retained Class 170 Sub-lease, Class 156 Daily Hire Agreement, the Angel Trains Subordination Letter or the Tripartite Subordination Letter without the prior consent of the Secretary of State; and
- (c) enter into a replacement for the Class 156 Daily Hire Agreement on materially the same commercial terms with a successor operator who becomes the franchisee of all or part of the services provided by the Northern Franchisee except to the extent that the Secretary of State otherwise directs,

provided that this paragraph 7.2 shall not prevent day to day liaison and cooperation in the ordinary course of running the Franchise by agreement between the Franchisee and the hirer under the Class 156 Daily Hire Agreement which does not involve any substantive amendment to the terms of the Class 156 Daily Hire Agreement (including by persistently acting as if the Class 156 Daily Hire Agreement was on materially different terms to its written terms).

7.3 The Secretary of State confirms that should a successor operator become the franchisee of all or part of the services provided by the Northern Franchisee before the scheduled expiry of the Class 156 Daily Hire Agreement, then the successor operator shall be appointed on terms which include its offering to the Franchisee to enter into a replacement for the Class 156 Daily Hire Agreement on materially the same commercial terms.

**Driver Training**

7.4

- (a) The Secretary of the State recognises that the plans of the Franchisee to operate the Passenger Services from the Passenger Change Date in May 2015 using Class 156 units hired pursuant to the Class 156 Daily Hire Agreement were dependent upon the Northern Franchisee making one Class 156 unit available for driver training purposes from 16 February 2015 and that while an alternative plan depends on availability of the unit from 5 March 2015, that alternative plan does not include contingency to allow for any delay or intervening event which may occur. In the event that such a Class 156 unit is not made available until after 16 February 2015 or (despite the unit being made available after 16 February 2015) the Franchisee experiences (despite the use by it of all reasonable endeavours) any other delay or intervening operational event (in each case which is outside of the Franchisee's reasonable control) affecting its training programme,

leading to a shortfall of Class 156 trained drivers below the minimum reasonable requirement to fully deliver the timetabled Passenger Services, the Franchisee shall as soon as possible prepare a reasonable mitigation plan that seeks to mitigate such adverse impacts to the greatest extent reasonably practicable and submit it to the Secretary of State. The Franchisee shall discuss such mitigation plan with the Secretary of State and make such amendment to it as he shall reasonably require. The Franchisee shall use all reasonable endeavours to implement the mitigation plan as it may be reasonably amended by the Secretary of State.

- (b) Where the Franchisee has acted in accordance with its obligations pursuant to paragraph 7.4(a) and because of an absence of drivers with Class 156 traction knowledge or the extended requirement for use of a Class 156 unit for driver training believes that it will not be able to fully operate the Timetable the Secretary of State will act reasonably in considering whether to consent to proposals of the Franchisee to amend the Plan of the Day to the extent reasonably required to take account of its inability to fully utilise hired Class 156 units.

### **Cancellations Benchmarks**

7.5 If for reasons beyond the reasonable control of the Franchisee the Northern Franchisee fails to supply the contracted minimum number of Class 156 units pursuant to the Class 156 Daily Hire Agreement ("**Contracted Class 156 Non-Delivery Event**") then:

- (a) the Franchisee may notify the Secretary of State of that fact and provide:
  - (i) details of any Cancellations reasonably made by the Franchisee in consequence of the applicable Contracted Class 156 Non-Delivery Event ("**Contracted Class 156 Non-Delivery Event Cancellations**");
  - (ii) details of the impact which it considers the relevant Contracted Class 156 Non-Delivery Event Cancellations have had on the Franchisee's ability to meet the applicable Cancellations Benchmarks; and
  - (iii) a request as to how it believes that the Secretary of State should treat the Contracted Class 156 Non-Delivery Event Cancellations for the purposes of the obligations of Franchisee pursuant to the Cancellations Benchmarks in Schedule 7.1 (Performance Benchmarks);
- (b) the Franchisee shall provide such further relevant information as the Secretary of State may reasonably request; and
- (c) the Secretary of State shall act reasonably in considering the request of the Franchisee in the context of all of the relevant circumstances.

### **Project Arcturus II**

7.6 The Franchisee and the Secretary of State acknowledge that:

- (a) as at the date of this Agreement the expectation of the parties is that the Retained Chiltern Class 170 Sub Lease will end on the Retained Chiltern Class 170 Return Date;
- (b) for the purposes of establishing a clear baseline for operation of the Change mechanisms in Schedule 9, the Financial Model assumes that from the Retained Chiltern Class 170 Return Date the Franchisee is a party to the Notional Class 170 Lease and the timetable which applies from that date is one consistent with the timetable operated by the Franchisee up to the Passenger Change Date in May 2015 which assumes nine Class 170 units are available to the Franchisee;
- (c) the assumptions referred to in paragraph (b) are not expected to reflect the actual position;
- (d) further actions will need to be agreed to ensure the continued robust provision of the Passenger Services after the termination of the Retained Chiltern Class 170 Sub Lease ("**Project Arcturus II Solution**") and these are likely to require amendment to this Agreement; and
- (e) the financial impacts of any Variation to this Agreement to implement a Project Arcturus II Solution must be compliant with the duties of the Secretary of State pursuant to Regulation 1370/2007.

7.7 The Secretary of State and the Franchisee shall engage in good faith as soon as reasonably practicable with the intention of identifying a value for money and operationally efficient Project Arcturus II Solution which as far as possible ensures the continued robust delivery of the Passenger Services from the Retained Chiltern Class 170 Unit Return Date and mitigates any shortfall in the delivery of the Passenger Services. Accordingly at the reasonable direction of the Secretary of State the Franchisee shall:

- (a) acting in accordance with its duties under clause 5 of this Agreement make its own proposals so far as it is reasonably able for delivering the Project Arcturus II Solution in an entirely transparent "open book" basis to such timescales as the Secretary of State may reasonably propose;
- (b) provide its informed opinion on relevant options proposed by the Secretary of State;
- (c) actively engage with rolling stock leasing companies, other train operators, Network Rail, Stakeholders and other relevant third parties; and
- (d) meet with the Secretary of State and provide such relevant information as he shall reasonably require.

The Secretary of State and the Franchisee agree that their mutual expectation is that the implementation of the Project Arcturus II Solution will require a Variation to the Franchise Agreement pursuant to paragraph 1 of Schedule 9.5 (Variations and Incentivising Beneficial Changes) and that such Variation shall be implemented by no later than 30 August 2015 or as soon as reasonably practicable thereafter, with the terms of the Variation being such that the Arcturus SoSRA shall be removed as part of the Variation.

- 7.8 If a Project Arcturus II Variation has not been implemented by 1 December 2015 and the Franchisee reasonably considers or the Secretary of State notifies the Franchisee that the Arcturus SoSRA is likely to be triggered, then the Franchisee shall no later than 31 December 2015 provide to the Secretary of State a reasonably detailed report on its assessment of the consequences of the Arcturus SoSRA not being correct, together with its proposals to take reasonable and effective mitigation actions to minimise the adverse impacts on the Franchise Services to the greatest extent reasonably practicable.
- 7.9 It is acknowledged that, subject to the circumstances prevailing at the time, it is anticipated that such mitigation actions may comprise extension of the Class 156 Daily Hire Agreement, continuation of the timetable as provided prior to 7 February 2016 and (assuming that no Class 170 units or other additional rolling stock is available to the Franchisee) making such timetable adjustments as are reasonably required to take account of the return of the Retained Chiltern Class 170 Units. In this case it is further acknowledged that the Change consequent on the Arcturus SoSRA being triggered would be assessed in a manner consistent with the switch applied to the Financial Model to address Project Arcturus I, subject to further adjustment to take account of the return of the Retained Chiltern Class 170 Units, the consequent timetable adjustments and any other relevant changed circumstances. It is further acknowledged that until otherwise agreed with or directed by the Secretary of State it shall be reasonable for the Franchisee to plan its timetables from the Passenger Change Date in December 2015 on the basis of a continuation of Project Arcturus I for the remainder of the Franchise Term, with further changes to the timetable being made when Project Arcturus II is implemented or in connection with the triggering of the Arcturus SoSRA (as applicable).
- 7.10 In circumstances where there has been no Variation pursuant to paragraph 7.6 prior to the Retained Chiltern Class 170 Return Date then subject to the Franchisee using all reasonable endeavours to:
- (a) comply with its obligations pursuant to this Agreement; and
  - (b) mitigate adverse impacts arising out of the Arcturus SoSRA not being correct.
- and without prejudice to the rights of the Secretary of State pursuant to Schedule 10.1 (Remedial Plans and Remedial Agreements):
- (i) where because of the return of the Retained Chiltern Class 170 Units the Franchisee will not be able to fully operate the Timetable, the Secretary of State will act reasonably in considering whether to consent to proposals of the Franchisee to amend the Plan of the Day to the extent reasonably required to take account of that inability; and
  - (ii) the Franchisee shall not be regarded as being in contravention of this Agreement if it is not able to comply with any term of this Agreement that it would have been able to comply with had the Arcturus SoSRA been satisfied.
- 7.11 It is acknowledged that the Invitation to Tenders issued on 27 February 2015 in relation to the Trans Pennine Express and Northern passenger rail franchises envisage a franchise "remapping" so that some of the Franchise Services, after the end of the Franchise Period, will be provided by the new Northern franchisee. The parties acknowledge that a Variation may be required so that this Agreement

contains appropriate provision to facilitate and implement such remapping. Accordingly the Franchisee and Secretary of State agree to work together in good faith to implement such a Variation it being acknowledged that the current intention of the parties is that this should be dealt with in parallel with the discussion of the Variation to implement a Project Arcturus II Solution referred to in paragraph 7.7 of this Schedule 6.2 (Trans Pennine Express Franchise Specific Provisions).

## 7.12

- (a) It is acknowledged by the Secretary of State and the Franchisee that:
- (i) the Project Arcturus arrangements were concluded on the basis of a joint view of the parties in relation to risk transfer and the proper compensation of the Franchisee including in the context of the obligations of the Secretary of State pursuant to Regulation 1370/2007; and
  - (ii) at the date of this Franchise Agreement it was not certain, for reasons potentially beyond the reasonable control of the Franchisee, the extent to which the driver training programme of the Franchisee would be able to deliver the number of drivers trained to operate Class 156 units required to enable the Timetable and Train Plan to be operated in the manner envisaged from the Passenger Change Date in May 2015 and what contingency plans might reasonably have to be put in place if such circumstances arose.
- (b) Accordingly the Secretary of State acknowledges that in the context of discussions in relation to a Project Arcturus II Solution it shall be permissible for the Franchisee to submit to the Secretary of State a report that:
- (i) identifies net costs and losses suffered by the Franchisee in consequence of a reasonable requirement to implement mitigation plans arising out of an insufficiency of drivers trained to drive Class 156 Units where this insufficiency was beyond the reasonable control of the Franchisee; and
  - (ii) contains a detailed explanation of why the Franchisee believes that any part of such net costs and losses represents the crystallisation of a financial risk that the Franchisee did not agree to bear pursuant to the Project Arcturus arrangements and which it was not able to reasonably mitigate.
- Any such report must contain confirmation in writing that it has been prepared by the Franchisee acting in accordance with its duties under clause 5 of this Agreement
- (c) The Secretary of State agrees that he will act reasonably in considering the report of the Franchisee in the context of the negotiation of the Project Arcturus II Solution <sup>9</sup>.

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<sup>9</sup> Where text has been omitted from the document this is because the Director General Rail or Secretary of State has decided to exclude the text in accordance with the provisions within the Freedom of Information Act 2000.

**8. Avantix**

- 8.1 It is acknowledged that as at the date of the Franchise Agreement the Avantix equipment used by the Franchisee is not expected to be supported beyond 31 August 2016.
- 8.2 If the Franchise Term is extended by the exercise by the Secretary of State of his rights under Schedule 18 (Additional Reporting Periods), beyond 31 August 2016, the Franchisee shall engage in good faith as soon as reasonably practicable with the Secretary of State with the intention of identifying a value for money and operationally efficient solution either for the continued use of the Avantix equipment for the balance of the Franchise Term or for their replacement. If the conclusion of this process agreed between the Franchisee and the Secretary of State (or in the absence of agreement reasonably directed by the Secretary of State) is either the procurement of replacement devices or the adoption of materially more expensive or less efficient working practices by way of mitigation, then that procurement or adoption shall be implemented as a Variation.
- 8.3 The obligations on the Franchisee under the Franchise Agreement with regard to the maintenance, repair and replacement of Avantix equipment shall be treated as fulfilled where the Franchise is extended, support for the Avantix equipment is not able to be continued beyond August 2016 on a basis materially consistent with current terms and the Franchisee has complied with its obligations under paragraph 8.2 and then acted in accordance with any Variation under that provision.



# **SCHEDULE 7**

## **Performance Benchmarks**

- Schedule 7.1:**           **Performance Benchmarks**  
                          **Appendix 1: Cancellations Benchmark Table**  
                          **Appendix 2: Capacity Benchmark Table**  
                          **Appendix 3: TOC Minute Delay Benchmark Table**
- Schedule 7.2:**           **Service Quality Management**

## **SCHEDULE 7.1**

### **Performance Benchmarks**

#### **1. Benchmarks**

##### **Location of Benchmarks**

- 1.1 The Cancellations Benchmarks are set out in the table in Appendix 1 (Cancellations Benchmark Table) to this Schedule 7.1.
- 1.2 The Capacity Benchmarks are set out in the table in Appendix 2 (Capacity Benchmark Table) to this Schedule 7.1.
- 1.3 The TOC Minute Delay Benchmarks are set out in the table in Appendix 3 (TOC Minute Delay Benchmark Table) to this Schedule 7.1.
- 1.4 The Secretary of State may at any time after a Charging Review vary, on giving not less than 3 months' notice in writing, any of the Benchmarks to reflect the Secretary of State's reasonable view of the performance trajectory set as part of such Charging Review. Where the Secretary of State exercises his right pursuant to this paragraph 1.4, the relevant Benchmark Tables shall be deemed to have been amended accordingly.

#### **2. Information Provisions**

##### **Cancellations Benchmarks**

- 2.1 At the end of each Reporting Period, the Franchisee shall, in accordance with the relevant requirements of Appendix 3 (Operational Information) to Schedule 13 (Information and Industry Initiatives), report to the Secretary of State:
  - (b) the total number of Cancellations and Partial Cancellations in that Reporting Period;
  - (c) the total number of Disputed Cancellations and Disputed Partial Cancellations in that Reporting Period;
  - (d) the total number of Network Rail Cancellations and Network Rail Partial Cancellations in that Reporting Period; and
  - (e) the total number of Disputed Cancellations and Disputed Partial Cancellations for which the disputed attribution has been resolved since the Franchisee's last report pursuant to this paragraph 2.1 (including whether each relevant Disputed Cancellation and/or Disputed Partial Cancellation was attributed to Network Rail or to the Franchisee).
- 2.2 For each Reporting Period, the Secretary of State shall calculate a moving annual average of the Franchisee's performance against the Cancellations Benchmark in accordance with the following formula:

$$\frac{A + D}{13}$$

where:

A is ascertained as follows:

$$\frac{B}{C} \times 100$$

where:

B is the total number of Cancellations or Partial Cancellations of Passenger Services in that Reporting Period, on the basis that:

- (a) a Cancellation shall count as 1;
- (b) a Partial Cancellation shall count as 0.5; and
- (c) any Cancellations or Partial Cancellations during that Reporting Period which were caused by:
  - (i) the Franchisee's implementation of a Service Recovery Plan during that Reporting Period; or
  - (ii) the occurrence or continuing effect of a Force Majeure Event,

shall, if the Franchisee has complied with paragraph 4, be disregarded in determining such total number;

C is the total number of Passenger Services scheduled to be operated in the Enforcement Plan of the Day for that Reporting Period, disregarding, if the Franchisee has complied with paragraph 4.6, any Cancellations or Partial Cancellations during that Reporting Period which were caused by:

- (a) the Franchisee's implementation of a Service Recovery Plan during that Reporting Period; or
- (b) the occurrence or continuing effect of a Force Majeure Event; and

D is the sum of the values of A in each of the 12 preceding Reporting Periods.

2.2A Where there are any Disputed Cancellations and/or Disputed Partial Cancellations at the end of a Reporting Period the Secretary of State shall, for the purpose of performing the calculations referred to in paragraphs 2.2 allocate any Disputed Cancellations and/or Disputed Partial Cancellations between the Franchisee and Network Rail in the proportions of:

A to B

where:

A is the total number of undisputed Cancellations and/or Partial Cancellations (that is, which are not Disputed Cancellations or Disputed Partial Cancellations) from the 12 preceding Reporting Periods including any Disputed Cancellations or Disputed Partial Cancellations which were resolved or determined (and attributed to the Franchisee) during such 12 preceding Reporting Periods; and

- B is the total number of undisputed Network Rail Cancellations and/or Network Rail Partial Cancellations (that is, which are not Disputed Cancellations or Disputed Partial Cancellations) from the 12 preceding Reporting Periods including any Disputed Cancellations or Disputed Partial Cancellations which were resolved or determined (and attributed to Network Rail) during such 12 preceding Reporting Periods.

### Capacity Benchmarks

- 2.3 At the end of each Reporting Period the Franchisee shall, in accordance with the relevant requirements of Appendix 3 (Operational Information) to Schedule 13 (Information and Industry Initiatives), report to the Secretary of State the total number of Passenger Services in that Reporting Period operated with less than the Passenger Carrying Capacity specified for each such Passenger Service in the Train Plan.
- 2.4 For each Reporting Period, the Secretary of State shall calculate a moving annual average of the Franchisee's performance against the Capacity Benchmark in accordance with the following formula:

$$\frac{A + D}{13}$$

where:

A is ascertained as follows:

$$\frac{B}{C} \times 100$$

where:

B is the total number of Passenger Services in that Reporting Period operated with less Passenger Carrying Capacity than the Passenger Carrying Capacity specified for each such Passenger Service in the Train Plan, disregarding, if the Franchisee has complied with paragraph 4, any such Passenger Services which were operated in that way as a result of:

- (a) the implementation of a Service Recovery Plan during that Reporting Period; or
- (b) the occurrence or continuing effect of a Force Majeure Event;

C is the total number of Passenger Services scheduled to be operated in that Reporting Period, disregarding, if the Franchisee has complied with paragraph 4.6, any Passenger Services operated with less Passenger Carrying Capacity than the Passenger Carrying Capacity specified for each such Passenger Service in the Train Plan as a result of:

- (a) the implementation of a Service Recovery Plan during that Reporting Period; or
- (b) the occurrence or continuing effect of a Force Majeure Event; and

D is the sum of the values of A in each of the 12 preceding Reporting Periods.

- 2.5 If and to the extent that any Passenger Service is operated with Passenger Carrying Capacity in excess of the Passenger Carrying Capacity specified for that Passenger Service in the Train Plan, the excess capacity shall be disregarded for the purposes of the calculation referred to in paragraph 2.4.
- 2.6 Any Passenger Service that is the subject of a Cancellation or a Partial Cancellation shall be disregarded altogether for the purposes of the calculations referred to in paragraph 2.4.

**TOC Minute Delay Benchmarks**

- 2.7 At the end of each Reporting Period the Franchisee shall, in accordance with the relevant requirements of Appendix 3 (Operational Information) to Schedule 13 (Information and Industry Initiatives), report to the Secretary of State:
  - (a) the total number of Minutes Delay:
    - (i) in that Reporting Period attributable to the Franchisee;
    - (ii) in that Reporting Period for which the attribution is in dispute between Network Rail and the Franchisee;
    - (iii) from the 12 preceding Reporting Periods for which the attribution remains in dispute; and
    - (iv) from the 12 preceding Reporting Periods for which disputed attributions have been resolved or determined since the Franchisee's last report pursuant to this paragraph 2.7, and the number of such Minutes Delay attributed to each of the Franchisee and Network Rail as a result of such resolution or determination; and
  - (b) the aggregate Train Mileage operated in that Reporting Period.

2.8 For each Reporting Period, the Secretary of State shall calculate a moving annual average of the Franchisee's performance against the TOC Minute Delay Benchmark in accordance with the following formula:

$$\frac{A}{D}$$

where:

- A is the sum of the number of Minutes Delay that are attributable to the Franchisee:
  - (i) in such Reporting Period; and
  - (ii) in the 12 preceding Reporting Periods;

D is ascertained as follows:

$$\frac{B}{1000}$$

Where:

- B is the sum of the actual Train Mileage operated by the Franchisee:
- (i) in such Reporting Period; and
  - (ii) in the 12 preceding Reporting Periods.

2.9 In performing the calculation pursuant to paragraph 2.8, the Secretary of State shall disregard any Minutes Delay that are caused by the occurrence or continuing effect of a Force Majeure Event.

2.10 Where the attribution of any Minutes Delay is in dispute between Network Rail and the Franchisee at the end of a Reporting Period the Secretary of State shall, for the purpose of performing the calculation referred to in paragraph 2.8, allocate any disputed Minutes Delay between the Franchisee and Network Rail in the proportions of:

A to B

where:

A is the total number of undisputed Minutes Delay from the 12 preceding Reporting Periods that are attributable to the Franchisee including any disputed attributions which were resolved or determined during such 12 preceding Reporting Periods; and

B is the total number of undisputed Minutes Delay from the 12 preceding Reporting Periods that are attributable to Network Rail including any disputed attributions which were resolved or determined during such 12 preceding Reporting Periods.

2.11 The Franchisee agrees with the Secretary of State to comply with the requirements of the Track Access Agreement in respect of Minutes Delay attribution.

### **First 12 Reporting Periods of the Franchise Term**

2.12 For as long as fewer than 13 Reporting Periods have elapsed following the Start Date, the Secretary of State shall, for the purposes of performing the calculations referred to in paragraphs 2.2, 2.4 and 2.8, assume performance at the Previous Performance Level in respect of the relevant Reporting Periods (up to a maximum of the 12 Reporting Periods) that precede the Start Date.

### **Calculations**

2.13 The Secretary of State shall perform the calculations referred to in paragraphs 2.2, 2.4 and 2.8 rounded to two decimal places, with the midpoint (that is, 11.115) rounded upwards (that is, 11.12).

### **Notice of Performance Results**

2.14 As soon as reasonably practicable after the end of each Reporting Period, the Secretary of State shall notify the Franchisee of the results of the calculations performed pursuant to this paragraph 2.

### **Meaning of Train Plan**

2.15 For the purposes of this Schedule 7.1, Train Plan shall, unless otherwise stated, mean the then current train plan which has been finalised pursuant to paragraph

7.5 of Schedule 1.1 (Service Development) and which includes any amendments thereto:

- (a) pursuant to paragraph 3 of Schedule 1.2 (Operating Obligations), where:
  - (i) such amendments are required as a consequence of Network Rail exercising its rights pursuant to the Track Access Agreement; and
  - (ii) the Franchisee has complied with the provisions of such paragraph in respect thereof.

3. **Not Used**

4. **Performance Levels**

4.1 Not used

**Consequences for Poor Performance**

4.2 The consequences of the Franchisee's performance exceeding (that is, equalling or being worse than) the Improvement Plan Performance Levels relating to each Benchmark (other than the Capacity Benchmarks) are set out in paragraph 4.5 of this Schedule 7.1.

4.3 The Franchisee shall procure that in each Reporting Period the moving annual average of:

- (a) Cancellations and Partial Cancellations (calculated in accordance with paragraph 2.2 of this Schedule 7.1) does not exceed (that is, is neither equal to nor worse than) the Breach Performance Levels and the Default Performance Levels specified in the cells relating to each such Reporting Period in the Cancellations Benchmark Table; and
- (b) the Minutes Delay occurring in respect of the Passenger Services which are attributable to the Franchisee (including in accordance with paragraph 2.10) per 1000 Train Miles actually operated (calculated in accordance with paragraphs 2.8, 2.9 and 2.10 of this Schedule 7.1) does not exceed (that is, is neither equal to nor worse than) the Breach Performance Levels and the Default Performance Levels specified in the cells relating to such Reporting Period in the TOC Minute Delay Benchmark Table.

4.4 Certain consequences of the Franchisee's performance exceeding (that is, equalling or being worse than) the Breach Performance Levels and Default Performance Levels relating to each Benchmark (other than the Capacity Benchmarks) are set out in Schedule 10 (Remedies, Termination and Expiry).

**Improvement Plans**

4.5 If and whenever the Franchisee's performance:

- (a) in respect of a Reporting Period, calculated as a moving annual average in accordance with this Schedule 7.1, exceeds (that is, is equal to or worse than) the Improvement Plan Performance Level for any Benchmark (other than the Capacity Benchmarks), the Franchisee shall promptly notify the Secretary of State of that fact; and

- (b) in relation to any Benchmark (other than the Capacity Benchmarks) exceeds (that is, is equal to or worse than) the Improvement Plan Performance Level for that Benchmark for any two consecutive Reporting Periods the Franchise shall:
  - (i) prepare and provide to the Secretary of State, for his comments, a plan that it proposes to implement to ensure that its future performance does not exceed (that is, is neither equal to or worse than) the Improvement Plan Performance Level (an "**Improvement Plan**"). The Franchisee shall have due regard to any comments provided by the Secretary of State in relation to the Improvement Plan and may amend the Improvement Plan as may be considered necessary (and consistent with its obligation under this paragraph 4.5(b)(i));
  - (ii) implement such Improvement Plan; and
  - (iii) advise the Secretary of State from time to time of the results of the implementation of such Improvement Plan.

#### 4.6 **Submission of Records Relating to the Implementation of a Service Recovery Plan**

The Franchisee shall, within eight weeks of the end of each Reporting Period for which a Service Recovery Plan has been implemented (or such other period as may be agreed by the Secretary of State), submit to the Secretary of State all the comprehensive records (as more particularly described in the relevant paragraph of the Service Recovery Plan) which relate to the implementation of such Service Recovery Plan during that Reporting Period.

#### 4.7 **Delivery of Industry PPM and CaSL targets**

- (a) The Franchisee shall use reasonable endeavours, working in collaboration with Network Rail, to support delivery of the industry Public Performance Measure (PPM) and Cancellations and Significant Lateness targets (CaSL) (as set by the ORR), including using reasonable endeavours to deliver any other performance trajectories set in relation to industry PPM and CaSL targets.
- (b) For the purposes of this paragraph 4.7:

**"Cancellations and Significant Lateness (CaSL)"** means the measure of the proportion of trains (expressed as a percentage of Passenger Services which are scheduled to be provided under the Plan of the Day) which are cancelled, or arrive Significantly Late at their final scheduled destination measured on the basis that for this purpose, **"Significantly Late"** means arriving thirty minutes or more after the scheduled public arrival time at destination, as produced and/or published by Network Rail or the Office for Rail Regulation.

**"Public Performance Measure"** means the public performance measure as produced and/or published by Network Rail and/or the ORR.



**APPENDIX 1 TO SCHEDULE 7.1**

**Cancellations Benchmark Table**

<b>Column 1 Reporting Period</b>		<b>Column 2 Improvement Plan Performance Level (%)</b>	<b>Column 3 Breach Performance Level (%)</b>	<b>Column 4 Default Performance Level (%)</b>	
Franchisee Year	Year 1	Period 1	0.90	0.99	1.13
		Period 2	0.90	0.99	1.12
		Period 3	0.90	0.98	1.12
		Period 4	0.89	0.98	1.12
		Period 5	0.89	0.98	1.11
		Period 6	0.89	0.98	1.11
		Period 7	0.88	0.97	1.10
		Period 8	0.88	0.97	1.10
		Period 9	0.88	0.97	1.10
		Period 10	0.87	0.96	1.09
		Period 11	0.87	0.96	1.09
		Period 12	0.87	0.96	1.09
		Period 13	0.87	0.95	1.08
Up to 11 Reporting Periods extension	Year 2	Period 1	0.86	0.95	1.08
		Period 2	0.86	0.95	1.07
		Period 3	0.86	0.94	1.07
		Period 4	0.85	0.94	1.07
		Period 5	0.85	0.94	1.06
		Period 6	0.85	0.93	1.06
		Period 7	0.84	0.93	1.06
		Period 8	0.84	0.93	1.05
		Period 9	0.84	0.92	1.05
		Period 10	0.84	0.92	1.05
		Period 11	0.83	0.92	1.04

**START OF THE FRANCHISE**

The Reporting Period in the cells entitled "Year 1 Period 1" shall be the first Reporting Period of the Franchise Term.

**APPENDIX 2 TO SCHEDULE 7.1**

**Capacity Benchmark Table**

<b>Column 1</b>		<b>Column 2</b>	<b>Column 3</b>	<b>Column 4</b>	
<b>Reporting Period</b>		<b>Improvement Plan Performance Level (%)</b>	<b>Breach Performance Level (%)</b>	<b>Default Performance Level (%)</b>	
Franchisee Year	Year 1	Period 1	1.00	1.80	2.60
		Period 2	1.00	1.80	2.60
		Period 3	1.00	1.80	2.60
		Period 4	1.00	1.80	2.60
		Period 5	1.00	1.80	2.60
		Period 6	1.00	1.80	2.60
		Period 7	1.00	1.80	2.60
		Period 8	1.00	1.80	2.60
		Period 9	1.00	1.80	2.60
		Period 10	1.00	1.80	2.60
		Period 11	1.00	1.80	2.60
		Period 12	1.00	1.80	2.60
		Period 13	1.00	1.80	2.60
Up to 11 Reporting Periods extension	Year 2	Period 1	1.00	1.80	2.60
		Period 2	1.00	1.80	2.60
		Period 3	1.00	1.80	2.60
		Period 4	1.00	1.80	2.60
		Period 5	1.00	1.80	2.60
		Period 6	1.00	1.80	2.60
		Period 7	1.00	1.80	2.60
		Period 8	1.00	1.80	2.60
		Period 9	1.00	1.80	2.60
		Period 10	1.00	1.80	2.60
		Period 11	1.00	1.80	2.60

**START OF THE FRANCHISE**

The Reporting Period in the cells entitled "Year 1 Period 1" shall be the first Reporting Period of the Franchise Term.

**APPENDIX 3 TO SCHEDULE 7.1**

**TOC Minute Delay Benchmark Table**

<b>Column 1 Reporting Period</b>		<b>Column 2 Improvement Plan Performance Level (TOC Minutes Delay/1000 Train Miles)</b>	<b>Column 3 Breach Performance Level (TOC Minutes Delay/1000 Train Miles)</b>	<b>Column 4 Default Performance Level (TOC Minutes Delay/1000 Train Miles)</b>	
Franchisee Year	Year 1	Period 1	9.75	10.73	12.19
		Period 2	9.71	10.69	12.14
		Period 3	9.68	10.65	12.10
		Period 4	9.64	10.61	12.05
		Period 5	9.60	10.56	12.01
		Period 6	9.57	10.52	11.96
		Period 7	9.53	10.48	11.91
		Period 8	9.49	10.44	11.87
		Period 9	9.46	10.40	11.82
		Period 10	9.42	10.36	11.78
		Period 11	9.38	10.32	11.73
		Period 12	9.35	10.28	11.68
		Period 13	9.31	10.24	11.64
Up to 11 Reporting Periods extension	Year 2	Period 1	9.27	10.20	11.59
		Period 2	9.24	10.16	11.55
		Period 3	9.20	10.12	11.50
		Period 4	9.16	10.08	11.45
		Period 5	9.13	10.04	11.41
		Period 6	9.09	10.00	11.36
		Period 7	9.05	9.96	11.32
		Period 8	9.02	9.92	11.27
		Period 9	8.98	9.88	11.23
		Period 10	8.94	9.84	11.18
		Period 11	8.91	9.80	11.13

**START OF THE FRANCHISE**

The Reporting Period in the cells entitled "Year 1 Period 1" shall be the first Reporting Period of the Franchise Term.

## **SCHEDULE 7.2**

### **Service Quality Management**

#### **1. Introduction**

This Schedule 7.2 provides for:

- (a) the Service Quality Management System arrangements to be put in place by the Franchisee for the management and delivery of service quality during the Franchise Term;
- (b) the responsibilities, including auditing, and reporting requirements of the Franchisee;
- (c) the audits that may be carried out by the Secretary of State;
- (d) the right of the Secretary of State to witness any audit carried out by the Franchisee;
- (e) the remedies available to the Secretary of State if the Franchisee underperforms against the measurement criteria set out in the Service Quality Management System; and
- (f) the remedies available to the Secretary of State if the Franchisee fails to submit a Service Quality Plan when required to do so or implement any Service Quality Plan in accordance with its terms.

#### **2. Service Quality Arrangements**

##### **Service Quality Management System**

2.1 The Service Quality Management System shall:

- (a) be capable of measuring the Franchisee's compliance with the standards set out in the Service Quality Standards;
- (b) contain distinct benchmarks against which the Franchisee's performance can be monitored each Reporting Period and any other performance criteria agreed between the parties;
- (c) set out procedures, including in respect of the auditing requirements specified in paragraph 3, for identifying and rectifying failures against those benchmarks; and
- (d) provide details of the resources allocated by the Franchisee, including any contractual arrangements in place, to ensure the provision by it of a level of service quality across the Franchise that is consistent with the level specified in the Service Quality Standards.

2.2 The Franchisee shall implement the Service Quality Management System in accordance with its terms.

2.3 The Franchisee shall review the effectiveness of the Service Quality Management System, including the Service Quality Audit Programme, at reasonable intervals

throughout the Franchise Term (each such interval being no more than 12 months), and propose changes to the Secretary of State as appropriate with a view to ensuring the level of service quality provided across the Franchise is consistent with the level specified in the Service Quality Standards. In considering changes to the Service Quality Audit Programme, the Franchisee shall have regard to the need to maintain a reasonable spread and frequency of audits across the Franchise and across those facilities that are the subject of the Service Quality Standards.

- 2.4 The prior consent of the Secretary of State (such consent not to be unreasonably withheld) must be obtained to any changes to either the Service Quality Management System or the Service Quality Audit Programme that the Franchisee considers appropriate in order to continue to provide the level of service quality referred to in paragraph 2.3.

### **Service Quality Plans**

- 2.5 Any Service Quality Plan submitted under paragraph 4.1(e) requires approval by the Secretary of State. The Secretary of State and the Franchisee shall act in good faith to agree the Service Quality Plan and in the event that no such agreement can be reached, the Secretary of State shall reasonably determine the Service Quality Plan.
- 2.6 The Franchisee shall implement any Service Quality Plan agreed with or determined by the Secretary of State pursuant to paragraph 2.5 in accordance with its terms.

### **Service Quality at Franchisee Access Stations**

- 2.7 The Franchisee shall:
- (a) use all reasonable endeavours to procure, including by:
    - (i) entering into new agreements with relevant third parties; and/or
    - (ii) varying existing agreements with relevant third parties; and
  - (b) enforce any rights it may have under any Access Agreement in respect of any Franchisee Access Station,

in order that any services equivalent to the Franchise Services that are provided by the Facility Owner at any Franchisee Access Station are provided at a level of service quality that is consistent with the level specified in the Service Quality Standards.

## **3. Auditing**

- 3.1 The Service Quality Audit Programme shall provide for a reasonable spread and frequency of audits across the Franchise and across those facilities that are the subject of the Service Quality Standards in order to ascertain the extent to which the Franchisee is implementing the Service Quality Management System in accordance with its terms.
- 3.2 The Franchisee shall implement the Service Quality Audit Programme in accordance with its terms.

- 3.3 The Secretary of State, and his employees and agents on his behalf, shall have the right (at his own cost) to:
- (a) witness any audits carried out by the Franchisee under the Service Quality Audit Programme; and
  - (b) carry out his own independent audits of the extent to which the Franchisee implements the Service Quality Management System in accordance with its terms, in addition to any further independent audits he may carry out pursuant to paragraph 1.8 of Schedule 10.1 (Remedial Plans and Remedial Agreements).
- 3.4 The Franchisee shall cooperate with the Secretary of State, and his employees and agents on his behalf, in permitting the Secretary of State to exercise his rights under paragraph 3.3.
- 3.5 The Secretary of State shall use all reasonable endeavours to ensure that the persons employed in undertaking independent audits, carry out such audits diligently and objectively.
- 3.6 The Secretary of State shall use all reasonable endeavours to notify the Franchisee of the result of any independent audit that is undertaken within any Service Quality Reporting Period no later than the last day of such Service Quality Reporting Period where any such audit is conducted five days or more prior to the last day of such Service Quality Reporting Period. Otherwise, the Secretary of State shall notify the Franchisee as soon as reasonably practicable thereafter.
- 3.7 The Franchisee shall grant such access to the facilities under its control as is necessary to enable the Secretary of State and the Secretary of State's employees and agents on his behalf to witness any audits conducted by the Franchisee pursuant to the Service Quality Audit Programme and exercise his independent audit rights under paragraph 3.3(b).
- 3.8 In carrying out any independent audit, or witnessing any audits conducted by the Franchisee pursuant to the Service Quality Audit Programme, the Secretary of State shall, subject to paragraph 3.9, ensure that his employees or agents:
- (a) are appropriately trained and briefed with respect to any location-specific safety rules and regulations; and
  - (b) obey any location-specific rules and regulations in respect of security and access.
- 3.9 The Franchisee shall provide notice from time to time of current location-specific access, security and safety rules and regulations to the Secretary of State, his employees or agents for the purpose of ensuring that the Secretary of State, his employees and agents can carry out the Secretary of State's auditing rights in an efficient, secure and safe manner.

#### 4. **Reporting Arrangements for the Franchisee**

- 4.1 The Franchisee shall:
- (a) calculate its performance every Reporting Period as a moving annual average against the benchmarks set out in the System Quality Management System taking account of the results of any independent audits referred to in paragraphs 5.4 and 5.5;

- (b) self-certify the extent of its compliance against those benchmarks to the Secretary of State no later than seven days after each Service Quality Reporting Period, disaggregating the results of its performance by Service Group where required to do so from time to time by the Secretary of State;
- (c) promptly provide to the Secretary of State, following his request, copies of the records of any of the audits carried out pursuant to the Service Quality Audit Programme;
- (d) promptly notify the Secretary of State if and whenever its performance in any Reporting Period in respect of any standard set out in the Service Quality Standards, when expressed as a moving annual average, is worse than the benchmark relating to that standard; and
- (e) promptly submit to the Secretary of State a Service Quality Plan where it is required to notify the Secretary of State under paragraph 4.1(d).

4.2 Each Service Quality Plan shall detail:

- (a) the benchmark and standard in respect of which it has been submitted;
- (b) the remedial actions that the Franchisee intends to take, including the resources it intends to allocate, in order to ensure that its future performance in respect of that standard is once again better than that benchmark; and
- (c) the anticipated time it will take to achieve the objective referred to in paragraph 4.2(b).

## 5. Remedies Available to the Secretary of State

### Contraventions

5.1 It shall be a contravention of the Franchise Agreement if:

- (a) the Franchisee fails to implement the Service Quality Audit Programme in accordance with its terms;
- (b) the Franchisee is required to notify the Secretary of State pursuant to paragraph 4.1(d);
- (c) the Franchisee fails to submit a Service Quality Plan in accordance with paragraph 4.1(e);
- (d) the Franchisee fails to implement a Service Quality Plan in accordance with its terms; or
- (e) there are material discrepancies which are favourable to the Franchisee between the results of any audit carried out pursuant to the Service Quality Audit Programme and the results of any independent audit relevant to it except where the Franchisee can demonstrate to the reasonable satisfaction of the Secretary of State that the results of that independent audit are inaccurate.

5.2 Without prejudice to the provisions of paragraph 2.11 of Schedule 10.3 (Events of Default and Termination Events), no Event of Default shall have occurred if any of the circumstances referred to in paragraph 5.1 occur.

### **Results of independent audits**

- 5.3 Subject to paragraph 5.5, the results of any independent audits that are carried out in specific response to the occurrence of any of the circumstances described in paragraphs 5.1(a) to 5.1(d) inclusive shall be included in the calculation pursuant to paragraph 4.1(a) of the Franchisee's performance against the relevant benchmarks in the Service Quality Management System.
- 5.4 Subject to paragraph 5.5, the results of any independent audits that are carried out in specific response to the occurrence of the circumstance described in paragraph 5.1(e) shall be substituted for the results of any corresponding audit carried out pursuant to the Service Quality Audit Programme in the calculation pursuant to paragraph 4.1(a) of the Franchisee's performance against the relevant benchmarks in the Service Quality Management System.
- 5.5 Only the results of those independent audits:
- (a) carried out pursuant to paragraph 1.8 of Schedule 10.1 (Remedial Plans and Remedial Agreements) in specific response to the occurrence of any of the circumstances described in paragraphs 5.1(a) to 5.1(e) inclusive; and
  - (b) notified by the Secretary of State to the Franchisee by the end of the Service Quality Reporting Period during which they were conducted,
- 5.6 shall be included in the calculation in respect of those Reporting Periods that form part of that Service Quality Reporting Period pursuant to paragraph 4.1(a).

### **Franchisee right to make representations**

- 5.7 The Franchisee shall have the right to:
- (a) inspect the results of any independent audit carried out by the Secretary of State pursuant to this Schedule 7.2; and
  - (b) make representations to the Secretary of State in respect of any of those results.
- 5.8 The Secretary of State shall have regard to, but not be bound by, any representation made by the Franchisee pursuant to paragraph 5.6(b).



## **SCHEDULE 8**

### **Payments**

**Schedule 8.1: Franchise Payments**

**Appendix 1: Profit Share Thresholds**

**Appendix 2: Components of AFA and DFR**

**Schedule 8.2: Annual Franchise Payments**

**Appendix: Figures for the Calculation of Annual Franchise payments**

**Schedule 8.3: Miscellaneous Payment Provisions**

**Schedule 8.4: Track Access Adjustments and Station Charge Adjustments**

## SCHEDULE 8.1

### Franchise Payments

#### 1. Franchise Payments

1.1 The Franchise Payment for any Reporting Period shall be an amount equal to:

$$\pounds\text{FP} = \text{PFP} + \text{TAA} + \text{SCA}$$

where:

$\pounds\text{FP}$  means the Franchise Payment for that Reporting Period;

$\text{PFP}$  means  $\left( \frac{\text{RPD}}{\text{FYD}} \times \text{AFP} \right)$

where:

$\text{RPD}$  means the number of days in that Reporting Period;

$\text{FYD}$  is equal to 365, or if February 29 falls during the Franchisee Year in which that Reporting Period falls 366 provided that if the Secretary of State exercises his rights pursuant to paragraph 2 of Schedule 18 (Additional Reporting Periods) to extend the Franchise Agreement for up to 11 Reporting Periods then  $\text{FYD}$  shall be deemed to be the number of days during the period from 1 April 2016 to 5 February 2017 (inclusive);

$\text{AFP}$  means the Annual Franchise Payment for the Franchisee Year in which that Reporting Period occurs, as determined in accordance with Schedule 8.2 (Annual Franchise Payments);

$\text{TAA}$  means any Track Access Adjustment to be made on that Reporting Period's Payment Date; and

$\text{SCA}$  means any Station Charge Adjustment to be made on that Reporting Period's Payment Date.

1.2 Where a Franchisee Year starts or ends during a Reporting Period,  $\pounds\text{FP}$  and  $\text{PFP}$  shall be determined as if references in paragraph 1.1 to a Reporting Period were to each of the separate sections of two such Reporting Periods which fall either side of such Franchisee Year start or end, and the Franchise Payment for such Reporting Period shall be the sum of  $\pounds\text{FP}$  as determined for each such section of such Reporting Period.

1.3 The parties agree that:

- (a) each of  $\pounds\text{FP}$ ,  $\text{TAA}$  and  $\text{SCA}$  may be a positive number or a negative number;
- (b) where  $\pounds\text{FP}$  is a positive number, the Secretary of State shall pay that amount to the Franchisee on the Payment Date for that Reporting Period; and

- (c) where £FP is a negative number, the Franchisee shall pay the corresponding positive amount to the Secretary of State on the Payment Date for that Reporting Period.

## 2. **Payment of Franchise Payments**

- 2.1 The Secretary of State shall notify the Franchisee, no less than seven days prior to the end of each Reporting Period, of the amount of the Franchise Payment payable in respect of that Reporting Period.
- 2.2 Each such notification shall set out in reasonable detail how the Franchise Payment has been calculated.
- 2.3 The Payment Date for a Reporting Period shall be the last Weekday of that Reporting Period.
- 2.4 Each Franchise Payment shall be payable by the Franchisee or, as the case may be, the Secretary of State in the amount notified by the Secretary of State in accordance with paragraph 2.1 on the Payment Date of the Reporting Period to which it relates.
- 2.5 Each Franchise Payment shall be made:
  - (a) by automatic electronic funds transfer in pounds sterling to such bank account in the United Kingdom as the payee of such payment may have previously specified to the payer in writing; and
  - (b) so that cleared funds are received in that account on or before the due date for payment.
- 2.6 If either party disputes the amount of a Franchise Payment, the dispute shall, unless the parties otherwise agree, be resolved in accordance with the provisions of Clause 10 (Governing Law) of this Franchise Agreement. Any such dispute shall not affect the obligation of either party to pay a Franchise Payment notified in accordance with this paragraph 2.
- 2.7 If either party fails to pay any amount to the other party on its due date, it shall in addition pay interest on such amount at the Interest Rate, calculated on a daily basis, from the due date for payment to the date on which payment is made.
- 2.8 If the amount of any Franchise Payment is agreed or determined to be incorrect and:
  - (a) either party has made a payment to the other party which is greater than it would have made if the amount of the Franchise Payment had been correct, then the recipient shall repay the excess within three Weekdays of the agreement or determination; or
  - (b) either party has made a payment to the other party which is less than it would have made if the amount of the Franchise Payment had been correct, then the payer shall pay the amount of any shortfall to the payee within three Weekdays of the agreement or determination,together, in each case, with interest on the amount payable at the Interest Rate, calculated on a daily basis from the date on which the Franchise Payment was paid until the date on which such excess amount or shortfall is paid.

3. **Profit Share**

3.1 For the purposes of this paragraph 3:

**"First Profit Share Threshold"** means an amount in respect of any Franchisee Year determined as follows:

$$\text{FPST} \times \text{RPI} \times (\text{NRP}/\text{ENRP})$$

where:

- |      |   |
|------|---|
| FPST | is the amount prescribed for these purposes in paragraph 1 of Appendix 1 (Profit Share Thresholds) to this Schedule 8.1 in respect of the relevant Franchisee Year; |
| RPI  | has the meaning given to it in Schedule 8.2 (Annual Franchise Payments);  |
| NRP  | means the whole number of Reporting Periods in that Franchisee Year; and  |
| ENRP | means the expected number of Reporting Periods in that Franchisee Year being 13 for the first Franchisee Year and 11 for the second Franchisee Year.                |

**"Second Profit Share Threshold"** means an amount in respect of any Franchisee Year determined as follows:

$$\text{SPST} \times \text{RPI} \times (\text{NRP}/\text{ENRP})$$

where:

- |      |   |
|------|---|
| SPST | is the amount prescribed for these purposes in paragraph 2 of Appendix 1 (Profit Share Thresholds) to this Schedule 8.1 in respect of the relevant Franchisee Year; |
| RPI  | has the meaning given to it in Schedule 8.2 (Annual Franchise Payments);  |
| NRP  | means the whole number of Reporting Periods in that Franchisee Year; and  |
| ENRP | means the expected number of Reporting Periods in that Franchisee Year being 13 for the first Franchisee Year and 11 for the second Franchisee Year.                |

**"Third Profit Share Threshold"** means an amount in respect of any Franchisee Year determined as follows:

$$\text{TPST} \times \text{RPI} \times (\text{NRP}/\text{ENRP})$$

where:

TPST	is the amount prescribed for these purposes in paragraph 3 of Appendix 1 (Profit Share Thresholds) to this Schedule 8.1 in respect of the relevant Franchisee Year;
RPI	has the meaning given to it in Schedule 8.2 (Annual Franchise Payments);
NRP	means the whole number of Reporting Periods in that Franchisee Year; and
ENRP	means the expected number of Reporting Periods in that Franchisee Year being 13 for the first Franchisee Year and 11 for the second Franchisee Year.

**"Fourth Profit Share Threshold"** means an amount in respect of any Franchisee Year determined as follows:

$FoPST \times RPI \times (NRP/ENRP)$

where:

FoPST	is the amount prescribed for these purposes in paragraph 4 of Appendix 1 (Profit Share Thresholds) to this Schedule 8.1 in respect of the relevant Franchisee Year;;
RPI	has the meaning given to it in Schedule 8.2 (Annual Franchise Payments);
NRP	means the whole number of Reporting Periods in that Franchisee Year; and
ENRP	means the expected number of Reporting Periods in that Franchisee Year being 13 for the first Franchisee Year and 11 for the second Franchisee Year.

**"Relevant Profit"** means, subject to paragraph 3.4, in respect of any Franchisee Year, the total profit of the Franchisee for that Franchisee Year calculated by applying the accounting policies and standards set out in the Record of Assumptions and applied through the Financial Model:

- (a) after taking into account in respect of that Franchisee Year:
  - (i) Franchise Payments;
  - (ii) the Franchisee's normal pension contributions in relation to the Franchisee Sections and any other pension schemes to the extent connected with the Franchise; and

- (iii) any payments to Affiliates of the Franchisee (including management fees and royalty fees) except to the extent that such payments exceed an amount to be determined as follows:

$$AFA \times RPI$$

where:

AFA is the amount specified in respect of each Franchisee Year in column 2 of the table set out in paragraph 1 of Appendix 2 to this Schedule 8.1 (Franchise Payments) provided that if the Secretary of State exercises his right to extend the Franchise Agreement pursuant to Schedule 18 (Additional Reporting Periods):

- (A) for 11 Reporting Periods, AFA for the Franchisee Year which commences on 1 April 2016 shall be the amount specified in column 2 of the table set out in paragraph 1 of Appendix 2 (Components of AFA and DFR) to this Schedule 8.1 for the period referred to as "Year 2 (applicable if there is a Franchise Term extension pursuant to paragraph 2 of Schedule 18 (Additional Reporting Periods))";
- (B) for less than 11 Reporting Periods, AFA for the Franchisee Year which commences on 1 April 2016 shall be equal to  $A \times (B/11)$  where:

A means the amount specified in column 2 of the table set out in paragraph 1 of Appendix 2 (Components of AFA and DFR) to this Schedule 8.1 for the period referred to as "Year 2 (applicable if there is a Franchise Term extension pursuant to paragraph 2 of Schedule 18 (Additional Reporting Periods))";

B means the number of Reporting Periods in the Franchisee Year which commences on 1 April 2016 (as extended pursuant to

Schedule 18 (Additional Reporting Periods); and

RPI has the meaning given to it in Schedule 8.2 (Annual Franchise Payments);

- (iv) any sums payable by or to the Franchisee pursuant to the terms of the Supplemental Agreement; and
  - (v) any capital expenditure to the extent that it is recognised as an operating cost in the Annual Audited Accounts and any depreciation on capital expenditure that is recognised as an expense in the Annual Audited Accounts, unless the depreciation policy and assumptions used in the Annual Audited Accounts are different to those set out in the Record of Assumptions and applied through the Financial Model, in which case an adjustment should be made to take account of the depreciation which would have been charged had the policy and assumptions set out in the Record of Assumptions been applied for the relevant Franchisee Year; and
- (b) before taking into account in respect of that Franchisee Year:
- (i) any taxation on profits including corporation tax;
  - (ii) shares of the profit of any Affiliate of the Franchisee, except dividends received in cash;
  - (iii) non cash entries in respect of the Franchise Sections and any other pension schemes to the extent connected with the Franchise, excluding accruals or prepayments of any normal pension contributions due;
  - (iv) any payment made by the Franchisee consequent upon any breach or contravention of the Franchise Agreement and/or its Licence (including as a consequence of any penalty payment paid or payable pursuant to Section 57A of the Railways Act 1993);
  - (v) any profit share payments payable to the Secretary of State in relation to any Franchisee Year;
  - (vi) fees, remuneration and pension contributions in respect of any statutory director and officers of the Franchisee in excess of an amount to be determined as follows:

$DFR \times RPI$

where:

DFR is the amount specified in respect of each Franchisee Year in column 2 of the table set out in paragraph 2 of Appendix 2 to this Schedule 8.1 (Franchise Payments) provided that if the Secretary of State exercises his right to extend the Franchise

Agreement pursuant to Schedule 18 (Additional Reporting Periods):

- (A) for 11 Reporting Periods, DFR for the Franchisee Year which commences on 1 April 2016 shall be the amount specified in column 2 of the table set out in paragraph 2 of Appendix 2 (Components of AFA and DFR) to this Schedule 8.1 for the period referred to as "Year 2 (applicable if there is a Franchise Term extension pursuant to paragraph 2 of Schedule 18 (Additional Reporting Periods))";
- (B) for less than 11 Reporting Periods, DFR for the Franchisee Year which commences on 1 April 2016 shall be equal to  $A \times (B/11)$  where:
  - A means the amount specified in column 2 of the table set out in paragraph 2 of Appendix 2 (Components of AFA and DFR) to this Schedule 8.1 for the period referred to as "Year 2 (applicable if there is a Franchise Term extension pursuant to paragraph 2 of Schedule 18 (Additional Reporting Periods))";
  - B means the number of Reporting Periods in the Franchisee Year which commences on 1 April 2016 (as extended pursuant to Schedule 18 (Additional Reporting Periods)); and

RPI has the meaning given to it in Schedule 8.2 (Annual Franchise Payments);

- (vii) all liabilities arising prior to the Start Date or in consequence (directly or indirectly) of the Franchisee being a party to the Previous Franchise Agreement including those liabilities identified in the final annual financial statements and annual audited accounts prepared by the Franchisee in relation to the final franchisee year under the Previous Franchise Agreement;
- (viii) interest, finance income and finance charges (other than finance items recognised in respect of retirement benefits); and
- (ix) all extraordinary and exceptional items, as defined under the accounting policies and standards set out in the Record of Assumptions and applied through the Financial Model.

3.2 If the Annual Audited Accounts in respect of any Franchisee Year show that the Relevant Profit for that Franchisee Year exceeds the First Profit Share Threshold then, subject to paragraph 3.4, the Franchisee shall pay to the Secretary of State:



- (a) <sup>10</sup> of Relevant Profit in excess of the First Profit Share Threshold but less than or equal to the Second Profit Threshold;
- (b) <sup>11</sup> of Relevant Profit in excess of the Second Profit Share Threshold but less than or equal to the Third Profit Share Threshold;
- (c) <sup>12</sup> of Relevant Profit in excess of the Third Profit Share Threshold but less than or equal to the Fourth Profit Share Threshold; and
- (d) <sup>13</sup> of Relevant Profit in excess of the Fourth Profit Share Threshold.

3.3 Subject to paragraphs 3.5 and 3.6 below, payments due under paragraph 3.2 shall be paid as part of the Franchise Payment for the first Reporting Period falling 30 or more days after delivery of the Annual Audited Accounts by the Franchisee to the Secretary of State under paragraph 3.9 of Schedule 13 (Information and Industry Initiatives) or if there is no such Reporting Period, within 30 days of the date of such delivery.

3.4

- (a) If in any Franchisee Year (or any period of 12 consecutive months after the end of the Franchise Period) (the "**Current Franchisee Year**") the Franchisee receives a compensation or other settlement payment of at least £200,000 x RPI arising from a single claim or series of related claims which relate wholly or partly to costs, losses or expenses (including loss of revenue) arising in any other Franchisee Year or Franchisee Years, then the Franchisee shall notify the Secretary of State of such payment as soon as reasonably practicable and for the purposes of this paragraph 3 and notwithstanding its other terms:
  - (i) the payment which relates to such other Franchisee Year shall be attributed to that other Franchisee Year and not treated as received in the Current Franchisee Year;
  - (ii) where and to the extent any payments under this paragraph 3 in respect of any other Franchisee Year would have been made or would have been higher had that amount actually been received in that other Franchisee Year, the Franchisee shall pay a reconciliation amount to the Secretary of State within 30 days after delivery of the Annual Audited Accounts that relate to the Current Franchisee Year by the Franchisee to the Secretary of State under paragraph 3.9 of Schedule 13 (Information and Industry Initiatives) or, if there is no further requirement on the Franchisee to deliver Annual Audited

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<sup>10</sup> Where text has been omitted from the document this is because the Director General Rail or Secretary of State has decided to exclude the text in accordance with the provisions within the Freedom of Information Act 2000.

<sup>11</sup> Where text has been omitted from the document this is because the Director General Rail or Secretary of State has decided to exclude the text in accordance with the provisions within the Freedom of Information Act 2000.

<sup>12</sup> Where text has been omitted from the document this is because the Director General Rail or Secretary of State has decided to exclude the text in accordance with the provisions within the Freedom of Information Act 2000.

<sup>13</sup> Where text has been omitted from the document this is because the Director General Rail or Secretary of State has decided to exclude the text in accordance with the provisions within the Freedom of Information Act 2000.

Accounts following the end of the Franchise Period, within 30 days of the Franchisee receiving the relevant payment; and

- (iii) RPI has the meaning given to it in Schedule 8.2 (Annual Franchise Payments).
  - (b) Where the Secretary of State reasonably considers that in calculating Relevant Profit any particular item or transaction has not been accounted for on a reasonable basis (including where the accounting treatment looks to the form rather than the substance, of the item or transaction) he shall be entitled to require it to be accounted for on such other basis as he may reasonably determine and notify to the Franchisee provided that the Secretary of State shall not be entitled pursuant to this paragraph to alter the accounting policies of the Franchisee from those set out in the Record of Assumptions and applied through the Financial Model.
  - (c) Without prejudice to paragraph 3.4(a) where the Annual Audited Accounts in relation to any previous Franchisee Year are subject to adjustment or restatement the Secretary of State shall have a discretion to require the recalculation of Relevant Profit for the relevant Franchisee Year and to require that the Franchisee shall pay to the Secretary of State the amount which is the difference between the profit share actually paid to the Secretary of State pursuant to paragraph 3.2 and the amount that would have been paid had the Relevant Profit been originally calculated on the basis that such adjustment or revision was included in the Annual Audited Accounts. Any payment due to the Secretary of State shall be paid by the Franchisee within 30 days of the Secretary of State notifying the Franchisee that he requires a payment to be made pursuant to this paragraph.
- 3.5 The Franchisee shall, within 10 days after delivery of any Annual Audited Accounts under paragraph 3.9 of Schedule 13 (Information and Industry Initiatives), deliver to the Secretary of State a report identifying:
- (a) the amount of total profit and the adjustments made in the calculation of Relevant Profit pursuant to paragraph 3.1;
  - (b) any items falling under paragraph 3.4(a), including details of the allocation across Franchisee Years of such items; and
  - (c) any adjustments or restatements made in relation to the Annual Audited Accounts in respect of any previous Franchisee Year
- and shall provide such additional information, records or documents as the Secretary of State may reasonably require in relation to such matters (including an unqualified written report from the Franchisee's auditors addressed to the Secretary of State which confirms that any such report gives a true and fair view of the matters contained within it including the amount of total profit and the adjustments made in the calculation of Relevant Profit).
- 3.6 Any profit share payment pursuant to paragraph 3.2 to be made in respect of the final Franchisee Year shall be determined in accordance with this paragraph 3 but shall be paid within 30 days of the Secretary of State giving written notice to the Franchisee of the amount of such profit share payment.
- 3.7 If the Franchisee fails to provide the Annual Audited Accounts for the final Franchisee Year within four Reporting Periods of the expiry of the final Franchisee

Year pursuant to paragraph 3.9 of Schedule 13 (Information and Industry Initiatives), the Secretary of State shall be entitled (but not obliged) to determine any Profit Share Adjustment in accordance with this paragraph 3 but by reference to any relevant information available to the Secretary of State at the time of such determination, including any information contained in the latest cumulative, year-to-date Management Accounts or in the Annual Management Accounts.

## APPENDIX 1 TO SCHEDULE 8.1

### Profit Share Thresholds

1. The prescribed amounts for the component of FPST for the relevant Franchisee Year and for the purposes of the definition of First Profit Share Threshold are as set out in the table below:<sup>14</sup>
  
2. The prescribed amounts for the component of SPST for the relevant Franchisee Year and for the purposes of the definition of Second Profit Share Threshold are as set out in the table below:<sup>15</sup>
  
3. The prescribed amounts for the component of TPST for the relevant Franchisee Year and for the purposes of the definition of Third Profit Share Threshold are as set out in the table below:<sup>16</sup>
  
4. The prescribed amounts for the component of FoPST for the relevant Franchisee Year and for the purposes of the definition of Fourth Profit Share Threshold are as set out in the table below:<sup>17</sup>

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<sup>14</sup> Where text has been omitted from the document this is because the Director General Rail or Secretary of State has decided to exclude the text in accordance with the provisions within the Freedom of Information Act 2000.

<sup>15</sup> Where text has been omitted from the document this is because the Director General Rail or Secretary of State has decided to exclude the text in accordance with the provisions within the Freedom of Information Act 2000.

<sup>16</sup> Where text has been omitted from the document this is because the Director General Rail or Secretary of State has decided to exclude the text in accordance with the provisions within the Freedom of Information Act 2000.

<sup>17</sup> Where text has been omitted from the document this is because the Director General Rail or Secretary of State has decided to exclude the text in accordance with the provisions within the Freedom of Information Act 2000.

## APPENDIX 2 TO SCHEDULE 8.1

### Components of AFA and DFR

1. The amounts for the purposes of the component of AFA in paragraph 3(a)(iii) of Schedule 8.1 (Franchise Payments) are set out in the table below:<sup>18</sup>
2. The amounts for the purposes of the component of DFR in paragraph 3(b)(vi) of Schedule 8.1 (Franchise Payments) are set out in the table below:<sup>19</sup>

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<sup>18</sup> Where text has been omitted from the document this is because the Director General Rail or Secretary of State has decided to exclude the text in accordance with the provisions within the Freedom of Information Act 2000.

<sup>19</sup> Where text has been omitted from the document this is because the Director General Rail or Secretary of State has decided to exclude the text in accordance with the provisions within the Freedom of Information Act 2000.

## SCHEDULE 8.2

### Annual Franchise Payments

#### 1. Annual Franchise Payments

The Annual Franchise Payment for any Franchisee Year is an amount equal to:

$$\text{AFP} = \text{FXD} + (\text{VCRPI} \times \text{RPI}) + (\text{VCAWE} \times \text{AWE}) + (\text{PRPI} \times \text{RPI}) + (\text{ORRPI} \times \text{RPI}) + (\text{PRRPI} \times \text{RPI})$$

where:

AFP	equals the Annual Franchise Payment in the relevant Franchisee Year;
FXD	means the figure shown in respect of the relevant Franchisee Year in column 2 of the table set out in the Appendix (Figures for Calculation of Annual Franchise Payments) to this Schedule 8.2;
VCRPI	means the figure shown in respect of the relevant Franchisee Year in column 3 of the table set out in the Appendix (Figures for Calculation of Annual Franchise Payments) to this Schedule 8.2;
RPI	is the quotient of the Retail Prices Index for the January which immediately precedes the commencement of the relevant Franchisee Year divided by the Retail Prices Index for January 2014 so that, for the first Franchisee Year, RPI indexation shall apply;
VCAWE	means the figure shown in respect of the relevant Franchisee Year in column 4 of the table set out in the Appendix (Figures for Calculation of Annual Franchise Payments) to this Schedule 8.2;
AWE	is the quotient of the Average Weekly Earnings for the January which immediately precedes the commencement of the relevant Franchisee Year divided by the Average Weekly Earnings for January 2014, provided that, for the first Franchisee Year, AWE shall be one;
PRPI	means the figure shown in respect of the relevant Franchisee Year in column 5 of the table set out in the Appendix (Figures for Calculation of Annual Franchise Payments) to this Schedule 8.2;
ORRPI	means the figure shown in respect of the relevant Franchisee Year in column 6 of the table set out in Appendix (Figures for Calculation of Annual Franchise Payments) to this Schedule 8.2 (and which shall always be expressed as a negative number); and
PRRPI	means the figure shown in respect of the relevant Franchisee Year in column 7 of the table set out in Appendix (Figures for Calculation of Annual Franchise Payments) to this Schedule 8.2 (and which shall always be expressed as a negative number).

## APPENDIX TO SCHEDULE 8.2<sup>20</sup>

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<sup>20</sup> Where text has been omitted from the document this is because the Director General Rail or Secretary of State has decided to exclude the text in accordance with the provisions within the Freedom of Information Act 2000.

## **SCHEDULE 8.3**

### **Miscellaneous Payment Provisions**

The Secretary of State, in his discretion, may at any time decide to reimburse or ameliorate net losses of the Franchisee arising from Industrial Action (however caused and of whatever nature) in circumstances where the Franchisee has demonstrated to the satisfaction of the Secretary of State that it has taken all reasonable steps to avoid the Industrial Action and that, Industrial Action having nevertheless occurred, the Franchisee has taken all reasonable steps to mitigate its effects.



## SCHEDULE 8.4

### Track Access Adjustments and Station Charge Adjustments

#### 1. Track Access Adjustments

- 1.1 The Track Access Adjustment to be made in respect of any Reporting Period shall be determined in accordance with the following formula:

$$TAA = (GCA - W) \times \frac{RPD}{FYD}$$

where:

TAA means the Track Access Adjustment to be made in that Reporting Period;

GCA is the value of "GC" for the Franchisee Year in which the Reporting Period falls under Part 3A of Schedule 7 of the Track Access Agreement;

W is the value of "Wt" for the Franchisee Year in which the Reporting Period falls under Part 2 of Schedule 7 of the Track Access Agreement;

RPD means the number of days in that Reporting Period; and

FYD means the number of days in the Franchisee Year in which that Reporting Period falls,

except that, where a Reporting Period falls during two Franchisee Years, TAA shall be determined as if the references to Reporting Period were to each of the two periods within such Reporting Period which fall wholly within one of such Franchisee Years and the Track Access Adjustment to be made in that Reporting Period shall reflect the sum of TAA as determined for each such period.

- 1.2 The Franchisee shall notify the Secretary of State upon becoming aware that any Track Access Adjustment is to be made and shall supply such information as the Secretary of State may require in relation thereto. The Franchisee shall exercise its rights under the Track Access Agreement in such manner and take such other action as the Secretary of State may reasonably require in connection with any related payment thereunder (including in relation to any agreement of the amount of any such payment and including submitting any relevant dispute to any relevant dispute resolution procedures). The Franchisee shall not, without the consent of the Secretary of State, agree or propose to agree a value for "Wt" or "GC" under Parts 2 or 3A of Schedule 7 of the Track Access Agreement.
- 1.3 The Franchisee shall provide such evidence of payment as the Secretary of State may require (including any certificates) for the purpose of determining the value of "W" and "GCA" under paragraph 1.1.
- 1.4 If no value is ascertained for "W" or "GCA" prior to the date on which the Franchise Payment for the relevant Reporting Period is determined, then a Track Access Adjustment shall only be determined to the extent such values can be ascertained at such time and, when such values are subsequently ascertained, adjustment shall be made to reflect the full Track Access Adjustment for such Reporting Period.

1.5 The values of "W" and "GCA" when used in the computation in paragraph 1.1 shall be taken to exclude any input Value Added Tax which is recoverable in respect of the payments they represent by the Franchisee under Sections 24 to 26 of the Value Added Tax Act 1994.

1.6 References in this paragraph 1 to "Wt" and "GC" and Parts 2 and 3A of Schedule 7 of the Track Access Agreement shall be deemed also to be references to such other provisions, and such other algebra under any such other provisions, of any Track Access Agreement as the Secretary of State may reasonably consider have an equivalent effect, or are intended to fulfil the same function, as "Wt" or "GC" and Parts 2 or 3A of Schedule 7 of the Track Access Agreement to which the Franchisee is a party on the Start Date.

## 2. **Station Charge Adjustment**

2.1 The Station Charge Adjustment to be made in respect of any Reporting Period shall be the aggregate of the Individual Station Charge Adjustments as determined in accordance with the following formula for each Station and each other Franchisee Access Station:

$$ISCA = L \times \frac{RPD}{FYD}$$

where:

ISCA means the Individual Station Charge Adjustment for the relevant station for that Reporting Period;

L is the value of "Lt" for the Franchisee Year in which the Reporting Period falls under:

- (a) if the relevant station is not an Independent Station, Condition F11.2 of the Station Access Conditions entitled "National Station Access Conditions 2013 (England and Wales) (incorporating amendments with effect from 1 April 2014)" relating to such station; or
- (b) if the relevant station is an Independent Station, Condition 42.3 of the Independent Station Access Conditions relating to that Independent Station,

in each case, to the extent that value represents an amount payable to or by Network Rail or any other relevant Facility Owner by or to the Franchisee on its own behalf under the relevant Access Agreement (excluding any amount payable to Network Rail by the Franchisee in its capacity as Facility Owner of a station on behalf of a beneficiary which is party to an Access Agreement in respect of a Station);

RPD means the number of days in that Reporting Period; and

FYD means the number of days in the Franchisee Year in which that Reporting Period falls except that, where a Reporting Period falls during two Franchisee Years, the Station Charge Adjustment shall be determined as if the references to Reporting Period were to each of the two periods within such Reporting Period which fall wholly within one of such Franchisee Years and the Station Charge Adjustment for such Reporting

Period shall be the sum of the Station Charge Adjustment as determined for each such period.

- 2.2 The Franchisee shall notify the Secretary of State upon becoming aware that any Station Charge Adjustment is to be made and shall supply such information as the Secretary of State may require in relation thereto. The Franchisee shall exercise such rights as it may have under any Access Agreement in such manner and take such other action as the Secretary of State may reasonably require in connection with any related payment thereunder (including in relation to any agreement of the amount of any such payment and including submitting any relevant dispute to any relevant dispute resolution procedures). The Franchisee shall not, without the consent of the Secretary of State, agree or propose to agree a value for "Lt" under any relevant Access Agreement.
- 2.3 The Franchisee shall provide such evidence of payment as the Secretary of State may require (including any certificates) for the purpose of determining the value of "L" under paragraph 2.1.
- 2.4 If no value is ascertained for "L" prior to the date on which the Franchise Payment for the relevant Reporting Period is determined, then a Station Charge Adjustment shall only be determined to the extent such values can be ascertained at such time and, when such values are subsequently ascertained, an adjustment shall be made to reflect the full Station Charge Adjustment for such Reporting Period.
- 2.5 The value of "L" when used in the computation in paragraph 2.2 shall be taken to exclude any input Value Added Tax which is recoverable in respect of the payments they represent by the Franchisee under Sections 24 to 26 of the Value Added Tax Act 1994.
- 2.6 For the purposes of this paragraph 2, **Independent Station** shall mean, at any time, any station of which Network Rail is the Facility Owner at that time.
- 2.7 References in this paragraph 2 to "Lt", Condition F11.2 of the Station Access Conditions entitled "National Station Access Conditions 2013 (England and Wales) (incorporating amendments with effect from 1 April 2014)" and Condition 42.3 of the Independent Station Access Conditions shall be deemed also to be references to such other provisions, and such other algebra under any such other provisions, of any relevant station access conditions as the Secretary of State may reasonably consider have an equivalent effect, or are intended to fulfil the same function as, "Lt" and Condition F11.2 of the Station Access Conditions entitled "National Station Access Conditions 2013 (England and Wales) (incorporating amendments with effect from 1 April 2014)" and Condition 42.3 of the Independent Station Access Conditions which are in effect on the Start Date.

## **SCHEDULE 9**

### **Changes and Variations**

#### **Introduction to Schedule 9**

**Schedule 9.1: Financial and Other Consequences of Change**

**Appendix 1: Summary Flow Chart**

**Appendix 2: Agreement or Determination of Revised Inputs**

**Annex to Appendix 2: Incentivising Long Term Investment**

**Schedule 9.2: Identity of the Financial Model etc.**

**Schedule 9.3: Not used**

**Schedule 9.4: Not used**

**Schedule 9.5: Variations and Incentivising Beneficial Changes**

## Schedule 9.1

### Financial and Other Consequences of Change

#### 1. Purpose and Application of Schedule

1.1 This Schedule 9.1 sets out:

- (a) the circumstances in which the occurrence of a Change will result in an adjustment to the Franchise Payments and/or the Benchmarks and whenever in Schedule 9 reference is made to "adjustment to Franchise Payments" such reference shall be construed to include (unless the context otherwise requires) the restatement of the values FPST, SPST, TPST and FoPST as specified in respect of each Franchise Year in paragraphs 1,2,3 and 4 (respectively) of Appendix 1 to Schedule 8.1 (Franchisee Payments) ("**Profit Share Components**") ; and
- (b) the process by which that adjustment to the Franchise Payments and/or the Benchmarks will be determined and effected; and
- (c) provisions dealing with the responsibility for costs incurred by the Franchisee in connection with any audit of the Run of the Financial Model and its results.

1.2 Schedule 9.2 (Identity of the Financial Model etc.) contains provisions dealing with the Financial Model which are relevant to the operation of this Schedule 9.1.

1.3 This Schedule 9.1 shall apply in relation to a Change where:

- (a) there are good reasons for considering that that Change will be a Qualifying Change or, with other Changes, part of an Aggregated Qualifying Change; and
- (b) the required notice(s) has/have been given in accordance with paragraph 1.4 (or the parties have agreed that this Schedule 9.1 will apply and there should be a Run of the Financial Model and/or a review of the Benchmarks even though the required notices have not been given).

1.4 The notice requirements are:

- (a) subject to paragraph 1.4(b), a party must have notified the other that it considers that the Change will be a Qualifying Change and that it requires a Run of the Financial Model and/or a review of the Benchmarks in respect of that Change:
  - (i) within 6 months of the notification or agreement of that Change if it is a Variation pursuant to paragraph 1.1 of Schedule 9.5 (Variations and Incentivising Beneficial Changes); or
  - (ii) within 6 months of becoming aware of it, if it is any other type of Change; and

- (b) in the case of an Aggregated Qualifying Change, a party must have notified the other:
  - (i) after an individual Change occurs, within the time limits stated in 1.4(a)(i) or 1.4(a)(ii), that it reserves the right to count that Change towards an Aggregated Qualifying Change; and
  - (ii) within 6 months of the occurrence of the last Change which that party considers will trigger an Aggregated Qualifying Change, that the party requires a Run of the Financial Model and/or a review of the Benchmarks in respect of the Changes comprised in that Aggregated Qualifying Change. The notice must identify each of the Changes included in the Aggregated Qualifying Change.

1.5 References in the remainder of this Schedule 9.1 and in Schedule 9.2 (Identity of the Financial Model etc.) to a "Change" are to a Change in respect of which the requirements in paragraph 1.3 have been satisfied.

1.6 Appendix 1 (Summary Flow Chart) to this Schedule 9.1 contains a flow chart summary of the process described in this Schedule 9.1. This is for guidance only and if there are any inconsistencies between this flow chart and any other of the contents of Schedule 9 (Changes and Variations), the latter shall apply.

## 2. **Timescales**

2.1 Where this Schedule 9.1 applies, any resulting restatement of the Annual Franchise Payment Components, the Profit Share Components and/or the Benchmarks (as applicable) shall be made in accordance with this Schedule:

- (a) where it is reasonably practicable to do so, at least three Reporting Periods prior to the Change; or
- (b) where the timescale in 2.1(a) is not reasonably practicable, as soon as reasonably practicable after that.

2.2 If paragraph 2.1(b) applies and it is not reasonably practicable for the restatement of the Annual Franchise Payment Components and the Profit Share Components to be made before the Change occurs, then paragraph 9 (Estimated Revisions) shall apply.

## 3. **How any adjustments to Franchise Payments will be established**

The adjustments, if any, to the Franchise Payments to be made in respect of any Change shall be established by:

- (a) establishing those Model Changes and/or Revised Inputs required to take account of the Change; then
- (b) applying those Model Changes and/or Revised Inputs to the Financial Model before performing a Run of the Financial Model to generate the New Results; then
- (c) restating the Annual Franchise Payment Components and the Profit Share Components, by, in each case, substituting the New Results for the Old Results (so that, to the extent that the New Results and the Old Results are different, this will result in an adjustment to the Franchise Payments),

in each case, subject to and in accordance with the terms more particularly described in this Schedule 9.1.

#### 4. **How Model Changes and/or Revised Inputs will be established**

4.1 The parties shall agree or the Secretary of State shall reasonably determine the Revised Inputs and (if any) the Model Changes.

4.2 Revised Inputs means:

- (a) the data that the Financial Model utilised in order to produce the Old Results, as such data is recorded in the Financial Model released by the Secretary of State pursuant to either of paragraphs 2.1(d) or 2.2 of Schedule 9.2 (Identity of the Financial Model etc.) for the purposes of the Run of the Financial Model; but
- (b) amended, whether by way of increase, reduction or other alterations to such data, (if at all) only as the parties may agree or the Secretary of State may reasonably determine is required by the provisions of Appendix 2 to this Schedule 9.1 in respect of a Change.

4.3 **Model Changes** means: any changes that the parties may agree or the Secretary of State may reasonably determine are required to the Financial Model and/or the Operational Model, as released by the Secretary of State pursuant to either of paragraphs 2.1(d) or 2.2 of Schedule 9.2 (Identity of the Financial Model etc.), for the purposes of the Run of the Financial Model, as a consequence of and in order to give effect to the Revised Inputs.

4.4 The Secretary of State shall provide a written statement of the Revised Inputs and any Model Changes to the Franchisee for the purposes of paragraph 6 promptly after they have been agreed or determined.

#### 5. **Changes to Benchmarks**

5.1 This paragraph 5 shall apply if either party has given notice to the other that it considers that a Change has or will have, in that party's reasonable opinion, a material effect on the risk of the Franchisee failing to satisfy the requirements of any Benchmark (whether in terms of increasing or reducing that risk).

5.2 Any notice pursuant to paragraph 5.1 shall be given as soon as reasonably practicable and in any event before the parties have agreed or the Secretary of State has reasonably determined the Revised Inputs in respect of the Change.

5.3 Where this paragraph 5 applies, the relevant Benchmarks shall be revised to the extent that such revision is reasonably considered to be appropriate to hold constant the risk of the Franchisee failing to satisfy the requirements of that Benchmark. The parties shall agree or the Secretary of State shall reasonably determine any such revision(s).

5.4 For the purposes of any revision to the Benchmarks under this paragraph 5, regard may be had to:

- (a) any relevant assumptions in the Record of Assumptions; and/or
- (b) the contents of an Operational Model; and/or
- (c) any other information,

to the extent they are relevant to the consideration of whether a revision is reasonably considered to be appropriate to take account of the Change.

**6. Run of the Financial Model following agreement or determination of the Revised Inputs and Model Changes**

6.1 When the Revised Inputs and Model Changes (if any) are agreed or determined there shall be a Run of the Financial Model.

6.2 The Run of the Financial Model shall be performed after making any Model Changes and utilising the Revised Inputs and shall be performed by:

(a) the Franchisee promptly on receiving notification of the Revised Inputs and any Model Changes from the Secretary of State pursuant to paragraph 4.4 or within such period of time as the Secretary of State shall reasonably determine; or

(b) the Secretary of State if the Franchisee fails to do so. In these circumstances, the Franchisee shall reimburse to the Secretary of State the Secretary of State's costs of performing the Run of the Financial Model.

6.3 The party that performs the Run of the Financial Model pursuant to paragraph 6.2 shall provide the non-performing party with a reasonable opportunity to be in attendance and shall promptly notify such other party of the New Results.

6.4 Where there is more than one Change, Runs of the Financial Model in respect of such Changes shall (unless otherwise agreed or the Secretary of State reasonably determines) be undertaken in the order in which such Changes occur. For this purpose, the order of occurrence will be determined by reference to the earliest date from which the Franchise Payments are reasonably expected to require adjustment as a result of the restatement of the Annual Franchise Payment Components triggered by a Change. This will be as agreed between the parties or in the absence of agreement be reasonably determined by the Secretary of State.

**7. Certification or Audit of the New Results**

7.1 The Secretary of State, as soon as reasonably practicable after receiving or generating the New Results pursuant to paragraph 6.2, shall either:

(a) certify to the Franchisee his approval of the New Results; or

(b) notify the Franchisee that he requires the Run of the Financial Model and its results to be audited by an independent auditor appointed by the Secretary of State with the approval (not to be unreasonably withheld) of the Franchisee.

7.2 For purposes of paragraph 7.1, the requirement for an audit is one that requires the auditor either to certify:

(a) that the New Results have been produced by applying the Revised Inputs (as provided to the Franchisee by the Secretary of State pursuant to paragraph 4.4) to the Financial Model after making the Model Changes (as provided to the Franchisee by the Secretary of State pursuant to paragraph 4.4); or

(b) the New Results themselves, by itself applying the Revised Inputs (as provided to the Franchisee by the Secretary of State pursuant to



paragraph 4.4) to the Financial Model after making the Model Changes (as provided to the Franchisee by the Secretary of State pursuant to paragraph 4.4).

7.3 The parties shall procure that any auditor is, as soon as reasonably practicable after his appointment, able to discharge the audit requirements.

7.4 The results as certified by the Secretary of State pursuant to paragraph 7.1 or by the auditor pursuant to paragraph 7.2 shall be final and binding on the parties, except in the case of manifest error.

7.5 The Secretary of State may stipulate (on or before the date on which the Secretary of State approves or the auditor certifies the results of the Run of the Financial Model) in respect of a Change that the restated Annual Franchise Payment Components are to apply for a limited period of time only (the "**Initial Period**"), with provision thereafter, if appropriate, for a further Run of the Financial Model with new Revised Inputs and/or Model Changes based on information available at that time.

8. **Restatement of Annual Franchise Payment Components, the Profit Share Components and/or Benchmarks**

8.1 When the New Results have been certified by the Secretary of State or the auditor in accordance with paragraph 7 then:

(a) if:

(i) there is any difference between the Old Results and the New Results; and

(ii) the New Results are such that the Change:

(1) meets the criteria for a Qualifying Change; or

(2) with other Changes meets the criteria for an Aggregated Qualifying Change,

the Annual Franchise Payment Components and the Profit Share Components shall be restated in the amounts of the New Results; and

(b) if any changes to the Benchmarks have been agreed or determined in accordance with paragraph 5, the Benchmarks shall be restated to give effect to those changes.

8.2 Subject to paragraph 8.3, the restatement of the Annual Franchise Payment Components and the Profit Share Components shall have effect on and from the date on which the Secretary of State or the auditor certifies the results of the Run of the Financial Model.

8.3 If and to the extent that:

(a) the application of the New Results in respect of the then current or any earlier Franchisee Year would, result in any change to the amount of any payments already made between the Secretary of State and the Franchisee; and

- (b) that change in payments is not already taken into account in any Reconciliation Amount payable pursuant to paragraph 9.9,

then a reconciliation payment shall be paid by the Franchisee or the Secretary of State (as the case may be). The payment shall be made on the first Payment Date which falls more than seven days after agreement or determination of the amount of the reconciliation payment required (or if there is no such Payment Date, within 14 days after such agreement or determination).

## 9. **Estimated Revisions**

9.1 This paragraph 9 applies where there is or is to be a Change before there is a Run of the Financial Model in respect of it. It provides a mechanism for interim adjustments in Franchise Payments pending the final agreement or determination of those adjustments under this Schedule.

9.2 Where this paragraph 9 applies, the Secretary of State shall make the Estimated Revisions described in paragraph 9.3:

- (a) if the Franchisee requests the Secretary of State to do so at the same time as requesting a Run of the Financial Model in respect of the Change under paragraph 1.4; or
- (b) if the Secretary of State otherwise agrees or chooses (in his discretion) to do so.

9.3 The estimated revisions are the Secretary of State's estimates of the New Results which will apply once the process in paragraphs 4 - 8 of this Schedule 9.1 has been completed in respect of the Change (the "**Estimated Revisions**"). For the avoidance of doubt, Revised Inputs are not made in order to generate or take account of the Estimated Revisions.

9.4 The estimates referred to in paragraph 9.3 will be such estimates as the Secretary of State, acting reasonably, makes having regard to the time and the information available to him at the time the estimates fall to be made provided always that it is acknowledged that:

- (a) the purpose of the estimates is to enable some provision to be made in respect of adjustments to the Annual Franchise Payment Components and the Profit Share Components before full information about the Change is available and/or full consideration of the nature and extent of Revised Inputs and/or Model Changes has been undertaken;
- (b) it may not be reasonably practicable in all circumstances for the Secretary of State to take into account in such an estimate all actual or potential impacts of a Change. Where the Secretary of State is aware that there are any such actual or potential impacts which he has not taken into account, he shall notify the Franchisee of them when notifying the Estimated Revisions pursuant to paragraph 9.2; and
- (c) the Secretary of State shall be entitled to adjust any Estimated Revision notified pursuant to paragraph 9.2 to the extent he reasonably considers appropriate if at any time:
  - (i) the Secretary of State becomes aware of any new or revised information which would, if it had been available to him at the

time he made his original estimate, have resulted in him making a different Estimated Revision; and

- (ii) it is reasonable to revise the Estimated Revision having regard to the likely period of delay prior to the Run of the Financial Model in respect of the relevant Change.

9.5 In the circumstances described in paragraph 9.2 and paragraph 9.4(c) the Annual Franchise Payment Components and the Profit Share Components shall be restated in the amounts and values of the Estimated Revisions, and Franchise Payments shall be paid accordingly until the Run of the Financial Model has taken place and its results have been put into effect.

9.6 The Secretary of State shall use all reasonable endeavours to notify the Franchisee of the Estimated Revisions required by paragraph 9.2 at least two Reporting Periods before he considers the Change is likely to occur. If, having exercised all reasonable endeavours, the Secretary of State cannot provide two Reporting Periods' notice, he shall provide such notification as soon as reasonably practicable afterwards.

9.7 The restatement of the Annual Franchise Payment Components and the Profit Share Components referred to in paragraph 9.5 shall have effect on and from:

- (a) the date on which the Secretary of State notifies the Franchisee of the Estimated Revisions; or
- (b) such other date as the Secretary of State, acting reasonably, may notify the Franchisee as the date on which the Secretary of State considers the Estimated Revisions should reasonably take effect, consistent with the matters taken into account by the Secretary of State in estimating the Estimated Revisions.

9.8 No estimate made by the Secretary of State pursuant to this paragraph 9 shall prejudice the Secretary of State's subsequent determination of any Revised Input or Model Change pursuant to paragraph 4.

9.9 Subject to paragraph 9.10, where adjustments to Franchise Payments (including for these purposes any profit share payments pursuant to paragraph 3 of Schedule 8.1 (Franchise Payments) have resulted from the operation of paragraph 9.5. then, as soon as reasonably practicable after the certification of the New Results following the related Run of the Financial Model, the parties shall agree or the Secretary of State shall reasonably determine the difference (the "**Reconciliation Amount**") between:

- (a) the total amount of Franchise Payments (including for these purposes the profit share payments pursuant to paragraph 3 of Schedule 8.1 (Franchise Payments)) paid or to be paid to which adjustments have been made pursuant to the operation of paragraph 9.5; and
- (b) the total amount of the Franchise Payments (including for these purposes the profit share payments pursuant to paragraph 3 of Schedule 8.1 (Franchise Payments)), as determined by that Run of the Financial Model, in respect of the same period as the period over which the adjusted Franchise Payments (including for these purposes the profit share payments) referred to in paragraph 9.9(a) have been paid/or are to be paid.

9.10 If a Change is agreed or determined not to be a Qualifying Change or not to be part of an Aggregated Qualifying Change with or without any Run of the Financial Model having been performed, the Reconciliation Amount shall be the total amount of the adjustments to Franchise Payments (including the profit share payments referred to in paragraph 9.9) which have resulted from the operation of paragraph 9.5.

9.11 The Reconciliation Amount shall be paid:

- (a) by the Franchisee to the Secretary of State where the Estimated Revisions resulted in an overpayment of Franchise Payments by the Secretary of State to the Franchisee or an underpayment of Franchise Payments and/or profit share payments pursuant to paragraph 3 of Schedule 8.1 (Franchise Payments) by the Franchisee to the Secretary of State compared with:
  - (i) the amount of the Franchise Payments (including for these purposes the profit share payments pursuant to paragraph 3 of Schedule 8.1 (Franchise Payments)) described in paragraph 9.9(b); or
  - (ii) where paragraph 9.10 applies, the amount of the unrestated Franchise Payments (including for these purposes the profit share payments pursuant to paragraph 3 of Schedule 8.1 (Franchise Payments)) over the same period; and
- (b) by the Secretary of State to the Franchisee where the Estimated Revisions resulted in an underpayment of Franchise Payments by the Secretary of State to the Franchisee or an overpayment of Franchise Payments and/or profit share payments pursuant to paragraph 3 of Schedule 8.1 (Franchise Payments) by the Franchisee to the Secretary of State compared with:
  - (i) the amount of the Franchise Payments (including for these purposes the profit share payments pursuant to paragraph 3 of Schedule 8.1 (Franchise Payments)) described in paragraph 9.9(b); or
  - (ii) where paragraph 9.10 applies, the amount of the unrestated Franchise Payments (including for these purposes the profit share payments pursuant to paragraph 3 of Schedule 8.1 (Franchise Payments)) over the same period.

In either case, such payment shall be made on the first Payment Date after agreement or determination (or if none, within 14 days after such agreement or determination).

## 10. **Information**

The Franchisee shall promptly, having regard to the other timescales anticipated in this Schedule 9.1, provide to the Secretary of State such information as the Secretary of State may request for the purpose of enabling the Secretary of State to exercise his rights and comply with his obligations pursuant to this Schedule 9.1.

## 11. **Costs**

11.1 This paragraph deals with the costs incurred by the Franchisee in connection with any audit required by the Secretary of State pursuant to paragraph 7.

11.2 The costs of any audit required under paragraph 7.1(b) shall be met by the Secretary of State subject to the following:

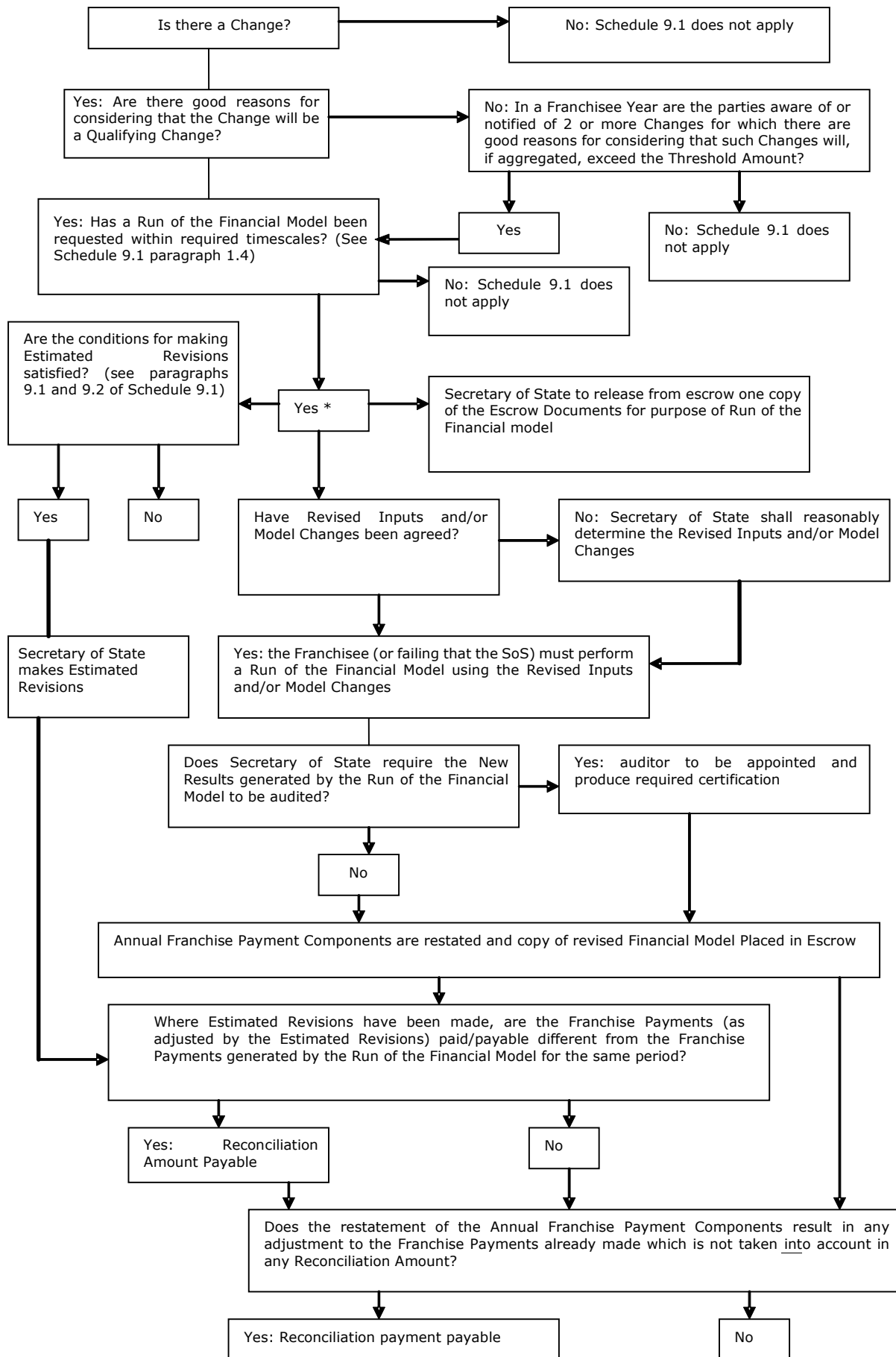
- (a) the costs of the audit shall be met entirely by the Franchisee:
  - (i) not used; and
  - (ii) in the case of a Change falling within any of the following subparagraphs within the definition of Change:
    - (A) an event set out in any Secretary of State Risk Assumption specified in Schedule 9.3 (Secretary of State Risk Assumptions); and
    - (B) a Charge Variation; and
- (b) where paragraph 11.2(a) does not apply, the Secretary of State shall only be responsible for the reasonable costs of the Franchisee in connection with the audit, and the Franchisee shall comply with the Secretary of State's reasonable directions in connection with the audit which may include a requirement for a competitive tender for the appointment of the auditor.

**APPENDIX 1 TO SCHEDULE 9.1**

**Summary Flow Chart**

**See next page**

This summary is for guidance only. If there are any inconsistencies with the other contents of Schedule 9.1 or 9.2 (including any Appendix), those other contents shall apply.



\* Note: that in these circumstances, either party may serve notice (before Revised Inputs in respect of the Change are agreed or determined) that it considers a Change has or will have a material effect on the risk of the Franchisee failing to satisfy the requirements of a Benchmark - See Schedule 9.1 paragraph 5.



## APPENDIX 2 TO SCHEDULE 9.1

### Agreement or Determination of Revised Inputs

1. The parties shall agree or the Secretary of State shall reasonably determine the Revised Inputs that are required in respect of a Change:
  - (a) on the basis of the general adjustments and/or assumptions referred to in paragraph 2;
  - (b) on the basis of the assumptions in the Record of Assumptions as added to and/or amended (if at all) in accordance with paragraph 3;
  - (c) so as to provide for Traction Electricity Charges in accordance with paragraph 4;
  - (d) so as to provide for profit in accordance with paragraph 5; and
  - (e) so as to give effect to the provisions of paragraph 6 in relation to indexation,

provided that if there is any inconsistency between the assumptions in the Record of Assumptions described in paragraph (b) above and any other of the requirements of this paragraph 1, those other requirements shall prevail, unless the Secretary of State (acting reasonably) otherwise elects.

### 2. **General Adjustments/Assumptions**

- 2.1 Revised Inputs are to be agreed between the parties or reasonably determined by the Secretary of State on the basis that:

- (a) any increase in costs relating to a Change; and/or
- (b) any reduction in revenues relating to a Change,

that is attributable to any activities, actions or omissions of the Franchisee which are not permitted under, or would otherwise constitute a contravention of, the terms of the Franchise Agreement, is to be disregarded.

- 2.2 Revised Inputs are to be agreed between the parties or reasonably determined by the Secretary of State on the basis that:

- (a) any reduction in costs relating to a Change; and/or
- (b) any increase in revenues relating to a Change,

that is attributable to any activities, actions or omissions of the Franchisee which are not permitted under, or would otherwise constitute a contravention of, the terms of the Franchise Agreement, is to be taken into account.

- 2.3 Revised Inputs are also to be agreed between the parties or reasonably determined by the Secretary of State on the basis that:

- (a) the Franchisee will use all reasonable endeavours to:

- (i) reduce any costs that may arise or income that may be foregone; and
- (ii) increase any revenue that may arise and avoid any cost that may be avoided,

as a consequence of a Change; and

- (b) any requirement for borrowing in respect of Capital Expenditure by the Franchisee is dealt with in accordance with paragraph 2 of Schedule 9.5 (Variations and Incentivising Beneficial Changes).

2.4 Where and as directed to do so by the Secretary of State (acting reasonably) the Franchisee shall undertake one or more competitive tendering exercises for the purposes of ascertaining the likely level of any costs relating to a Change which are relevant to a Revised Input.

### 3. **Assumptions in the Record of Assumptions**

3.1 The parties shall (unless to do so would be contrary to paragraph 2) agree or the Secretary of State shall reasonably determine Revised Inputs that are in accordance with the assumptions that are contained in the Record of Assumptions, as added to or modified pursuant to paragraph 3.2 or paragraph 3.3.

3.2 Where the Secretary of State reasonably considers that the assumptions contained in the Record of Assumptions are ambiguous or that additional assumptions are required in relation to circumstances not dealt with by the assumptions in the Record of Assumptions, the parties shall agree or the Secretary of State shall reasonably determine the assumptions or additional assumptions to be utilised for this purpose.

3.3 Where the Secretary of State reasonably considers that:

- (a) a Change is likely to result in an increase in either or both of the costs of the Franchisee and the revenues of the Franchisee; and
- (b) an assumption relevant to the Change contained in the Record of Assumptions does not accord with what would be achievable by, or experienced by, an economic and efficient franchisee,

then the parties shall agree or the Secretary of State shall reasonably determine a modification to the assumption so that, as modified, it does accord with what would be achievable by, or experienced by, an economic and efficient franchisee.

### 4. **Traction Electricity Charges**

4.1 This paragraph 4 applies only in relation to Charge Variations.

4.2 In agreeing or determining Revised Inputs, no adjustment shall be made in respect of a Charge Variation to the extent that Charge Variation relates, directly or indirectly and however it may be effected, to the Traction Electricity Charge payable by the Franchisee pursuant to any Track Access Agreement. For this purpose (and subject to clause 1.1(l) of this Franchise Agreement), the Traction Electricity Charge is the component of the Track Charges (as defined in the Track Access Agreement) identified as such in any Track Access Agreement or any similar arrangement under which the Franchisee pays for traction current consumed by rolling stock vehicles operated by or on behalf of the Franchisee.

## 5. Revised Input for Profit

### 5.1

- (a) Where a Change is forecast to result in an increase to the Franchisee's revenue in a Franchisee Year, the parties shall agree or the Secretary of State shall reasonably determine Revised Inputs in relation to profit that provide for an increase in the amount of profit in any Franchisee Year equal to <sup>21</sup> of the forecast increase in revenue for that Franchisee Year; and/or
- (b) Where a Change is forecast to result in a reduction in the Franchisee's revenue in a Franchisee Year, the parties shall agree or the Secretary of State shall reasonably determine Revised Inputs in relation to profit that provide for a decrease in the amount of profit in any Franchisee Year equal to the lower of:
  - (i) the percentage specified in paragraph 5.1(a); or
  - (ii) the average profit margin percentage in the current Business Plan for the remaining Franchise Term,

of the forecast reduction in revenue for that Franchisee Year.

5.2 In agreeing or determining Revised Inputs in relation to profit in respect of any Change, the parties or the Secretary of State shall effect such change (if any) in the amount attributable to profit in paragraph 5.1 as they agree or the Secretary of State reasonably determines to reflect:

- (a) the risk for the Franchisee in continuing to operate the Franchise on the terms of the Franchise Agreement after and as a result of the Change; and
- (b) the likelihood of:
  - (i) material benefit from such Change arising after expiry of the Franchise Term; and
  - (ii) material detriment from such Change arising prior to the expiry of the Franchise Term.

5.3 In agreeing or determining Revised Inputs for the purposes of any Protected Proposal, the parties or the Secretary of State shall effect such change (if any) to the amount attributable to profit as they agree or the Secretary of State reasonably determines:

- (a) fairly rewards the Franchisee for proposing the Protected Proposal; and
- (b) reasonably incentivises the Franchisee to propose further Protected Proposals

by sharing with the Franchisee a reasonable amount of the additional profit that is expected to arise from implementing the Protected Proposal.

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<sup>21</sup> Where text has been omitted from the document this is because the Director General Rail or Secretary of State has decided to exclude the text in accordance with the provisions within the Freedom of Information Act 2000.

5.4 The Annex (Incentivising Long Term Investment) to this Appendix 2 sets out the Secretary of State's guidance on how he approaches incentivising long term investment.

## 6. **Indexation**

In agreeing or determining Revised Inputs, the parties shall apply the following principles in connection with indexation. For each relevant item of data in the Financial Model in respect of which a Revised Input is agreed or determined to be required:

- (a) the parties shall agree or the Secretary of State shall reasonably determine, having regard to the particular facts of the Change, the base date at which that item is priced; and
- (b) that item shall be deflated by reference to the original base date and index (if any) relevant to that item in the Financial Model.

## 7. **Route Efficiency Benefit Share Mechanism**

No Revised Inputs will be made to reflect:

- (a) any amount payable by or to the Franchisee in respect of Route Efficiency Benefit Share; or
- (b) any change in the basis on which Route Efficiency Benefit Share is calculated or is to be paid (including any change which may require amounts in respect of Route Efficiency Benefit Share to be payable by as well as payable to the Franchisee).

For this purpose (and subject to clause 1.1(I) of this Franchise Agreement), **Route Efficiency Benefit Share** is the component of Track Charges (as defined in the Track Access Agreement) identified as such in any Track Access Agreement or similar arrangement under which benefits of any outperformance of efficiency targets (or risk of failure to achieve efficiency targets) are to be shared between Network Rail and train operators.

## **ANNEX TO APPENDIX 2 TO SCHEDULE 9.1**

### **Incentivising Long Term Investment**

This Appendix sets out the Secretary of State's guidance on how he approaches incentivising long term investment.

1. The Secretary of State wishes to encourage the Franchisee to:
  - (a) improve the efficiency;
  - (b) reduce the cost; and
  - (c) enhance the revenue earning potential of the delivery of services to passengers,  
  
from the commencement of the Franchise, through the Franchise Term and into the successor franchises.
2. It is recognised however, that the Franchise Term may be perceived to be a barrier to undertaking investment or change programmes where:
  - (a) the time scale for implementation limits the benefit to the Franchisee; or
  - (b) the business case for such investment or change has a payback period longer than the Franchise Term.
3. In this context investment or change may be considered to encompass:
  - (a) capital investments undertaken solely by the Franchisee;
  - (b) capital investments undertaken by the Franchisee in association with others;
  - (c) total or partial substitution of certain train services by bus services where an enhanced service level could be provided for reduced cost or where the provision of bus services improves the overall capacity of the network or delivers other benefits;
  - (d) changes in working practices of the Franchisee's employees;
  - (e) changes in the contracted roles and responsibilities between the Franchisee and its major suppliers; and
  - (f) operational changes.
4. Accordingly, the Franchisee is encouraged to propose schemes that seek to achieve the objectives set out in paragraph 1 for consideration by the Secretary of State during the Franchise Term.
5. In considering the Franchisee's proposals for any investment or change proposed to be undertaken, the Secretary of State will recognise:
  - (a) the capital cost and proposed payment profile;

- (b) legitimate costs of the Franchisee in developing, procuring, delivering and project managing the project;
- (c) the life of any capital assets and the duration of the benefits stream arising;
- (d) the remaining Franchise Term and the projected payback period;
- (e) the benefits associated with undertaking the investment early rather than waiting until the Franchise is re-let;
- (f) the risks of cost overrun or under performance of the projected benefits;
- (g) a profit element for undertaking the project commensurate with the risks of the proposed project; and
- (h) alternative benefit sharing arrangements which could be based on:
  - (i) a capital lump sum when the expenditure is incurred;
  - (ii) an enhanced Franchise Payment over the Franchise Term;
  - (iii) a balloon payment on expiry of the Franchise which allocates a proportion of future benefits to the Franchisee;
  - (iv) an ongoing payment if the benefits materialise after the Franchise Term; and/or
  - (v) any combination of any of paragraphs 5(h)(i) to 5(h)(iv) inclusive.

6. In evaluating the Franchisee's proposals for any investment or change proposed to be undertaken and to enable best value for money to be obtained from third party financiers, the Secretary of State shall also give consideration to the appropriateness of the provision, by the Secretary of State, of an undertaking (or other form of comfort) pursuant to Section 54 of the Act.

## Schedule 9.2

### Identity of the Financial Model etc.

#### 1. Franchisee's Obligations

- 1.1 The Franchisee shall deliver two copies of each of the Financial Model, the Operational Model and the Record of Assumptions (each such copy in electronic format on CD-ROM) together with hard format copies of the output template of the Financial Model in the format set out in the document in agreed terms marked FF (the "**Escrow Documents**") to the Secretary of State in the agreed form, accompanied by a notice that the Escrow Documents are to be Placed in Escrow.
- 1.2 The Franchisee shall deliver the Escrow Documents in accordance with paragraph 1.1 of this Schedule 9.2:
- (a) on the date of the Franchise Agreement;
  - (b) within seven days of the Start Date, but updated only as strictly necessary for any elapsed time between the actual Start Date and the date assumed to be the Start Date in the Initial Business Plan; and
  - (c) within seven days of any approval or audit of a Run of the Financial Model as provided for in paragraph 7 of Schedule 9.1 (Financial and Other Consequences of Change), but updated with the Revised Inputs and any Model Changes.
- 1.3 The Franchisee shall deliver with each such deposit of the Escrow Documents all of the following information to the extent that it is relevant:
- (a) details of the Escrow Documents deposited (including full filename and version details, any details required to access the Escrow Documents including media type, backup command/software used, compression used, archive hardware and operating system details);
  - (b) the names and contact details of persons who are able to provide support in relation to accessing and interpreting the Escrow Documents; and
  - (c) if required by the Secretary of State, a certificate from independent auditors approved by the Secretary of State, confirming that the deposited version of the Escrow Documents is in the agreed form in accordance with paragraph 1.2(a) or (as the case may be) is in accordance with paragraphs 1.2(b) or (c).

#### 2. Secretary of State's Obligations

- 2.1 The Secretary of State shall:
- (a) within three days following receipt, acknowledge receipt to the Franchisee of any version of the Escrow Documents delivered to him for the purposes of being Placed in Escrow;
  - (b) save as provided under paragraph 2.1(c), store each copy of the Escrow Documents in a different physical location from any other copy of each such document and use all reasonable endeavours to ensure that each

copy of the Escrow Documents is at all times kept in a safe and secure environment. In so doing the Secretary of State shall be deemed to have Placed in Escrow the Escrow Documents for the purposes of the Franchise Agreement;

- (c) notify the Franchisee if he becomes aware at any time during the term of the Franchise Agreement that any copy of the Escrow Documents or part thereof stored in a particular location has been lost, damaged or destroyed. In such an event, the Secretary of State shall be permitted to create a new copy of the Escrow Documents or part thereof from the other copy Placed in Escrow and shall within seven days notify the Franchisee accordingly and afford it the right to make reasonable inspections in order to satisfy itself that a "complete and accurate" copy has been made. Following the making of such a new copy of the Escrow Documents, the Secretary of State shall retain all copies of the Escrow Documents in accordance with paragraph 2.1(b);
- (d) within seven days of receipt of a notice from the Franchisee stating that the Escrow Documents are required for the purposes of a Run of the Financial Model in relation to any Change, or should the Secretary of State himself so decide that the Escrow Documents are required by the Franchisee or by the Secretary of State for such purposes release one copy of the Escrow Documents accordingly and retain one copy of the Escrow Documents in escrow in accordance with paragraph 2.1(b);
- (e) maintain a record of any release of any copy of any version of the Escrow Documents made, including details of any version released and the date of release as well as the identity of the person to whom the Escrow Documents are released;
- (f) have no obligation or responsibility to any person whatsoever to determine the existence, relevance, completeness, accuracy, effectiveness or any other aspect of the Escrow Documents; and
- (g) not be liable for any loss, damage or destruction caused to the Franchisee arising from any loss of, damage to or destruction of the Escrow Documents.

2.2 If the Franchisee fails to perform a Run of the Financial Model pursuant to paragraph 6.2(a) of Schedule 9.1 (Financial and Other Consequences of Change) or fails to return the copy of the Escrow Documents released pursuant to paragraph 2.1(d):

- (a) such failure to perform or to return the released copy to the Secretary of State shall be a contravention of the Franchise Agreement;
- (b) the Secretary of State may release the other copy of the Escrow Documents Placed in Escrow and take a copy thereof (the "**Replacement Copy**") in order that the Secretary of State may perform a Run of the Financial Model pursuant to paragraph 6.2(a) of Schedule 9.1 (Financial and Other Consequences of Change);
- (c) once copied, the second copy of the Escrow Documents released pursuant to this paragraph 2.2 shall be Placed in Escrow; and
- (d) once the Run of the Financial Model has been approved or audited as provided for in paragraph 7 of Schedule 9.1 (Financial and Other



Consequences of Change), two copies of the Replacement Copy shall also be Placed in Escrow.

- (e) Nothing in this Schedule 9.2 shall prevent the Secretary of State or the Franchisee each retaining for their working use one or more copies of any of the Escrow Documents Placed in Escrow provided that no such working copy shall (unless otherwise explicitly agreed by the parties) be regarded as a copy released from Escrow for the purposes of this Schedule 9.2 or any Run of the Financial Model.

### 3. **Errors in Escrow Documents**

3.1 Any feature of the Escrow Documents which is in the reasonable opinion of the Secretary of State an error will be addressed as follows:

- (a) if rectification of such an error would (as the case may be) over the Franchise Term result in a net increase in the amount of Franchise Payments payable by the Secretary of State to the Franchisee or a net decrease in the amount of Franchise Payments payable by the Franchisee to the Secretary of State then such error shall be rectified provided that there shall not be a restatement of the values of the Annual Franchise Payment Components and the Profit Share Components;
- (b) if rectification of such an error would (as the case may be) over the Franchise Term result in a net decrease in the amount of Franchise Payments payable by the Secretary of State to the Franchisee or a net increase in the amount of Franchise Payments payable by the Franchisee to the Secretary of State then such error shall be rectified and the values of the Annual Franchise Payment Components and the Profit Share Components shall be restated where appropriate;
- (c) a record of the error shall be noted in the Record of Assumptions and, if applicable, the Financial Model; and
- (d) as soon as reasonably practicable after the date of the rectification of the error, the Franchisee shall (unless otherwise agreed by the Secretary of State) deliver to the Secretary of State a certificate from independent auditors approved by the Secretary of State confirming that the error has been rectified as required by this paragraph 3 and is now in the required form in accordance with paragraph 1.2(a), 1.2(b) or 1.2(c) as the case may be.

## Schedule 9.3

### Secretary of State Risk Assumptions

1. **Project Arcturus – Notional Class 170 Lease**
  - 1.1 Subject to paragraph 1.2 below a Change shall occur if the Franchisee is not party to a lease materially equivalent to the Notional Class 170 Lease from 7 February 2016 until the end of the Franchise Term and the Timetable applying from 7 February 2016 is not the same in all material respects as the Timetable applying up to the Passenger Change Date in May 2015.
  - 1.2 There shall be no Change pursuant to paragraph 1.1 above if the Variation contemplated by paragraph 7.6 of Schedule 6.2 (TransPennine Express Franchise Specific Provisions) has occurred prior to 7 February 2016.
  - 1.3 The Franchisee shall not be compensated more than once in relation to the same loss pursuant to this paragraph 1.

**Schedule 9.4**

**Not Used**

## SCHEDULE 9.5

### Variations and Incentivising Beneficial Changes

#### 1. Variations to the Franchise Agreement and incentivising beneficial Changes

1.1 The terms of the Franchise Agreement may be varied as follows but not otherwise:

(a) by the Secretary of State as contemplated (where relevant) in the Request for Proposal, in relation to:

(i) any aspect of the Franchise Services; and/or

(ii) any provision of the Franchise Agreement other than those provisions specified in paragraph 1.2,

by service of a notice on the Franchisee referring to this paragraph 1.1(a) and setting out the variation to the terms of the Franchise Agreement; and

(b) in relation to any other provision of the Franchise Agreement, by agreement in writing between the parties to that effect,

(each a "**Variation**").

1.2 Without prejudice to the Secretary of State's rights under paragraph 1.1(a), the terms of each of:

(a) Clause 4 (Term) of this Franchise Agreement;

(b) Schedules 8 (Payments), 9 (Changes and Variation), 10 (Remedies, Termination and Expiry), 12 (Financial Obligations and Covenants), 14 (Preservation of Assets), 18 (Additional Reporting Periods) and Schedule 19 (Other Provisions); and

(c) the definitions set out at Clause 2 (Definitions) of this Franchise Agreement insofar as such affect the respective rights and obligations of the Secretary of State and the Franchisee pursuant to the provisions referred to at paragraphs 1.2(a) and 1.2(b) above,

shall not be varied at any time other than in accordance with the terms of the Franchise Agreement or with the agreement of the parties.

1.3 The Secretary of State shall, to the extent reasonably practicable, allow the Franchisee a reasonable opportunity to make representations to the Secretary of State concerning any Variation to be made in accordance with paragraph 1.1(a), prior to making any such Variation.

1.4 The Secretary of State may:

(a) issue, revise and withdraw from time to time procedures that he requires to be followed for the purposes of orderly consideration of Variations. This will include for the purpose of establishing in relation to any Change whether it is a Qualifying Change; and

- (b) require the Franchisee to provide any information that the Secretary of State reasonably requires for this purpose (including in relation to prospective change to profit, costs and revenue as a consequence of proceeding with the Variation).
- 1.5 Procedures issued pursuant to paragraph 1.4 may provide for indicative iterations of Runs of the Financial Model in relation to one or more Changes that the Secretary of State is considering and may also provide for any number of Changes to be grouped together as a single Change for the purposes of agreeing or determining Revised Inputs and then performing a Run of the Financial Model.
- 1.6 Procedures issued pursuant to paragraph 1.4 shall have contractual effect between the parties in accordance with their terms.
- 1.7 The Franchisee may notify the Secretary of State of any proposal for a Variation by notice setting out the proposed method of implementing such Variation including:
- (a) the timescale for doing so;
  - (b) the effect (if any) on the timing of the performance of its other obligations under the Franchise Agreement;
  - (c) the impact of effecting the proposed Variation on the provision of the Franchise Services and the Franchisee's proposals as to how to minimise such impact; and
  - (d) the financial consequences of implementing the Variation proposed by the Franchisee in terms of the Revised Inputs that the Franchisee considers the Variation would require.
- 1.8 The Secretary of State shall be under no obligation to consider a Variation proposed by the Franchisee but if he wishes to do so, he shall do so pursuant to paragraph 1.1 of this Schedule 9.5.
- 1.9 Where the Franchisee proposes a Variation in sufficient detail for it to be apparent that its implementation is likely to result in an increase in the overall profitability of the Franchisee through costs saving measures (a "**Protected Proposal**"), the Secretary of State may not proceed with the Protected Proposal or seek to implement the substance of it by proposing a Variation of his own without complying with the provisions of paragraph 5.3 of Appendix 2 (Agreement or Determination of Revised Inputs) to Schedule 9.1 (Financial and Other Consequences of Change).
- 1.10
- (a) The Franchisee and the Secretary of State acknowledge that the Franchisee may during the Franchise Term identify actions that could be taken by the Franchisee to achieve savings and improved financial performance and that such actions may if implemented give rise to a Change under the terms of this Franchise Agreement which, if it is a Qualifying Change, will give a financial benefit to the Secretary of State. It is further acknowledged that it is appropriate for the Franchisee to seek to identify such actions for the purposes of improving the cost effective delivery of railway passenger services.

- (b) To incentivise the Franchisee to seek to identify such actions it is agreed that the Franchisee may approach the Secretary of State with a proposal to take an action that would constitute a Change on the basis that if such a Change occurred and was a Qualifying Change in agreeing or determining the Revised Inputs the parties or the Secretary of State would effect such change (if any) to the amount attributable to profit as they agree or the Secretary of State reasonably determines:
  - (i) fairly rewards the Franchisee for proposing the Change; and
  - (ii) reasonably incentivises the Franchisee to propose further Changes that achieve savings and/or improved financial performance by sharing with the Franchisee a reasonable amount of the additional profit that is expected to arise from implementing the relevant Change.
- (c) The Secretary of State shall have an unfettered discretion as to whether or not to agree such a proposal but if he does so agree and a Qualifying Change in consequence occurs then in agreeing or determining Revised Inputs the provisions referred to in sub paragraph 1.10(b) above shall apply.

## 2. Capital Expenditure

### Capital Expenditure Threshold

- 2.1 The Franchisee shall notify the Secretary of State promptly if it reasonably expects that a Change to which paragraph 1 relates would require it to incur, singly or in aggregate with other Changes from time to time, Capital Expenditure in excess of one per cent. of its annual Turnover as disclosed by its latest available Annual Audited Accounts and, when so notified, the Secretary of State shall either:
  - (a) withdraw the Change;
  - (b) undertake to meet the excess through additional funding as and when such Capital Expenditure is incurred; or
  - (c) direct the Franchisee to use all reasonable endeavours to borrow or otherwise raise the money required to fund any Change on commercial terms and at rates which are consistent with market conditions at the time, unless borrowing or otherwise raising such money would result in the Franchisee failing to comply with the financial covenants contained in Schedule 12 (Financial Obligations and Covenants).

### Franchisee to Seek Finance

- 2.2 If the Secretary of State elects to require the Franchisee to use all reasonable endeavours as described in paragraph 2.1(c) then the Franchisee shall:
  - (a) seek finance from a representative range of lending institutions and other financial institutions including those which at that time provide finance to the Franchisee and the Parent;
  - (b) if it is unable to raise funding, provide the Secretary of State with all information the Secretary of State may reasonably require in relation to the efforts made by the Franchisee and the reasons for a failure to raise additional finance;

- (c) so far as it is able (having used all reasonable efforts to do so), the Franchisee shall provide to the Secretary of State letters from lenders and financiers it has approached for finance stating their reasons for refusing to provide it and if the Secretary of State so requires, arrange and attend meetings with them for the Secretary of State to discuss those reasons; and
- (d) if funding is not available, or is not available on terms that the Secretary of State considers to be commercial terms or at rates which are consistent with market conditions at that time the Secretary of State may:
  - (i) withdraw the Change; or
  - (ii) undertake to fund the Capital Expenditure as and when such Capital Expenditure is incurred.

### **Treatment of Borrowings in Revised Inputs**

- 2.3 In calculating the Revised Inputs for the purposes of any Change referred to in this paragraph 2, the Franchisee shall account for the Capital Expenditure in accordance with GAAP, taking into account the basis on which such Capital Expenditure has been financed.

### **Meaning of Capital Expenditure**

- 2.4 The expression Capital Expenditure when used in this Schedule 9.5 refers to the nature of the expenditure incurred by the Franchisee and, accordingly, does not include expenditure incurred under operating leases.

## **SCHEDULE 10**

### **Remedies, Termination and Expiry**

- Schedule 10.1: Remedial Plans and Remedial Agreements**
- Schedule 10.2: Termination and Expiry**
- Schedule 10.3: Events of Default and Termination Events**
- Schedule 10.4: Force Majeure**
- Schedule 10.5: Liability**



## SCHEDULE 10.1

### Remedial Plans and Remedial Agreements

#### 1. Remedies for Contraventions of the Franchise Agreement

- 1.1 If the Secretary of State is satisfied that the Franchisee is contravening or is likely to contravene any term of the Franchise Agreement he may serve a notice on the Franchisee requiring it to propose such steps as the Franchisee considers appropriate for the purpose of securing or facilitating compliance with the term in question (a "**Remedial Plan Notice**").

#### Contents of Remedial Plan Notices

- 1.2 Each Remedial Plan Notice shall specify the following:
- (a) the term or terms of the Franchise Agreement that the Secretary of State is satisfied that the Franchisee is contravening or is likely to contravene (each a "**Relevant Term**"); and
  - (b) the time period within which the Secretary of State requires the Franchisee to provide an appropriate plan for the purpose of facilitating or securing compliance with any Relevant Term (a "**Remedial Plan**").

#### Contents of Remedial Plans

- 1.3 If the Secretary of State issues a Remedial Plan Notice, the Franchisee shall submit a Remedial Plan to the Secretary of State within the period specified in such Remedial Plan Notice.
- 1.4 Each Remedial Plan shall set out:
- (a) the Relevant Term which has caused a Remedial Plan to be required;
  - (b) an explanation of the reasons for the contravention or likely contravention of the Relevant Term;
  - (c) the steps proposed for the purposes of securing or facilitating compliance with the Relevant Term; and
  - (d) the time period within which the Franchisee proposes to implement those steps.

#### Remedial Agreements

- 1.5 If the Secretary of State is satisfied that the matters referred to in paragraph 1.4(c) and (d) are appropriate (with or without further modification as the parties may agree) he may require the Franchisee to enter into a supplemental agreement (the "**Remedial Agreement**") with the Secretary of State to implement those matters.
- 1.6 It is a term of the Franchise Agreement that the Franchisee (at its own cost) complies with the Remedial Agreement in accordance with its terms.

### **Effect of Force Majeure Event**

- 1.7 Without prejudice to the operation of paragraph 3.2 of Schedule 10.4 (Force Majeure), the following provisions shall apply in relation to Force Majeure Events affecting performance of a Remedial Agreement:
- (a) the Franchisee shall give written notice to the Secretary of State promptly after it becomes aware (and in any event within 24 hours after becoming aware) of the occurrence or likely occurrence of a Force Majeure Event which will or is likely to affect the Franchisee's ability to comply with a Remedial Agreement within the period specified therein;
  - (b) each notice submitted in accordance with paragraph 1.7(a) shall state the extent or likely extent of the relevant Force Majeure Event and, in the case of a Force Majeure Event which has not occurred at such time, the reasons why the Franchisee considers it likely to occur;
  - (c) the Franchisee shall use, and shall continue to use, all reasonable endeavours to avoid or reduce the effect or likely effect of any Force Majeure Event on its ability to comply with any Remedial Agreement; and
  - (d) subject to the Franchisee having complied with its obligations under paragraphs 1.7(a) to 1.7(c) (inclusive) the Franchisee shall be entitled to a reasonable extension of the remedial period applicable to a Remedial Agreement in order to take account of the effect of a Force Majeure Event which has occurred on the Franchisee's ability to comply with any Remedial Agreement.

### **Occurrence of a Contravention**

- 1.8 Following the occurrence of a contravention of the Franchise Agreement, the Secretary of State may at his option (but shall not be obliged to) commence or increase the level and/or frequency of monitoring (whether by inspection, audit or otherwise) of the Franchisee's performance of any relevant obligations until such time as the Franchisee demonstrates, to the Secretary of State's reasonable satisfaction, that it is capable of performing and will perform such obligations as required by the Franchise Agreement.
- 1.9 The Franchisee shall co-operate fully with the Secretary of State in relation to the monitoring referred to in paragraph 1.8.
- 1.10 The results of such monitoring will be reviewed at each Franchise Performance Meeting held pursuant to Schedule 11 (Agreement Management Provisions).
- 1.11 The Franchisee shall compensate the Secretary of State for all reasonable costs incurred by the Secretary of State in carrying out such monitoring.

## **SCHEDULE 10.2**

### **Termination and Expiry**

#### **1. Termination Notices**

1.1 The Secretary of State may, on and at any time after the occurrence of:

- (a) (subject to paragraphs 1.2 and 1.3) an Event of Default which:
  - (i) is unremedied or continuing; and
  - (ii) the Secretary of State considers to be material; or
- (b) a Termination Event specified in paragraph 3.1(a) of Schedule 10.3 (Events of Default and Termination Events) which is unremedied or continuing; or
- (c) a Termination Event specified in any of paragraphs 3.1(b) to (d) of Schedule 10.3 (Events of Default and Termination Events),

terminate the Franchise Agreement by serving a Termination Notice on the Franchisee. The Franchise Agreement shall terminate with effect from the date specified in any such Termination Notice.

1.2 The Secretary of State may not serve a Termination Notice in respect of an Event of Default in relation to which a Remedial Plan Notice has been issued until the period has expired within which the Franchisee is required to deliver to the Secretary of State the Remedial Plan specified in such Remedial Plan Notice.

1.3 The Secretary of State may not serve a Termination Notice in respect of an Event of Default for which the Franchisee is implementing a Remedial Agreement in accordance with its terms.

#### **2. Consequences of Termination or Expiry**

2.1 Upon termination of the Franchise Agreement (whether through default or effluxion of time or otherwise) the obligations of the parties shall cease except for:

- (a) any obligations arising as a result of any antecedent contravention of the Franchise Agreement;
- (b) any obligations which are expressed to continue in accordance with the terms of the Franchise Agreement; and
- (c) any other obligations which give effect to such termination or to the consequences of such termination or which otherwise apply (expressly or impliedly) on or after such termination.

2.2 Nothing in this paragraph 2 shall prevent the Secretary of State from bringing an action against the Franchisee in connection with the termination of the Franchise Agreement prior to the expiry of the Franchise Term.

## SCHEDULE 10.3

### Events of Default and Termination Events

#### 1. Provisions Relating to Events of Default

##### Contravention

- 1.1 The occurrence of an Event of Default shall constitute a contravention of the Franchise Agreement by the Franchisee.

##### Notification of Event of Default

- 1.2 The Franchisee shall notify the Secretary of State as soon as reasonably practicable on, and in any event within 24 hours of, it becoming aware of the occurrence of an Event of Default or an event which is likely to result in the occurrence of an Event of Default. The Franchisee shall take such action or steps as the Secretary of State may require to remedy any Event of Default or potential Event of Default.

##### Consequences of Event of Default

- 1.3 On the occurrence of an Event of Default, the provisions of Schedule 10.1 (Remedial Plans and Remedial Agreements) shall apply.

#### 2. Events of Default

Each of the following is an Event of Default:

##### Insolvency

###### 2.1

- (a) **Administration:** Any step being taken by any person with a view to the appointment of an administrator to the Franchisee or the Parent or any Bond Provider;
- (b) **Insolvency:** Any of the Franchisee or the Parent or Bond Provider stopping or suspending or threatening to stop or suspend payment of all or, in the reasonable opinion of the Secretary of State, a material part of (or of a particular type of) its debts, or being unable to pay its debts, or being deemed unable to pay its debts under Section 123(1) or (2) of the Insolvency Act 1986 except that in the interpretation of this paragraph the words "it is proved to the satisfaction of the court that" in sub-section (1)(e) and sub-section (2) of Section 123 shall be deemed to be deleted;
- (c) **Arrangements with Creditors:** The directors of the Franchisee or the Parent or any Bond Provider making any proposal under Section 1 of the Insolvency Act 1986, or any of the Franchisee or the Parent or any Bond Provider proposing or making any agreement for the deferral, rescheduling or other readjustment (or proposing or making a general assignment or an arrangement or composition with or for the benefit of creditors) of all or, in the reasonable opinion of the Secretary of State, a material part of (or of a particular type of) its debts, or a moratorium being agreed or

declared in respect of or affecting all or, in the reasonable opinion of the Secretary of State, a material part of (or of a particular type of) its debts;

- (d) **Security Enforceable:** Any expropriation, attachment, sequestration, execution or other enforcement action or other similar process affecting any property of the Franchisee or the whole or a substantial part of the assets or undertaking of the Franchisee, the Parent or any Bond Provider, including the appointment of a receiver, administrative receiver, manager or similar person to enforce that security;
- (e) **Stopping Business/Winding-Up:** Any step being taken by the Franchisee, the Parent or any Bond Provider with a view to its winding-up or any person presenting a winding-up petition or any of the Franchisee or the Parent or any Bond Provider ceasing or threatening to cease to carry on all or, in the reasonable opinion of the Secretary of State, a material part of its business, except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by the Secretary of State before that step is taken;
- (f) **Railway Administration Order:** A railway administration order being made in relation to the Franchisee under Sections 60 to 62 of the Act; and
- (g) **Analogous Events:** Any event occurring which, under the Law of any relevant jurisdiction, has an analogous or equivalent effect to any of the events listed in this paragraph 2.1,

subject, in the case of any relevant event occurring in relation to a Bond Provider where no such other Event of Default has occurred and is unremedied or continuing at such time, to a period of 20 Weekdays having elapsed in order to allow the Franchisee to replace the relevant Bond Provider.

### **Non-payment**

- 2.2 The Franchisee failing to pay to the Secretary of State any amount due under the Franchise Agreement within 28 days of the due date for such payment.

### **Change of Control**

- 2.3 Otherwise than in accordance with a prior consent of the Secretary of State given under paragraph 4 of this Schedule 10.3, a change occurring in the identity of any one person, or two or more persons acting by agreement, who may Control the Franchisee on and from the date of the Franchise Agreement and during the Franchise Term, which shall include a person, or two or more persons acting by agreement, ceasing to Control the Franchisee at any time during the Franchise Term, whether or not any other person Controls the Franchisee at the same time (any such change a "**Change of Control**") and for the purposes of this paragraph 2.3, two or more persons shall be deemed to be acting by agreement in relation to the Franchisee if, assuming the Franchisee was a target company as defined in the Companies Act 2006, such persons would be under an obligation to disclose an interest in shares in such company by virtue of an agreement between such persons.

### **Revocation of Licence**

- 2.4 Revocation of any Licence required to be held by the Franchisee in order to comply with its obligations under the Franchise Agreement.

### **Safety Certificate and Safety Authorisation**

2.5 The Safety Certificate and/or Safety Authorisation of the Franchisee being withdrawn or terminated.

### **Passenger Service Performance**

2.6 The Franchisee's performance in relation to any Benchmark (other than the Capacity Benchmarks) exceeds (that is, is equal to or worse than) the Default Performance Level for that Benchmark for:

- (a) any three consecutive Reporting Periods;
- (b) any four Reporting Periods within a period of 13 consecutive Reporting Periods; or
- (c) any five Reporting Periods within a period of 26 consecutive Reporting Periods.

### **Remedial Agreements and Enforcement Orders**

2.7

- (a) Non-compliance by the Franchisee with a Remedial Agreement, where such non-compliance is reasonably considered by the Secretary of State to be material.
- (b) Non-compliance by the Franchisee with:
  - (i) a provisional order;
  - (ii) a final order;
  - (iii) a penalty; or
  - (iv) any other order made relating to contravention of either a relevant condition or requirement (as defined in Section 55 of the Act) or another order,

in each case made by the Secretary of State under the Act.

- (c) Non-compliance by the Franchisee with any enforcement notice issued to it by the Secretary of State pursuant to Section 120 of the Act.

### **Other Franchises**

2.8 Not used.

### **Financial Ratios**

2.9 Breach by the Franchisee of either or both of the financial ratios specified in paragraph 2 of Schedule 12 (Financial Obligations and Covenants).

### **Breach of Law**

2.10

- (a) It is unlawful for the Franchisee to provide all or, in the reasonable opinion of the Secretary of State, a material part of the Passenger Services or to operate all or, in the reasonable opinion of the Secretary of State, a material number of the Stations or Depots (except to the extent not required so to do under the Franchise Agreement).
- (b) The Franchisee or any of the directors or senior managers of the Franchisee being convicted of manslaughter, fraud or any other indictable criminal offence in each case relating directly to the provision and operation of the Franchise Services.
- (c) The Franchisee being, in the reasonable opinion of the Secretary of State, in material non-compliance with a prohibition or enforcement order (or the equivalent thereof) issued by the ORR pursuant to its safety functions. If the Franchisee makes an appeal against such prohibition or enforcement order (or such equivalent thereof) in accordance with its terms, no Event of Default shall have occurred under this paragraph 2.10(c) until such appeal has been determined to be unsuccessful.

### **Contravention of Other Obligations**

2.11 The occurrence of the following:

- (a) the Franchisee contravening to an extent which is reasonably considered by the Secretary of State to be material any one or more of its obligations under the Franchise Agreement (other than such non-performance or non-compliance as may constitute an Event of Default under the provisions of this Schedule 10.3 other than this paragraph 2.11);
- (b) the service by the Secretary of State on the Franchisee of a written notice specifying:
  - (i) such contravention; and
  - (ii) to the extent the contravention is capable of being remedied, the reasonable period within which the Franchisee is required to so remedy; and
- (c) the Franchisee contravening such obligation or obligations again to an extent which is reasonably considered by the Secretary of State to be material or permitting the contravention to continue or, if the contravention is capable of remedy, failing to remedy such contravention within such period as the Secretary of State has specified in the notice served pursuant to paragraph 2.11(b)(ii).

### **Non-membership of Inter-Operator Schemes**

2.12 The Franchisee ceasing to be a member of, or ceasing to participate in or to be party to, any of the Inter-Operator Schemes, or having its membership or participation therein suspended.

### **Bonds**

2.13

- (a) Any Performance Bond or Season Ticket Bond ceasing to be a legal, valid and binding obligation on the relevant Bond Provider (other than in

accordance with its terms) or it otherwise becoming unlawful or impossible for any Bond Provider to perform its obligations thereunder;

- (b) A failure by the Franchisee to procure the provision to the Secretary of State of a Performance Bond (or Performance Bonds provided pursuant to paragraph 4.8 of Schedule 12 (Financial Obligations and Covenants)) which individually or in aggregate fulfil the requirements of Schedule 12 (Financial Obligations and Covenants); or
- (c) A failure by the Franchisee to procure the provision to the Secretary of State of a Season Ticket Bond which fulfils the requirements of Schedule 12 (Financial Obligations and Covenants).

### **Key Contracts**

2.14 Termination of any Key Contract, or the failure by the Franchisee to take all reasonable steps to enter into an appropriate replacement contract prior to the scheduled expiry date of any Key Contract, except where requested by the Secretary of State or to the extent that the Franchisee has demonstrated to the reasonable satisfaction of the Secretary of State that for the duration of the Franchise Term:

- (a) it is no longer necessary for it to be party to such Key Contract; or
- (b) it has made adequate alternative arrangements in order to be able to continue to provide and operate the Franchise Services.

2.15 Not used.

### **3. Termination Events**

3.1 The Secretary of State may terminate the Franchise Agreement in accordance with Schedule 10.2 (Termination and Expiry) if:

- (a) any Force Majeure Event continues with the effect of preventing the Franchisee from delivering, wholly or mainly, the Passenger Services for more than six consecutive months; or
- (b) the warranty given by the Franchisee pursuant to paragraph 6 of Schedule 12 (Financial Obligations and Covenants) is materially untrue; or
- (c) the Franchisee commits a material breach of its obligation to notify the Secretary of State of any Occasion of Tax Non-Compliance as required by paragraph 6.2(a) of Schedule 12 (Financial Obligations and Covenants); or
- (d) the Franchisee fails to provide details of proposed mitigating factors as required by paragraph 6.2(b) of Schedule 12 (Financial Obligations and Covenants) which in the reasonable opinion of the Secretary of State, are acceptable,

(each a "**Termination Event**").



4. **Facilitation Fee**

- 4.1 The Franchisee may, at any time, apply in writing to the Secretary of State for his consent to a Change of Control (as such term is defined pursuant to paragraph 2.3).
- 4.2 The Secretary of State may require the Franchisee to pay a fee in consideration of the grant of such consent (the "**Facilitation Fee**").
- 4.3 The Secretary of State may require the Franchisee to pay an additional fee in respect of the staff, professional and other costs incurred by the Secretary of State in connection with the Franchisee's application (the "**Administration Fee**"). The Administration Fee shall be payable whether or not the Secretary of State consents to the proposed Change of Control.
- 4.4 On or after submitting such application to the Secretary of State, the Franchisee will provide, and will procure that the seller and the buyer provide, the Secretary of State with such documentation and information as the Secretary of State may require to assess such application and the amount of the Facilitation Fee. Without limiting paragraphs 4.9 or 4.10, it shall be deemed to be reasonable for the Secretary of State to delay or withhold consent to the Change of Control where any such documentation is not provided.
- 4.5 The Facilitation Fee shall be a sum equal to the greater of:
- (a) <sup>22</sup>; or
  - (b) where the Estimated Profit Stream is greater than the Bid Profit Stream <sup>23</sup> of the difference between the Bid Profit Stream and the Estimated Profit Stream.
- 4.6 The Administration Fee shall be determined by the Secretary of State on the basis of:
- (a) the aggregate time spent by officials within the Secretary of State's Department on matters relating to such application;
  - (b) the Secretary of State's hourly scale rates for such officials, as varied from time to time; and
  - (c) the aggregate costs and disbursements, including where applicable VAT and professional costs, incurred by the Secretary of State in connection with such application.
- 4.7 Any determination by the Secretary of State for the purposes of paragraphs 4.5 or 4.6 shall in the absence of manifest error be final and binding as between the Secretary of State and the Franchisee (but without prejudice to the requirement of the Secretary of State to reasonably determine the Estimated Profit Stream).

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<sup>22</sup> Where text has been omitted from the document this is because the Director General Rail or Secretary of State has decided to exclude the text in accordance with the provisions within the Freedom of Information Act 2000.

<sup>23</sup> Where text has been omitted from the document this is because the Director General Rail or Secretary of State has decided to exclude the text in accordance with the provisions within the Freedom of Information Act 2000.

- 4.8 Any consent by the Secretary of State to a Change of Control may be given subject to such conditions as the Secretary of State sees fit and the Franchisee shall, as applicable, comply with, and/or procure that the seller and/or the buyer comply with, any such conditions.
- 4.9 The Secretary of State shall have absolute discretion as to the grant of consent to any Change of Control and may accordingly refuse such consent for any reason he sees fit.
- 4.10 The Secretary of State shall have no liability whatever to the Franchisee in respect of any refusal of consent to a Change of Control, any delay in providing such consent, or any condition of such consent.

## SCHEDULE 10.4

### Force Majeure

#### 1. Force Majeure Events

The following events shall constitute Force Majeure Events, subject to the conditions specified in paragraph 2 being satisfied:

- (a) the Franchisee or any of its agents or subcontractors is prevented or restricted by Network Rail (including by virtue of the implementation of any Contingency Plan) from gaining access to any section or part of track (including any track running into, through or out of a station). For the purposes of this paragraph 1:
  - (i) references to a party being prevented or restricted from gaining access to any section or part of track shall mean that such party is not permitted to operate any trains on the relevant section or part of track, or is only permitted to operate a reduced number of trains from that which it was scheduled to operate;
  - (ii) the period of such prevention or restriction shall be deemed to commence with effect from the first occasion on which the Franchisee is prevented or restricted from operating a train on such section or part of track;
  - (iii) references in paragraphs 1(a)(i) and (ii) to the operation of trains include scheduled empty rolling stock vehicle movements; and
  - (iv) “**Contingency Plan**” means a contingency plan (as defined in the Railway Operational Code or where the Railway Operational Code ceases to exist such other replacement document of a similar or equivalent nature which contains a definition of contingency plan similar to that contained in the Railway Operational Code) implemented by and at the instigation of Network Rail, or such other contingency or recovery plan as the Secretary of State may agree from time to time;
- (b) the Franchisee or any of its agents or subcontractors is prevented or restricted by Network Rail or any Facility Owner (other than a Facility Owner which is an Affiliate of the Franchisee) from entering or leaving:
  - (i) any station or part thereof (excluding any prevention or restriction from gaining access to any section or part of track running into, through or out of a station); or
  - (ii) any depot or part thereof (including the movement of trains on tracks within any depot but excluding any prevention or restriction from gaining access to any track outside such depot running into or out of that depot);

- (c) any of the following events occurs:
- (i) a programme of Mandatory Modifications commences;
  - (ii) any Rolling Stock Units are damaged by fire, vandalism, sabotage or a collision and are beyond repair or beyond economic repair; or
  - (iii) a government authority prevents the operation of Rolling Stock Units on the grounds of safety,

and, in each case, the greater of two Rolling Stock Units and ten per cent. of all rolling stock vehicles used by the Franchisee in the provision of the Passenger Services in relation to any Service Group are unavailable for use in the provision of the Passenger Services as a result of the occurrence of such event;

- (d) the Franchisee prevents or restricts the operation of any train on safety grounds provided that:
- (i) the Franchisee has, either before or as soon as reasonably practicable after initiating such prevention or restriction, sought the confirmation of the ORR in exercise of its safety functions, or any relevant other body with statutory responsibility for safety in the circumstances, of the necessity of such prevention or restriction; and
  - (ii) if and to the extent that the ORR, or other relevant body with statutory responsibility for safety in the circumstances, in exercise of its safety functions indicates that such prevention or restriction is not necessary, then no Force Majeure Event under this paragraph 1(d) shall continue in respect of that restriction or prevention after the receipt of such indication from the ORR or other relevant body;
- (e) act of God, war damage, enemy action, terrorism or suspected terrorism, riot, civil commotion or rebellion (together "**Emergency Events**") or the act of any government instrumentality (including the ORR but excluding the Secretary of State) in so far as the act of government instrumentality directly relates to any of the Emergency Events, provided that there shall be no Force Majeure Event under this paragraph 1(e) by reason of:
- (i) the suicide or attempted suicide of any person that does not constitute an act of terrorism;
  - (ii) the activities of the police, fire service, ambulance service or other equivalent emergency service that are not in response to acts of terrorism or suspected terrorism; or
  - (iii) an act of God which results in the Franchisee or its agents or subcontractors being prevented or restricted by Network Rail from gaining access to any relevant section or part of track; and
- (f) any strike or other Industrial Action by any or all of the employees of the Franchisee or any or all of the employees of:

- (i) Network Rail;
- (ii) the operator of any other railway facility; or
- (iii) any person with whom the Franchisee has a contract or arrangement for the lending, seconding, hiring, contracting out or supervision by that person of train drivers, conductors, other train crew or station or depot staff used by the Franchisee in the provision of the Franchise Services,

or if the agents or sub-contractors of any such person listed in paragraphs 1(f)(i) to (iii) and for the purposes of this paragraph Industrial Action shall include any concerted action taken in connection with the employment of such employees (whether or not that action involves any breach of such employees' conditions of employment, and including any action taken in furtherance of a dispute, or with a view to improving the terms of employment of the relevant employees or by way of support for any other person) subject always, in the case of any unofficial Industrial Action, to the Franchisee being able to demonstrate the occurrence of such unofficial Industrial Action to the reasonable satisfaction of the Secretary of State.

## 2. **Conditions to Force Majeure Events**

2.1 The occurrence, and continuing existence of a Force Majeure Event shall be subject to satisfaction of the following conditions:

- (a) in relation to an event occurring under paragraph 1(a), that event has continued for more than 12 consecutive hours;
- (b) the Franchisee notifies the Secretary of State within two Weekdays of it becoming aware or, if circumstances dictate, as soon as reasonably practicable thereafter, of:
  - (i) the occurrence or likely occurrence of the relevant event; and
  - (ii) the effect or the anticipated effect of such event on the Franchisee's performance of the Passenger Services;
- (c) at the same time as the Franchisee serves notification on the Secretary of State under paragraph 2.1(b), it informs the Secretary of State of the steps taken and/or proposed to be taken by the Franchisee to prevent the occurrence of, and/or to mitigate and minimise the effects of, the relevant event and to restore the provision of the Passenger Services;
- (d) the relevant event did not occur as a result of:
  - (i) any act or omission to act by the Franchisee or its agents or subcontractors, save that in respect of the occurrence of Industrial Action in accordance with paragraph 1(f), the provisions of paragraph 2.2 apply; or
  - (ii) the Franchisee's own contravention of, or default under, the Franchise Agreement, any Access Agreement, Rolling Stock Related Contract, Property Lease or any other agreement;
- (e) the Franchisee used and continues to use all reasonable endeavours to avert or prevent the occurrence of the relevant event and/or to mitigate

and minimise the effects of such event on its performance of the Passenger Services and to restore the provision of the Passenger Services as soon as reasonably practicable after the onset of the occurrence of such event; and

- (f) the Franchisee shall, to the extent reasonably so requested by the Secretary of State, exercise its rights and remedies under any relevant agreement to prevent the occurrence or recurrence of any such event and to obtain appropriate redress and/or compensation from any relevant person.

2.2 Where:

- (a) Industrial Action in accordance with paragraph 1(f) occurs as a result of an act or omission to act by the Franchisee or its agents or subcontractors;
- (b) the Secretary of State reasonably believes that it was reasonable for the Franchisee, its agents or subcontractors (as the case may be) so to act or omit to act; and
- (c) the other conditions specified in paragraph 2.1 have been satisfied, such occurrence shall be a Force Majeure Event.

3. **Consequences of Force Majeure Events**

**On Obligations**

- 3.1 The Franchisee shall not be responsible for any failure to perform any of its obligations under the Franchise Agreement, nor shall there be any contravention of the Franchise Agreement if and to the extent that such failure is caused by any Force Majeure Event.
- 3.2 If any Force Majeure Event continues, with the effect of preventing the Franchisee from delivering, wholly or mainly, the Passenger Services for more than six consecutive months, it shall be a Termination Event in accordance with paragraph 3.1(a) of Schedule 10.3 (Events of Default and Termination Events).

3.3 **Business Continuity**

**First BCP**

- (a) Within 1 month following the Start Date the Franchisee shall produce and provide to the Secretary of State a written Business Continuity Plan in respect of the Franchise Services and the people, facilities and assets used to provide them, that is adequate to minimise the effect of and deal promptly and efficiently with any Disaster which will as a minimum:
  - (i) reflect the degree of skill, care, foresight and prudence which can reasonably be expected from a highly experienced and competent operator of railway passenger services;
  - (ii) use what the industry would (at the relevant time) regard as the best generally accepted processes, techniques and materials; and
  - (iii) comply with all Laws.

### **Obligation to Maintain the BCP**

- (b) The Franchisee shall, at all times, maintain and comply with the Business Continuity Plan, and ensure that it is, at all times, able to implement the Business Continuity Plan immediately upon an event occurring which the Business Continuity Plan is expressed to cover, or reasonably can be expected to cover.
- (c) The Franchisee shall update the Business Continuity Plan at least once during each Franchisee Year.
- (d) The Franchisee will, on request, provide a copy of the Business Continuity Plan to the Secretary of State and will provide to the Secretary of State any other information that the Secretary of State may reasonably require in relation thereto.
- (e) Nothing in this paragraph 3 will relieve the Franchisee from its obligations under this Franchise Agreement to create, implement and operate the Business Continuity Plan. Accordingly, if a Force Majeure Event affecting the Franchisee occurs which is an event or circumstance that is within the scope of the Business Continuity Plan, or would have been had the Franchisee and/or Business Continuity Plan complied with this paragraph 3.3, then paragraph 3.1 will only apply to that Force Majeure Event to the extent that the impacts of that Force Majeure Event would have arisen even if the Business Continuity Plan had complied with paragraph 3.3 and had been fully and properly implemented and operated in accordance with paragraph 3.3 and the terms of the Business Continuity Plan in respect of that Force Majeure Event.

### **On Payments**

- 3.4 Following the occurrence of a Force Majeure Event, the payment of Franchise Payments shall continue unaffected.

## **SCHEDULE 10.5**

### **Liability**

#### **1. Exclusion of Liability**

##### **Liability with respect to Passengers and Third Parties**

- 1.1 The Franchisee hereby acknowledges that the Secretary of State will not be responsible for the actions of the Franchisee or any Affiliate of the Franchisee and that, except as expressly provided in the Franchise Agreement, the Franchisee shall provide and operate the Franchise Services at its own cost and risk without recourse to the Secretary of State or government funds or guarantees.
- 1.2 The Franchisee, on demand, shall hold the Secretary of State fully protected and indemnified in respect of all losses, liabilities, costs, charges, expenses, actions, proceedings, claims or demands incurred by or made on the Secretary of State in connection with any death, personal injury, loss or damage suffered by passengers or by any third party using or affected by the Franchise Services which is caused or contributed to by the Franchisee, any Affiliate of the Franchisee, or any employee, agent, contractor or sub-contractor of the Franchisee or of any Affiliate of the Franchisee.

##### **Liability of the Secretary of State**

- 1.3 Neither the Secretary of State nor any of his officers, agents or employees shall in any circumstances be liable to the Franchisee for any loss or damage caused by the negligent exercise of any powers reserved to the Secretary of State under the Franchise Agreement, except to the extent that such negligence also constitutes a contravention of an obligation of the Secretary of State under the Franchise Agreement. The Franchisee may not recover from the Secretary of State or any of his officers, agents, or employees any amount in respect of loss of profit or consequential loss.

#### **2. Review or Monitoring by the Secretary of State**

- 2.1 The Secretary of State may for his own purposes (whether under the Franchise Agreement or under any other arrangement or otherwise and whether before or after the date of the Franchise Agreement) monitor or review any proposals, plans or projects (or any aspect thereof) of the Franchisee under the Franchise Agreement, but no review, enquiry, comment, statement, report or undertaking, made or given by or on behalf of the Secretary of State during such review or monitoring (and no failure to undertake, make or give any review, enquiry, comment or statement) shall operate to exclude or relieve either party from or reduce or otherwise affect the obligations of such party under the Franchise Agreement.
- 2.2 The exercise by or on behalf of the Secretary of State of (or, as the case may be, any failure to exercise) any of his functions, rights or obligations in respect of any review or monitoring process shall not in any way impose any liability, express or implied, on the Secretary of State to any other party save to the extent that the exercise (or failure to exercise) of any of such functions, rights or obligations results in a contravention by the Secretary of State of an express provision of the Franchise Agreement and the Secretary of State does not make or give any representation or warranty, either express or implied, as to whether any proposal,



plan or project will enable either party to comply with its obligations under the Franchise Agreement.

# **SCHEDULE 11**

## **Agreement Management Provisions**

1. **Not Used**
2. **Identification of Key Personnel and Provision of Organisation Chart**
  - 2.1 The Franchisee shall identify and provide to the Secretary of State a schedule of Key Personnel who shall be employed by the Franchisee in the performance of the Franchise Agreement. This shall include but not be limited to the following persons:
    - (a) a managing director whose role will include the overall management of the operation of the Franchise Services;
    - (b) a train service delivery manager, whose role will include responsibility for ensuring compliance by the Franchisee with Schedule 7.1 (Performance Benchmarks);
    - (c) a safety manager, whose role will include responsibility for ensuring that the Franchisee complies with its legal obligations in relation to the Franchise Services including the Safety Certificate; and
    - (d) a finance manager, whose role will include responsibility in relation to the Financial Model.
  - 2.2 On or before the Start Date the Franchisee shall provide to the Secretary of State an organisation chart detailing the responsibilities and reporting lines of each of the Key Personnel and shall update such chart (and provide a copy to the Secretary of State promptly thereafter) as and when any changes occur.
3. **Not Used**
4. **Franchise Performance Meetings**
  - 4.1
    - (a) The parties shall hold a Franchise Performance Meeting at least once in every quarter (or such other interval as the Secretary of State may notify to the Franchisee in writing) at a time and location notified to the Franchisee by the Secretary of State.
    - (b) Not used.
    - (c) Not used.
    - (d) Not used.
    - (e) The Franchisee shall ensure that each of its representatives at all Franchise Performance Meetings have full power and authority delegated to them by the Franchisee to act and to make binding decisions on behalf of the Franchisee and shall include such directors and/or senior managers of the Franchisee and the Parent as the Secretary of State may require.

- 4.2 Not used.
- 4.3 Not used.
- 4.4 The Franchisee shall prepare and present such reports to each Franchise Performance Meeting as the Secretary of State may reasonably request. The Franchisee's obligations under this paragraph 4.4 are subject to the Franchisee receiving at least 28 days' notice of the requirement to prepare and present any such report.
- 4.5 No comment or failure to comment nor any agreement or approval, implicit or explicit by the Secretary of State at such meetings will relieve the Franchisee of any of its obligations under the Franchise Agreement.

4.6 **Periodic Update Reports**

- (a) In addition to the obligation at paragraph 4.4 above, the Franchisee shall prepare and submit to the Secretary of State a periodic report in each Reporting Period containing such information as the Secretary of State may reasonably specify upon commencement of this Franchise Agreement or from time to time in accordance with paragraph 4.6(b) for the previous quarter, or such other period as may be reasonably required and disaggregated to the extent that the Secretary of State shall require).
- (b) The Franchisee's obligations under this paragraph 4.6 are subject to the Franchisee receiving at least 28 days' notice of any amendments required and any additions to the contents of such report.

5. **Right of Assessment or Inspection**

- 5.1 The Franchisee shall, if requested by the Secretary of State, allow the Secretary of State and his representatives and advisers:
- (a) to inspect and copy any records referred to in Schedule 13 (Information and Industry Initiatives) and the Secretary of State may verify any such records; and
- (b) to inspect and copy at any reasonable time any books, records and any other material kept by or on behalf of the Franchisee and/or its auditors and any assets (including the Franchise Assets) used by the Franchisee in connection with the Franchise Services.
- 5.2 The Franchisee shall make available to the Secretary of State, his representatives and advisers the information referred to in paragraph 5.1 and grant or procure the grant of such access (including to or from third parties) as the Secretary of State, his representatives and advisers shall reasonably require in connection therewith. The obligation of the Franchisee under this paragraph 5.2 shall include an obligation on the Franchisee to grant or procure the grant of such access to premises (including third party premises) where the information referred to in paragraph 5.1 is kept by or on behalf of the Franchisee.
- 5.3 The Secretary of State, his representatives and advisers shall be permitted to take photographs, film or make a video recording, or make any other kind of record of any such inspection.
- 5.4 If any inspection reveals that information previously supplied to the Secretary of State was, in the reasonable opinion of the Secretary of State, inaccurate in any

material respect or if such inspection reveals any other contravention of the Franchisee's obligations under the Franchise Agreement which the Secretary of State considers to be material, the costs of any such inspection shall be borne by the Franchisee.

## **SCHEDULE 12**

### **Financial Obligations and Covenants**

#### **Schedule 12**

#### **Financial Obligations and Covenants**

#### **Appendix 1: Form of Performance Bond**

#### **Appendix 2: Form of Season Ticket Bond**

## SCHEDULE 12

### Financial Obligations and Covenants

#### 1. Obligations

Except to the extent that the Secretary of State may otherwise agree from time to time, the Franchisee shall not:

- (a) incur any liability or financial indebtedness except in the ordinary course of providing and operating the Franchise Services;
- (b) make any loan or grant any credit, or have or permit to subsist any loan or any credit, to any person (other than the deposit of cash with a Bank as permitted under paragraph 1(d) or to an employee in the ordinary course of its business);
- (c) create or permit to subsist any Security Interest over any of its assets or property or give any guarantee or indemnity to or for the benefit of any person or otherwise assume liability or become obliged (actually or contingently) in respect of any obligation of any other person, in each case other than in the ordinary course of the business of providing and operating the Franchise Services; or
- (d) create or acquire any subsidiary or make or have any investment in any other entity, except for the deposit of cash with a Bank.

#### 2. Financial Ratios

2.1 The Franchisee covenants that as at the end of each Reporting Period during the Franchise Term:

- (a) the ratio of its Modified Revenue to its Actual Operating Costs during the Preceding 13 Reporting Periods of the Franchise Term (or, prior to the end of the thirteenth such Reporting Period, during all preceding Reporting Periods) will equal or exceed the ratio of 1.050:1; and
- (b) the ratio of its Forecast Modified Revenue to its Forecast Operating Costs for the next 13 Reporting Periods (or, where there are less than 13 Reporting Periods remaining in the Franchise Term, for all such remaining Reporting Periods) will equal or exceed the ratio of 1.050:1.

For the purposes of this paragraph 2 "**Preceding 13 Reporting Periods**" means the Reporting Period just ended and (subject as provided in paragraph 2.1(a)) the preceding 12 Reporting Periods of the Franchise Term.

2.2 If:

- (a) in respect of any Reporting Period, the Franchisee fails pursuant to paragraph 3.3(b) of Schedule 13 (Information and Industry Initiatives) to provide a statement of calculation of performance against the covenants set out in paragraph 2.1(b) for each of the next 13 Reporting Periods (or, where there are less than 13 Reporting Periods remaining in the Franchise Term, for all such remaining Reporting Periods) following any such Reporting Period; or

- (b) the Secretary of State reasonably considers that any particular item of Forecast Modified Revenue or Forecast Operating Cost used for the purposes of determining the Franchisee's performance against the covenants set out in paragraph 2.1(b) has not been accounted for on a reasonable basis (including where the accounting treatment looks to the form rather than the substance),

then the Secretary of State may:

- (i) in the circumstances referred to in paragraph 2.2(a) above reasonably determine the ratio of the Forecast Modified Revenue and Forecast Operating Cost on the basis of information available to him; or
- (ii) in the circumstances referred to in paragraph 2.2(b) above require any such particular item of Forecast Modified Revenue or Forecast Operating Cost to be adjusted in a manner which is fair and reasonable and, so far as reasonably determinable, on the basis on which such particular item of Forecast Modified Revenue or Forecast Operating Cost should have been accounted for by the Franchisee as reasonably determined by the Secretary of State,

in either case after having exercised his rights under paragraph 3.13 of Schedule 13 (Information and Industry Initiatives) to the extent that he considers appropriate in the circumstances for the purpose of making any such reasonable determination.

- 2.3 The Franchisee further covenants that on the first day of each Reporting Period its opening cash balance calculated consistently with paragraph (a)(ii) of the definition of Modified Revenue shall be at least <sup>24</sup>. The Franchisee shall provide evidence of its compliance with this covenant in such form as the Secretary of State shall reasonably require with the Management Accounts required to be provided pursuant to paragraph 3.2 of Schedule 13 (Information and Industry Initiatives).

### 3. **Breach of Financial Ratios**

- 3.1 The Franchisee shall not during any Lock-up Period, do any of the following without the Secretary of State's consent:

- (a) declare or pay any dividend (equity or preference) or make any other distribution including surrendering any taxable losses to any of its Affiliates or pay any of its Affiliates in respect of taxable losses that they wish to surrender to the Franchisee, without the prior written consent of the Secretary of State;
- (b) pay management charges to any of its Affiliates in excess of those specified in the Initial Business Plan; or
- (c) make payment under any intra-group borrowings.

- 3.2 **Lock-up Period** means any period from the time when either of the ratios referred to in paragraphs 2.1(a) and 2.1(b) falls below the ratio of 1.070:1 until the time

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<sup>24</sup> Where text has been omitted from the document this is because the Director General Rail or Secretary of State has decided to exclude the text in accordance with the provisions within the Freedom of Information Act 2000.

at which the Secretary of State is satisfied that the relevant ratio is again at or above the ratio of 1.070:1.

- 3.3 Failure by the Franchisee at any time to comply with either of the ratios referred to in paragraph 2.1 shall be an Event of Default under paragraph 2.9 of Schedule 10.3 (Events of Default and Termination Events).

### **Contingent Funding**

- 3.4 If at any time during the Franchise Term:

- (a) the ratio of the Franchisee's Modified Revenue to its Actual Operating Costs during the preceding 13 Reporting Periods (or, prior to the end of the thirteenth such Reporting Period, during all preceding Reporting Periods) is less than 1.070:1; and
- (b) the ratio of Franchisee's Forecast Modified Revenue to its Forecast Operating Costs for the next 13 Reporting Periods (or, where there are less than 13 Reporting Periods remaining in the Franchise Period, for all such remaining Reporting Periods) will be less than 1.070:1,

the Parent may, for the purpose of ensuring that the relevant ratio remains at, or is increased above, 1.070:1, provide loan funding to the Franchisee. The Parent at its discretion may make such loan pursuant to a Funding Deed and if it does so the Franchisee shall enter into, and procure that the Parent enters into, a Funding Deed on or immediately after the date on which such loan is made available to the Franchisee. The terms of any such loan (whether or not made by way of Funding Deed) shall be consistent with the terms of this Franchise Agreement including paragraph 9 of Schedule 19 (Other Provisions). Where the Franchisee and the Parent enter into a Funding Deed the Franchisee shall procure that at the same time the Ultimate Parents enter into the Deed of Guarantee and deliver it to the Secretary of State together with such opinions as to the effective execution of such Deed of Guarantee as the Secretary of State may reasonably require.

- 3.5 Upon entry into any Funding Deed pursuant to paragraph 3.4, Schedule 10.3 (Events of Default and Termination Events) shall be amended to include the following event of default:

"2.15 A failure by the Franchisee or the Parent to comply with their respective obligations under the Funding Deed."

## **4. Performance Bond**

### **4.1**

- (a) The Franchisee shall procure that there shall be a valid and effective Performance Bond in place with effect from the date of the Franchise Agreement and the Franchisee shall procure that there shall be a valid and effective Performance Bond in place:
  - (i) throughout the Franchise Period; and
  - (ii) for a period that is the later of the date that :
    - (1) is seven Reporting Periods after the end of the Franchise Period; and



- (2) if so requested by the Secretary of State under paragraph 4.3(b), such date as is the earlier of (x) the date falling one month after the determination of the Purchase Price (as defined in any Supplemental Agreement) under the Supplemental Agreement, (y) one year and seven Reporting Periods after the end of the Franchise Period, and (z) such earlier date as the Secretary of State may reasonably agree.

The Provisions of this paragraph 4.1 (a) shall survive the termination of the Franchise Agreement.

- (b) The Performance Bond that the Franchisee shall procure is in place pursuant to paragraph 4.1(a) and any replacement Performance Bonds shall:
  - (i) be substantially in the form of Appendix 1 (Form of Performance Bond) to this Schedule 12;
  - (ii) subject to paragraph 4.3(c) have a value equal to the amount determined under paragraph 4.4; and
  - (iii) have a duration which lasts until 18<sup>th</sup> August 2017 or (where paragraph 4.1(a) (ii) requires the Franchisee to procure the provision of a further valid and effective Performance Bond) have a minimum duration of one year or such lesser duration as the Secretary of State may agree.

#### **Provision of Replacement Performance Bond**

4.2 The Franchisee may replace the Performance Bond at any time, provided that the Secretary of State receives a replacement Performance Bond:

- (a) substantially in the form of Appendix 1 to this Schedule 12 (or in any other form acceptable to the Secretary of State in his discretion);
- (b) duly executed and delivered by a Bond Provider acceptable to the Secretary of State; and
- (c) in an amount determined in accordance with paragraph 4.4.

4.3

- (a) Subject to paragraph 4.3(b) below the Franchisee shall replace any Performance Bond at least six months prior to its scheduled expiry with a replacement that complies with the requirements of paragraphs 4.1 and 4.2.
- (b) Where the Franchisee is required by the Secretary of State after the end of the Franchise Period to replace any Performance Bond to meet its obligation to procure that there shall be a valid and effective Performance Bond in place until the later of the dates referred to in paragraph 4.1 (a)(ii) the Franchisee shall replace such Performance Bond at least one month prior to its scheduled expiry.
- (c) Where the Secretary of State requires a Performance Bond to be replaced under paragraph 4.3(b), at the request of the Franchisee the Secretary of

State shall consider and, if he considers it appropriate direct, that the value of the Performance Bond shall be less than the amount otherwise required under paragraph 4.4, having regard to the scale of the issues then outstanding concerning the determination of the Purchase Price (as defined in any Supplemental Agreement) under the Supplemental Agreement.

#### **Amount of Performance Bond**

4.4 <sup>25</sup>.

#### **Demands under the Performance Bond**

4.5

- (a) The Performance Bond shall be on terms that it is payable without further enquiry by the Bond Provider to the Secretary of State in full in London on first written demand by the Secretary of State on the Bond Provider, certifying as to any one or more of the following:
- (i) that the Franchise Agreement has:
    - (A) either terminated or expired and, in either case, there are liabilities or obligations outstanding from the Franchisee to the Secretary of State; and/or
    - (B) terminated solely as a consequence of the occurrence of one or more Events of Default or a Termination Event of a type described in any of paragraphs 3.1(b) to (d) of Schedule 10.3 (Events of Default and Termination Events) in circumstances where the Secretary of State has incurred or expects to incur additional costs in connection with early termination of the Franchise;
  - (ii) that a railway administration order has been made in relation to the Franchisee pursuant to Sections 60 to 62 of the Act;
  - (iii) the occurrence of an Event of Default:
    - (A) under paragraph 2.13(a) of Schedule 10.3 (Events of Default and Termination Events) in relation to the Performance Bond; or
    - (B) under paragraph 2.13(b) of Schedule 10.3 (Events of Default and Termination Events),  
  
whether or not the Franchise Agreement is, or is to be, terminated as a result thereof;
  - (iv) that the Franchisee has failed to perform or comply with its obligations under any Supplemental Agreement;

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<sup>25</sup> Where text has been omitted from the document this is because the Director General Rail or Secretary of State has decided to exclude the text in accordance with the provisions within the Freedom of Information Act 2000.

- (v) that the Franchisee has failed to provide a replacement Performance Bond complying with this paragraph 4 at least six months prior to the scheduled expiry of the existing Performance Bond; or
  - (vi) that the Franchisee has failed to procure the execution and delivery of a new Performance Bond by a Bond Provider acceptable to the Secretary of State when required to do so in accordance with paragraph 4.8.
- (b) If the Secretary of State makes a demand under the Performance Bond, he shall, within a reasonable period, account to the Franchisee for the proceeds of such Performance Bond less the amount of the losses, liabilities, costs or expenses which, in the reasonable opinion of the Secretary of State, the Secretary of State or a Successor Operator has incurred or suffered or may be reasonably likely to incur or suffer including as a result of:
- (i) early termination of the Franchise Agreement; and/or
  - (ii) any failure by the Franchisee to perform or comply with any of its obligations to the Secretary of State under the Franchise Agreement or to a Successor Operator under the Supplemental Agreement.
- (c) Nothing in paragraph (b) shall oblige the Secretary of State to account to the Franchisee for the proceeds of such Performance Bond in the circumstances described in paragraph 4.5(a)(iii), (v) or (vi) until such time as the Franchisee has procured a replacement Performance Bond which complies with the requirements of paragraph 4.

**Characteristics of Performance Bond Provider**

- 4.6 In determining whether a Bond Provider under any replacement Performance Bond is acceptable, the Secretary of State may exercise his discretion and shall not be obliged to accept a Bond Provider accepted under any previous Performance Bond.
- 4.7 The Franchisee shall provide such information relating to any Bond Provider or proposed Bond Provider as the Secretary of State may require from time to time.
- 4.8 If at any time the Secretary of State reasonably considers the Bond Provider under the then current Performance Bond to be unacceptable, the Secretary of State may require the Franchisee within 20 Weekdays to procure the execution and delivery of a new Performance Bond by a Bond Provider acceptable to the Secretary of State. This applies:
- (a) notwithstanding the other provisions of this paragraph 4; and
  - (b) irrespective of the scheduled expiry date of the then current Performance Bond.

**Provision of more than one Performance Bond**

- 4.9 The Franchisee shall be permitted subject to the prior consent of the Secretary of State (such consent not to be unreasonably withheld or delayed) to meet its obligations to provide a valid and effective Performance Bond by providing up to three valid and effective Performance Bonds the aggregate value of which at all

times is equal to the value determined under paragraph 4.4. With the exception of the value of each individual Performance Bond the provisions of the Franchise Agreement in relation to the Performance Bond shall be deemed to apply separately in relation to each such Performance Bond. Where more than one Performance Bond is provided the Secretary of State shall have a discretion as to whether to make a demand under some or all of such Performance Bonds and the extent to which he accounts for the proceeds of each such Performance Bond in accordance with the provisions of paragraph 4.5(b).

## 5. **Season Ticket Bond**

### **Provision of Season Ticket Bond**

- 5.1 The Franchisee shall procure that throughout the Franchise Term and during the relevant call period specified in clauses 4 and 5 of the Season Ticket Bond, there shall be in place a valid and effective Season Ticket Bond substantially in the form of Appendix 2 (Form of Season Ticket Bond) to this Schedule 12. The Franchisee shall deliver the first Season Ticket Bond to the Secretary of State by Monday 30 March 2015.

### **Provision of Replacement Season Ticket Bond**

- 5.2 No later than one Reporting Period before the expiry of each Bond Year, the Franchisee shall provide to the Secretary of State (or procure that the Secretary of State receives) a Season Ticket Bond for the following Bond Year:
- (a) substantially in the form of Appendix 2 to this Schedule 12 (or in any other form acceptable to the Secretary of State in his discretion);
  - (b) duly executed and delivered by a Bond Provider acceptable to the Secretary of State; and
  - (c) in an amount determined in accordance with paragraph 5.3.

#### Amount of Season Ticket Bond

- 5.3 The amount of any Season Ticket Bond shall vary for each Reporting Period during the Bond Year to which the Season Ticket Bond relates in accordance with the following formula:

$$STBA = STL \times \frac{((RPI \times 100) + k)}{100} \times Z$$

Where:

STBA equals the amount of the Season Ticket Bond in the Relevant Reporting Period;

STL equals, in respect of such Reporting Period:

- (a) the maximum amount which would be payable by the Franchisee in respect of Season Ticket Fares under and in accordance with a Supplemental Agreement and paragraph 3.3 of Schedule 15.4 (Provisions Applying on and after Termination) and the rights and liabilities of the Franchisee relating to an obligation of carriage under the terms of any Season Ticket Fares which were transferred under a

Transfer Scheme relating to that Supplemental Agreement to a Successor Operator at that time; and

- (b) the Stored Credit Balance which would be held by the Franchisee,  
if the Franchise Agreement were to terminate on any day during the Reporting Period (the "**Relevant Reporting Period**") falling 13 Reporting Periods before such Reporting Period,

provided that for these purposes only:

- (i) Season Ticket Fares shall mean any Season Ticket Fare which expires more than seven days after it first comes into effect;
- (ii) the Start Date shall be assumed, where relevant, to have occurred before the commencement of the Relevant Reporting Period; and
- (iii) if STL cannot reasonably be determined at the time at which the Franchisee is required under paragraph 5.4 to provide its estimate of the amount of the relevant Season Ticket Bond (including because the Relevant Reporting Period has not yet occurred), the Relevant Reporting Period shall be the Reporting Period falling 26 Reporting Periods before the Reporting Period in the relevant Bond Year;

RPI equals the quotient of the Retail Prices Index for the month for which the Retail Prices Index has most recently been determined at the time the Franchisee is required under paragraph 5.4 to provide its estimate of the amount of the relevant Season Ticket Bond divided by the Retail Prices Index for the month falling 12 months before such month, provided that, for the first Franchisee Year, RPI shall be one;

k has the value attributed to it in Schedule 5 (Fares) for the Fare Year in which the Reporting Period in the relevant Bond Year falls; and

z equals +1 or, if the Relevant Reporting Period falls 26 Reporting Periods before such Reporting Period, an amount equal to:

$$\frac{(RPI \times 100) + k}{100}$$

where RPI and k are determined for the 12 months and the Fare Year preceding the 12 months and the Fare Year for which RPI and k are respectively determined above.

- 5.4 The Franchisee shall supply to the Secretary of State, not later than three Reporting Periods before the end of each Bond Year, its estimate of the amount of the Season Ticket Bond for each Reporting Period during the following Bond Year and shall supply such details as the Secretary of State may request in connection therewith.

- 5.5 The Franchisee and the Secretary of State shall endeavour to agree the amount of such Season Ticket Bond by no later than two Reporting Periods before the end of each Bond Year. If the parties are unable to agree the amount of the Season Ticket Bond in respect of any Reporting Period during the following Bond Year, the matter shall be resolved in accordance with the Dispute Resolution Rules.
- 5.6 If the amount of the Season Ticket Bond for each Reporting Period during a Bond Year has not been agreed two Reporting Periods before the end of the preceding Bond Year, then, until the amount is agreed or determined in accordance with the Dispute Resolution Rules, the amount thereof shall be the amount determined by the Secretary of State.
- 5.7 The Secretary of State and the Franchisee may agree to increase or reduce the amount covered or required to be covered under a Season Ticket Bond from time to time.

#### **Demands under the Season Ticket Bond**

- 5.8
- (a) The Season Ticket Bond shall be on terms that it is payable without further enquiry by the Bond Provider to the Secretary of State in full in London on first written demand by the Secretary of State on the Bond Provider, certifying as to any one or more of the following:
- (i) that the Franchise Agreement has terminated or expired;
  - (ii) that a railway administration order has been made in relation to the Franchisee pursuant to Sections 60 to 62 of the Act; or
  - (iii) that an Event of Default:
    - (A) under paragraph 2.13(a) of Schedule 10.3 (Events of Default and Termination Events) in relation to the Season Ticket Bond; or
    - (B) under paragraph 2.13(c) of Schedule 10.3 (Events of Default and Termination Events),has occurred (whether or not the Franchise Agreement is, or is to be, terminated as a result thereof).
- (b) If the Secretary of State makes a demand under the Season Ticket Bond, he shall account to the Franchisee for the proceeds of such Season Ticket Bond remaining following settlement of all liabilities or obligations of the Franchisee in respect of any Season Ticket Fares and/or Stored Credit Balance that may be transferred or is transferred whether under a Transfer Scheme (or otherwise) to a Successor Operator.

#### **Characteristics of Season Ticket Bond Provider**

- 5.9 In determining whether a Bond Provider under any replacement Season Ticket Bond is acceptable, the Secretary of State may exercise his discretion and shall not be obliged to accept a Bond Provider accepted under any previous Season Ticket Bond.

- 5.10 The Franchisee shall provide such information relating to any Bond Provider or proposed Bond Provider as the Secretary of State may require from time to time.
- 5.11 The Secretary of State agrees that, subject to receipt of a Season Ticket Bond in an amount determined in accordance with paragraph 5.3 in respect of any Bond Year, he shall release the relevant Bond Provider from any liability under the Season Ticket Bond provided in relation to the preceding Bond Year on the expiry of such Bond Year, provided that no Event of Default has occurred and is unremedied or continuing.

### **Meaning of Reporting Period**

- 5.12 References in this paragraph 5 to a Reporting Period shall be construed, where the Franchisee so requests and the Secretary of State consents (such consent not to be unreasonably withheld) to be references to each consecutive seven-day period (or such other period as may be agreed) during such Reporting Period. The Franchisee may only make such a request in respect of a maximum of two Reporting Periods in each Bond Year and only where the amount of the Season Ticket Bond over any such period would, in the reasonable opinion of the Franchisee, differ materially if determined by reference to such seven-day periods.

## **6. Tax Compliance**

- 6.1 The Franchisee represents and warrants that as at the Start Date, it has notified the Secretary of State in writing of any Occasions of Tax Non-Compliance or any litigation that it is involved in that is in connection with any Occasions of Tax Non-Compliance.
- 6.2 If, at any point during the Franchise Term, an Occasion of Tax Non-Compliance occurs, the Franchisee shall:
- (a) notify the Secretary of State in writing of such fact within 5 Weekdays of its occurrence; and
  - (b) promptly provide to the Secretary of State:
    - (i) details of the steps which the Franchisee is taking to address the Occasion of Tax Non-Compliance and to prevent the same from recurring, together with any mitigating factors that it considers relevant; and
    - (ii) such other information in relation to the Occasion of Tax Non-Compliance as the Secretary of State may reasonably require.
- 6.3 For the purposes of this paragraph 6 (Tax Compliance), the following defined terms shall have the following meanings:

### **"DOTAS"**

means the Disclosure of Tax Avoidance Schemes rules which require a promoter of tax schemes to tell HM Revenue & Customs of any specified notifiable arrangements or proposals and to provide prescribed information on those arrangements or proposals within set time limits as contained in Part 7 of the Finance Act 2004 and in secondary legislation made under vires contained in Part 7 of the Finance Act 2004 and as extended to National Insurance Contributions by the National Insurance

Contributions (Application of Part 7 of the Finance Act 2004) Regulations 2012, SI 2012/1868 made under s.132A Social Security Administration Act 1992;

**“General Anti-Abuse Rule”**

means:

- (a) the legislation in Part 5 of the Finance Act 2013; and
- (b) any future legislation introduced into parliament to counteract tax advantages arising from abusive arrangements to avoid national insurance contributions;

**“Halifax Abuse Principle”**

means the principle explained in the CJEU Case C-255/02 Halifax and others;

**“Occasion of Tax Non-Compliance”**

means:

- (a) any tax return of the Franchisee submitted to a Relevant Tax Authority on or after 1 October 2012 is found on or after 1 April 2013 to be incorrect as a result of:
  - (i) a Relevant Tax Authority successfully challenging the Franchisee under the General Anti-Abuse Rule or the Halifax Abuse Principle or under any tax rules or legislation that have an effect equivalent or similar to the General Anti-Abuse Rule or the Halifax Abuse Principle;
  - (ii) the failure of an avoidance scheme which the Franchisee was involved in, and which was, or should have been, notified to a Relevant Tax Authority under the DOTAS or any equivalent or similar regime; and/or
- (b) any tax return of the Franchisee submitted to a Relevant Tax Authority on or after 1 October 2012 gives rise, on or after 1 April 2013, to a criminal conviction in any jurisdiction for tax related offences which is not spent at the Start Date or to a civil penalty for fraud or evasion; and



**“Relevant Tax Authority”**

means HM Revenue & Customs, or, if applicable, a tax authority in the jurisdiction in which the Franchisee is established.

**APPENDIX 1 TO SCHEDULE 12**

**Form of Performance Bond**

**DOCUMENT "PB" – PERFORMANCE BOND**

Dated

2015

*[BOND PROVIDER]*

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Performance Bond

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*Secretary of State for Transport  
33 Horseferry Road  
London SW1P 4DR*

To: Secretary of State for Transport  
33 Horseferry Road  
London  
SW1P 4DR  
(the "**Secretary of State**")

You have entered into:

- a) a franchise agreement dated 23 September 2003 with First/Keolis TransPennine Holdings Limited (the "**Previous Franchise Agreement**") relating to the services for the carriage of passengers by railway to be provided by First/Keolis TransPennine Limited (the "**Franchisee**") which is due to expire on 1 April 2015 at 02:00; and
- b) an interim franchise agreement dated [\_\_\_\_\_] March 2015 (the "**Interim Franchise Agreement**") with the Franchisee which is due to expire at 01:59 on 1 April 2016, subject to any later date to which it is extended in accordance with its terms,

under which the Franchisee will provide certain railway passenger services (together the "**Franchise Agreements**").

<sup>26</sup>.

Accordingly:

This duly executed performance bond (the "**New Performance Bond**") shall from the date of its execution replace and supersede the Performance Bond number [insert] provided to you in respect of the Previous Franchise Agreement and last amended by a deed executed by us on [insert date] (the "**Original Performance Bond**").

We hereby unconditionally and irrevocably undertake to pay to you in full in London, immediately upon receipt of your first written demand on us in the form set out in the Schedule and, without further enquiry, the sum specified therein. Such written demand shall state:

- (a) the Call Event (as defined in clauses 2.1 and 2.2 hereof) that has occurred; and
- (b) the date of occurrence of such Call Event.

You may call on us for the whole or part of the amount of our liability hereunder and you may make any number of calls on us up to a maximum aggregate amount of the Bond Value at the date of occurrence of the Call Event. All sums payable hereunder shall be paid free of any restriction or condition and free and clear of and (except to the extent required by law) without any deduction or withholding, whether for or on account of tax, by way of set-off or otherwise.

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<sup>26</sup> **Where text has been omitted from the document this is because the Director General Rail or Secretary of State has decided to exclude the text in accordance with the provisions within the Freedom of Information Act 2000.**

1. The undertaking given by us above shall operate provided that:
  - (a) our maximum liability shall be limited to a sum or sums not exceeding in the aggregate the amount of the Bond Value or such lesser amount as you may notify us of from time to time in writing, separately from any demand, shall constitute the Bond Value of this Bond; and
  - (b) notwithstanding anything contained herein, our liability hereunder shall expire on the earlier of:
    - (i) the date falling six months after the date on which any railway administration order is made in relation to the Franchisee pursuant to Sections 60 to 62 of the Railways Act 1993; and
    - (ii) where the Previous Franchise Agreement has been terminated or expires and the Interim Franchise Agreement has either not been entered into or has been terminated before the Start Date under the Interim Franchise Agreement, the later of:
      - (A) the date falling one month after the determination of the Purchase Price (as defined in the supplemental agreement under the Previous Franchise Agreement) under the supplemental agreement under the Previous Franchise Agreement; and
      - (B) the date falling one year and seven months after the end of the Franchise Term (as defined in the Previous Franchise Agreement); and
    - (iii) where the Previous Franchise Agreement has been terminated or expires and the Interim Franchise Agreement has been entered into and remains in force at its Start Date (as defined in the Interim Franchise Agreement), the later of:
      - (A) the date falling one month after the determination of the Purchase Price (as defined in the Supplemental Agreement under the Interim Franchise Agreement) under the Supplemental Agreement under the Interim Franchise Agreement; and
      - (B) the date falling seven Reporting Periods after the end of the Franchise Period (as defined in the Interim Franchise Agreement); and
      - (C) the end of the Franchise Term (as defined in the Interim Franchise Agreement); and
    - (iv) where the Previous Franchise Agreement has been terminated or expired and the Interim Franchise Agreement has been entered into and remains in force at its Start Date (as defined in the Interim Franchise Agreement), 18 August 2017,

except in respect of any written demand for payment complying with all the requirements hereof which is received by us on or before such date for either the Bond Value, or for such lesser amount which, when aggregated

with any previous demands, amounts to the Bond Value or less, after which date this undertaking shall be void whether returned to us or not.

2. **Call Event** means, in this Bond, any of:

2.1 Where the Previous Franchise Agreement has been terminated or expires and the Interim Franchise Agreement has either not been entered into or has been terminated before the Start Date under the Interim Franchise Agreement:

- (a) the failure of the Franchisee to perform or comply with its obligations under the Supplemental Agreement (as such term is defined in the Previous Franchise Agreement) or Part V or Clauses 12.2, 12.3(a) or (c), 12.4(a) or (b), 12.5(a), 12.6(a), 12.7(a), 12.11 or 13.4 of the Previous Franchise Agreement; or
- (b) termination of the Previous Franchise Agreement as a result of an Event of Default (as such term is defined under the Previous Franchise Agreement); or
- (c) the making of a railway administration order in relation to the Franchisee pursuant to sections 60 to 62 of the Act.

2.2 Where the Previous Franchise Agreement has been terminated or expired and the Interim Franchise Agreement has been entered into and remains in force at its Start Date (as such term is defined in the Interim Franchise Agreement):

- (a) the termination or expiry of the Interim Franchise Agreement in circumstances where there are liabilities or obligations outstanding from the Franchisee to the Secretary of State;
- (b) the termination of the Interim Franchise Agreement solely as a consequence of the occurrence of one or more Events of Default or a Termination Event of a type described in any of paragraphs 3.1(b) to (d) (as the case may be) of Schedule 10.3 (Events of Default and Termination Events) in circumstances where the Secretary of State has incurred or expects to incur additional costs in connection with termination of the TransPennine Express franchise;
- (c) the making of a railway administration order in relation to the Franchisee pursuant to Sections 60 to 62 of the Railways Act 1993;
- (d) the occurrence of an Event of Default under the Interim Franchise Agreement in respect of:
  - (i) paragraph 2.13(a) of Schedule 10.3 (Events of Default and Termination Events) of the Interim Franchise Agreement; or
  - (ii) paragraph 2.13(b) of Schedule 10.3 (Events of Default and Termination Events) of the Interim Franchise Agreement,in relation to the Performance Bond,

whether or not the Interim Franchise Agreement is, or is to be, terminated as a result thereof;

- (e) the failure by the Franchisee to perform or comply with its obligations under the Supplemental Agreement (as such term is defined under the Interim Franchise Agreement);
  - (f) the failure by the Franchisee to provide the Secretary of State with a replacement Performance Bond which complies with paragraph 4 of Schedule 12 (Financial Obligations and Covenants) of the Interim Franchise Agreement; or
  - (g) the failure by the Franchisee to procure the execution and delivery of a new Performance Bond by a Bond Provider in favour of and acceptable to the Secretary of State when required to do so in accordance with paragraph 4.8 of Schedule 12 (Financial Obligations and Covenants) of the Interim Franchise Agreement.
3. This undertaking is made to you, your successors and your assigns, subject to written notice of assignment being given to us.
  4. This undertaking shall not be discharged or released by time, indulgence, waiver, alteration or release of, or in respect to, the obligations of the Franchisee under either Franchise Agreement or any applicable Supplemental Agreements or any other circumstances that might operate as a release of a guarantor at law or in equity.
  5. You may make demand or give notice to us under this Bond in writing by hand, by post or by courier to us as follows:  
  
Address: [Bond Provider's address]
  6. References in this Bond to the Franchise Agreements and the Supplemental Agreements are to the Franchise Agreements and any Supplemental Agreements as amended from time to time.
  7. Where used in this Bond, capitalised terms have the same meanings as in the respective Franchise Agreements.
  8. This Bond shall be governed by and construed in accordance with the laws of England and Wales.

Executed as a deed this [day and month] of [year].

## SCHEDULE TO THE PERFORMANCE BOND

### SPECIMEN DEMAND NOTICE

To: [name and address of Bond Provider]  
[date of demand notice]

We refer to the performance bond issued by you on [date of Bond] (the "**Performance Bond**") in connection with the:

- (a) franchise agreement entered into between the Secretary of State for Transport (the "**Secretary of State**"), First/Keolis TransPennine Holdings Limited and First/Keolis TransPennine Limited (the "**Franchisee**") on 23 September 2003 (the "**Previous Franchise Agreement**"); and
- (b) franchise agreement entered into between the Secretary of State and (the "**Franchisee**") on [*Franchise Agreement signature date*] (the "**Interim Franchise Agreement**").

We hereby notify you that the following Call Event (as defined in the Performance Bond) occurred on [date of occurrence of Call Event]: [delete as appropriate].

[the failure of the Franchisee to perform or comply with its obligations under the Supplemental Agreement (as such term is defined in the Previous Franchise Agreement) or Part V or Clauses 12.2, 12.3(a) or (c), 12.4(a) or (b), 12.5(a), 12.6(a), 12.7(a), 12.11 or 13.4 of the Previous Franchise Agreement;]

[termination of the Previous Franchise Agreement as a result of an Event of Default (as such term is defined under the Previous Franchise Agreement).]

[the termination or expiry of the Interim Franchise Agreement in circumstances where there are liabilities or obligations outstanding from the Franchisee to the Secretary of State;]

[the termination of the Interim Franchise Agreement solely as a consequence of the occurrence of one or more Events of Default or a Termination Event of a type described in any of paragraphs 3.1(b) to (d) (as the case may be) of Schedule 10.3 (Events of Default and Termination Events) in circumstances where the Secretary of State has incurred or expects to incur additional costs in connection with termination of the TransPennine Express franchise]

[the making of a railway administration order in relation to the Franchisee pursuant to Sections 60 to 62 of the Railways Act 1993;]

[the occurrence of an Event of Default under the Interim Franchise Agreement in respect of:

- (i) paragraph 2.13(a) of Schedule 10.3 (Events of Default and Termination Events) of the Interim Franchise Agreement; or
- (ii) paragraph 2.13(b) of Schedule 10.3 (Events of Default and Termination Events) of the Interim Franchise Agreement,

in relation to the Performance Bond,

whether or not the Interim Franchise Agreement is, or is to be, terminated as a result thereof;]

[the failure by the Franchisee to perform or comply with its obligations under the Supplemental Agreement (as such term is defined under the Interim Franchise Agreement)]

[the failure by the Franchisee to provide the Secretary of State with a replacement Performance Bond which complies with paragraph 4 of Schedule 12 (Financial Obligations and Covenants) of the Interim Franchise Agreement]

[the failure by the Franchisee to procure the execution and delivery of a new Performance Bond by a Bond Provider in favour of and acceptable to the Secretary of State when required to do so in accordance with paragraph 4.8 of Schedule 12 (Financial Obligations and Covenants) of the Interim Franchise Agreement.]

We hereby demand immediate payment from you of [specify alternative amount if not Bond Value] or the Bond Value (being the sum of [£insert]), whichever is smaller.

Please arrange for immediate payment of the relevant amount as follows:

[account details to which Bond monies to be paid into]

Where used in this Notice, capitalised terms have the same meanings as in the respective Franchise Agreements and the words in the singular include the plural and vice versa.

For and on behalf of  
Secretary of State for Transport



**APPENDIX 2 TO SCHEDULE 12**

**Form of Season Ticket Bond**

**DOCUMENT "STB" – SEASON TICKET BOND**

Dated

20[●]

*[BOND PROVIDER]*

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Season Ticket Bond

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*Secretary of State for Transport  
33 Horseferry Road  
London SW1P 4DR*

To: Secretary of State for Transport  
33 Horseferry Road  
London  
SW1P 4DR  
(the Secretary of State)

Whereas:

We are informed that you have entered into a franchise agreement dated [\_\_\_\_\_] (the "**Franchise Agreement**") with First/Keolis TransPennine Limited (the "**Franchisee**") under which the Franchisee will provide certain railway passenger services.

We are further informed that the Franchise Agreement requires that the Secretary of State receives a duly executed season ticket bond to secure the performance by the Franchisee of and its compliance with certain of its obligations under the Franchise Agreement and any Supplemental Agreement.

Accordingly:

We hereby unconditionally and irrevocably undertake to pay to you in full in London, immediately upon receipt of your first written demand on us in the form set out in Schedule 1 and, without further enquiry, the sum specified therein. Such written demand shall state:

- (a) the Call Event (as defined in clause 2) that has occurred; and
- (b) the date of occurrence of such Call Event.

You may call on us for the whole or part of the amount of our liability hereunder and you may make any number of calls on us up to a maximum aggregate amount of the Bond Value (as defined in clause 3). All sums payable hereunder shall be paid free of any restriction or condition and free and clear of and (except to the extent required by law) without any deduction or withholding, whether for or on account of tax, by way of set-off or otherwise.

1. The undertaking given by us above shall operate provided that:
  - (a) our maximum liability shall be limited to a sum or sums not exceeding in the aggregate the amount of the Bond Value on the date of occurrence of the Call Event stated in your written demand on us; and
  - (b) you may only call on us (whether on one or more occasions) in relation to one Call Event, such Call Event to be determined by reference to the first written demand which is received by us in the form set out in Schedule 1.
2. Call Event means, in this Bond, any of:
  - (a) the termination or expiry of the Franchise Agreement;
  - (b) the making of a railway administration order in relation to the Franchisee pursuant to Sections 60 to 62 of the Railways Act; or
  - (c) the occurrence of an Event of Default under paragraph 2.13(a) (in relation to a Season Ticket Bond) or 2.13(c) of Schedule 10.3 (Events of Default and Termination Events) of the Franchise Agreement (whether

or not the Franchise Agreement is, or is to be, terminated as a result thereof).

3. Bond Value shall mean, in respect of any date, the amount specified in Schedule 2 as being the value of this Bond for such date (provided that for these purposes the date of occurrence of the Call Event specified in clause 2(c) shall be deemed to be the last date for which a Bond Value is assigned under Schedule 2 of this Bond).
4. Notwithstanding anything contained herein, but subject to clause 5, our liability hereunder in respect of any Call Event shall expire no later than the end of the Franchise Term and:
  - (a) in relation to a Call Event specified in clauses 2(a) and (b), at noon (London time) on the date falling three business days after the date of occurrence of such Call Event (business day being a day on which banks are open for business in the City of London); and
  - (b) in relation to any other Call Event, on the day falling one month after the last date for which a Bond Value is assigned under Schedule 2 of this Bond,

unless you notify us in writing prior to the relevant expiry time that the relevant Call Event has occurred (whether or not you call on us at the same time under this Bond).

5. If you do notify us under clause 4 our liability shall expire on:
  - (a) if the Call Event in respect of which you may call on us under this Bond is the termination of the Franchise Agreement, the date falling one month after the determination of the Purchase Price (as defined in the Supplemental Agreement) under each relevant Supplemental Agreement;
  - (b) if the Call Event in respect of which you may call on us under this Bond is the making of a railway administration order in relation to the Franchisee pursuant to Sections 60 to 62 of the Railways Act 1993, the date falling three months after the making of such railway administration order; or
  - (c) if the Call Event in respect of which you may call on us under this Bond is the occurrence of an Event of Default under paragraph 2.13(a) (in relation to a Season Ticket Bond) or paragraph 2.13(c) of Schedule 10.3 (Events of Default and Termination Events) of the Franchise Agreement (whether or not the Franchise Agreement is, or is to be, terminated as a result thereof), the date falling one month after your notification to us under clause 4,

except, in each case, in respect of any written demand for payment complying with all the requirements hereof which is received by us on or before the relevant date, after which date this undertaking shall be void whether returned to us or not.

6. This undertaking is made to you, your successors and your assigns.
7. This undertaking shall not be discharged or released by time, indulgence, waiver, alteration or release of, or in respect to, the obligations of the Franchisee under

the Franchise Agreement or any Supplemental Agreement or any other circumstances that might operate as a release of a guarantor at law or in equity.

8. You may make demand or give notice to us under this Bond in writing by hand or facsimile transmission to us as follows:

Address: [Bond Provider's address]

Facsimile Number: [Bond Provider's fax number]

9. References in this Bond to the Franchise Agreement and the Supplemental Agreement are to the Franchise Agreement and the Supplemental Agreement as amended from time to time and terms defined therein shall have the same meaning in this Bond.
10. Where used in this Bond, capitalised terms have the same meanings as in the Franchise Agreement.
11. This Bond shall be governed by and construed in accordance with the laws of England and Wales.

Executed as a deed this [day and month] of [year].

## SCHEDULE 1 TO THE SEASON TICKET BOND

### SPECIMEN DEMAND NOTICE

To: [Name and address of Bond Provider]  
[date of demand notice]

We refer to the season ticket bond issued by you on [date of Bond] (the Season Ticket Bond) in connection with the franchise agreement (the "**Franchise Agreement**") entered into between the Secretary of State for Transport (the "**Secretary of State**") and First/Keolis TransPennine Limited (the "**Franchisee**") on [*Franchise Agreement signature date*].

We hereby notify you that the following Call Event (as defined in the Season Ticket Bond) occurred on [date of occurrence of Call Event]: [delete as appropriate].

[The Franchise Agreement [terminated][expired] on [date of [termination][expiry]].

[A railway administration order has been made in relation to the Franchisee pursuant to Sections 60 to 62 of the Railways Act 1993.]

[An Event of Default occurred under paragraph 2.13(a) (in relation to a Season Ticket Bond) or paragraph 2.13(c) of Schedule 10.3 (Events of Default and Termination Events) of the Franchise Agreement.]

We hereby demand immediate payment from you of [specify alternative amount if not Bond Value] or the Bond Value, whichever is smaller.

Please arrange for immediate payment of the relevant amount as follows:

[account details to which Bond monies to be paid into]

Where used in this Notice, capitalised terms have the same meanings as in the Franchise Agreement.

For and on behalf of  
Secretary of State for Transport

**SCHEDULE 2 TO THE SEASON TICKET BOND<sup>27</sup>**

**BOND VALUE**

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<sup>27</sup> Where text has been omitted from the document this is because the Director General Rail or Secretary of State has decided to exclude the text in accordance with the provisions within the Freedom of Information Act 2000.

## **SCHEDULE 13**

### **Information and Industry Initiatives**

#### **Schedule 13**

#### **Information and Industry Initiatives**

#### **Appendix 1: Environmental Impact Monitoring Dataset**

#### **Appendix 2: Key Assets**

#### **Appendix 3: Operational Information**

## **SCHEDULE 13**

### **Information and Industry Initiatives**

#### **1. General Information**

##### **Corporate Information**

- 1.1 The Franchisee shall provide the following information to the Secretary of State on or before the Start Date and shall notify the Secretary of State of any change to such information within 21 days of such change:
- (a) its name;
  - (b) its business address and registered office;
  - (c) its directors and company secretary;
  - (d) its auditors;
  - (e) its trading name or names; and
  - (f) to the best of the Franchisee's knowledge and belief, having made due and diligent enquiry, the identity of all persons holding, separately or acting by agreement, directly or indirectly, the right to cast more than 20 per cent. of the votes at general meetings of the Franchisee.
- 1.2 The Franchisee shall inform the Secretary of State of any material change or proposed material change in its business (including the employment or the termination of employment of any Key Personnel, the termination of any Key Contract and any litigation or other dispute which may have a material effect on its business) and any material change in or restructuring of the capitalisation or financing of the Franchisee or the Parent.

##### **Operational and Performance-related Information to be provided by the Franchisee**

- 1.3 The Franchisee shall provide to the Secretary of State the information specified in the Appendices to this Schedule 13 at the times specified therein.
- 1.4 The Appendices to this Schedule 13 shall be interpreted in accordance with any guidance issued by the Secretary of State from time to time for that purpose.

##### **Maintenance of Records**

- 1.5 The Franchisee shall maintain true, up to date and complete records of all of the information required to be provided by the Franchisee under the Franchise Agreement.
- 1.6 Each record required to be maintained by the Franchisee in accordance with this Schedule 13 shall be held for a period of six years following the date on which such record was required to be created.
- 1.7 References to records in this Schedule 13 shall include records maintained under any Previous Franchise Agreement to the extent that such records relate to the



Franchise Services and the Franchisee has access to them (which it shall use all reasonable endeavours to secure).

- 1.8 The Franchisee shall not be responsible for any records maintained under any Previous Franchise Agreement, as referred to in paragraph 1.7, being true, complete and up to date. As soon as reasonably practicable after becoming aware that any such records are not true, complete and up to date, the Franchisee shall take all reasonable steps to remedy any such deficiency, and shall thereafter maintain such records in accordance with paragraph 1.5.

### **Information to Passengers' Council and Local Authorities**

- 1.9 The Franchisee shall comply with any reasonable requests and guidance issued by the Secretary of State from time to time in respect of the provision of information to and co-operation and consultation with the Passengers' Council and Local Authorities.

## **2. Business Plans**

### **Initial Business Plan**

- 2.1 On or before the Start Date, the Franchisee shall deliver to the Secretary of State its Initial Business Plan, describing its planned activities for each Franchisee Year during the Franchise Term, which shall include:
- (a) a description as to how the Franchisee will be able to meet its obligations under the Franchise Agreement for the Franchise Term, supported by operational plans demonstrating this;
  - (b) details of any investments proposed to be made or procured by the Franchisee in relation to the Franchise Services during the Franchise Term;
  - (c) a summary of the Franchisee's plans for marketing and developing the Franchise Services; and
  - (d) a profit and loss forecast, cash flow forecast and forecast balance sheet for each of the first 13 Reporting Periods following the Start Date, together with a list of assumptions on the basis of which each such forecast has been prepared.

- 2.2 Not used.

### **Annual Business Plans**

- 2.3 The Franchisee shall, at all times during the Franchise Term, provide to the Secretary of State any annual business plan (in written or electronic form) that it provides to its Parent (or any other document or documents which individually or collectively can reasonably be considered to be an annual business plan) in relation to a Franchisee Year (other than the first Franchisee Year) and which describes the Franchisee's planned activities for such Franchisee Year or describes the manner in which the Franchisee will meet its obligations under the Franchise Agreement in respect of that Franchisee Year (the "**Annual Business Plan**").
- 2.4 Any such Annual Business Plan shall be provided to the Secretary of State within one month of submission of the same to the Parent. Where the Franchisee does

not produce an annual business plan it shall notify the Secretary of State of all the periodic plans that it does produce and:

- (a) the Secretary of State shall be entitled to copies of such periodic plans as he shall reasonably determine; and
- (b) any such periodic plans shall be deemed to be Annual Business Plans for the purposes of this paragraph 2.4.

2.5 The Franchisee shall, at the same time as it submits the Annual Business Plan to the Secretary of State in accordance with paragraph 2.3 (or to the extent that no Annual Business Plan is submitted to the Parent in any Franchisee Year, not more than three Reporting Periods and not less than one Reporting Period prior to the start of each Franchisee Year), provide to the Secretary of State a revised profit and loss forecast, cash flow forecast and forecast balance sheet for each of the 13 Reporting Periods in the relevant Franchisee Year and each subsequent Franchisee Year of the Franchise Term.

2.6 Not used.

2.7 The Franchisee shall not be relieved of any of its obligations under the Franchise Agreement as a result of any comment or failure to comment by the Secretary of State on any Business Plan or any agreement with or approval, implicit or explicit, of any Business Plan by the Secretary of State at any time.

2.8 The Secretary of State may at any time require the Franchisee to produce a Business Action Plan in respect of any aspect of the Business Plan. Such Business Action Plan may include steps relating to:

- (a) timetable and service pattern development;
- (b) Station facility improvement;
- (c) performance management improvement;
- (d) customer service improvement; and
- (e) improvements in the quality of service delivery or the efficiency of delivery of the Franchise Services.

2.9 The Franchisee shall comply with any guidance issued by the Secretary of State about how and with whom any consultation on the content of a Business Action Plan is to take place.

2.10 Any proposal in a Business Action Plan shall only be implemented if and to the extent that the Secretary of State decides it is appropriate to do so and subject to any conditions which he may impose.

### **3. Financial And Operational Information**

#### **Accounting Records**

3.1 The Franchisee shall prepare and at all times during the Franchise Term maintain true, up to date and complete accounting records as are required to be kept under Section 386 of the Companies Act 2006. Such records shall be prepared on a consistent basis for each Reporting Period.

## Reporting Period Financial Information

3.2 The Franchisee shall deliver to the Secretary of State, within two weeks of the end of each Reporting Period:

- (a) Management Accounts for such Reporting Period, setting out a cashflow statement, profit and loss account and balance sheet for that Reporting Period and cumulatively for the Franchisee Year to date;
- (b) written confirmation that the Management Accounts, to the best of the knowledge information and belief of the board of directors of the Franchisee, contain a true and accurate reflection of the current assets and liabilities of the Franchisee (including contingent assets or liabilities and known business risks and opportunities) and, to the extent that they do not, identify in a written report relevant issues in reasonable detail and provide such further information that the Secretary of State shall reasonably require in relation thereto; and
- (c) in circumstances where the Franchisee was in a Lock-up Period during such Reporting Period written confirmation from a statutory director of the Franchisee that the Franchisee has complied with the restrictions applicable during a Lock-up Period pursuant to paragraph 3 of Schedule 12 (Financial Obligations and Covenants).

3.3 The Management Accounts shall also set out:

- (a) sufficient information to enable the Secretary of State to calculate Actual Operating Costs and Modified Revenue on a cumulative basis for the previous thirteen Reporting Periods;
- (b) the ratio of the Franchisee's:
  - (i) Total Modified Revenue to its Total Actual Operating Costs; and
  - (ii) Total Forecast Modified Revenue to its Total Forecast Operating Costs,

together with supporting information showing how the Franchisee has calculated such ratios including a breakdown of the Modified Revenue, Forecast Modified Revenue, Actual Operating Cost and Forecast Operating Costs for each of the Reporting Periods used for the purposes of the calculation of the ratios pursuant to this paragraph 3.3(b);

- (c) a comparison of the Franchisee's performance during such period against the forecast provided by the Franchisee in the then current Business Plan;
- (d) a comparison of the Franchisee's cumulative performance during the Franchisee Year in which such period occurs against the forecast referred to in paragraph 3.3(c);
- (e) a detailed statement and explanation of any material difference between such Management Accounts and the forecast referred to in paragraph 3.3(c); and

- (f) where the level of financial performance reported in the Management Accounts is, in the reasonable opinion of the Secretary of State, materially worse than forecast by the Franchisee in its current Business Plan, the Secretary of State may require the Franchisee to prepare and submit to him, as soon as reasonably practicable, a Financial Action Plan to ensure that the level of financial performance forecast in its current Business Plan for the remainder of the currency of that Business Plan is achieved and the Franchisee shall use all reasonable endeavours to implement such Financial Action Plan.

### **Quarterly Financial Information**

- 3.4 Within four weeks after the end of the third, sixth, ninth and twelfth Reporting Periods in each Franchisee Year, the Franchisee shall deliver to the Secretary of State the following information:
  - (a) an updated version of the profit and loss forecast, cash flow forecast and forecast balance sheet provided in accordance with paragraph 2.1(d), for each of the following 13 Reporting Periods; and
  - (b) a statement of calculation demonstrating the Franchisee's performance against each of the financial covenants in paragraph 2 of Schedule 12 (Financial Obligations and Covenants) at the beginning of each Reporting Period and a forecast of performance against such covenants for each of the following 13 Reporting Periods.
- 3.5 Where any Reporting Period falls partly within one Franchisee Year and partly within another, the results for each section of such Reporting Period falling either side of such Franchisee Year end shall be prepared on an accruals basis for each such section of such Reporting Period.

### **Annual Financial Information**

- 3.6 Within three weeks of the end of each Franchisee Year, the Franchisee shall deliver to the Secretary of State its Annual Management Accounts for that Franchisee Year.
- 3.7 The Franchisee shall deliver to the Secretary of State:
  - (a) in respect of any Franchisee Year other than the final Franchisee Year, its Annual Financial Statements for that Franchisee Year within three Reporting Periods of the end of that Franchisee Year; and
  - (b) in respect of the final Franchisee Year, its Annual Financial Statements for the period from the start of that Franchisee Year to the end of the Franchise Period within three Reporting Periods of the end of the Franchise Period,each together with a reconciliation to the Management Accounts for the same period.
- 3.8 Not used.
- 3.9 Within four Reporting Periods after the end of each Franchisee Year, the Franchisee shall deliver to the Secretary of State the following information:

- (a) certified true copies of its annual report and Annual Audited Accounts for that Franchisee Year, together with copies of all related directors' and auditors' reports;
- (b) a reconciliation to the Management Accounts for the same period; and
- (c) a statement from the Franchisee's auditors confirming compliance with the financial covenants in paragraph 2 of Schedule 12 (Financial Obligations and Covenants).

### **Accounting Standards and Practices**

3.10 Each set of Management Accounts and Annual Management Accounts shall:

- (a) be in the formats set out in the document in the agreed terms marked "FF" or in such other format as the Secretary of State may reasonably specify from time to time;
- (b) be prepared consistently in accordance with the Franchisee's normal accounting policies, details of which shall be supplied on request to the Secretary of State; and
- (c) identify to the reasonable satisfaction of the Secretary of State, any changes in such accounting policies from those policies that were applied in preparing each of the profit and loss account, the cashflow projection and the balance sheet contained in the Financial Model Placed in Escrow on the date of the Franchise Agreement.

3.11 Each set of Annual Financial Statements and Annual Audited Accounts shall:

- (a) be prepared and audited in accordance with GAAP, consistently applied and in accordance with the Companies Act 2006; and
- (b) give a true and fair view of:
  - (i) the state of affairs, profits and financial condition of the Franchisee for the period covered by such accounts; and
  - (ii) the amount of its total revenue (being all revenue whatsoever from any source obtained from any commercial or non-commercial activity or undertaking of the Franchisee, such revenue to be disaggregated by reference to revenue derived by the Franchisee from the sale of tickets, income received from Network Rail pursuant to Schedule 4 and Schedule 8 to the Track Access Agreement and other income (including car park revenue) or to such other level of disaggregation as may be notified to the Franchisee by the Secretary of State from time to time) derived by the Franchisee in respect of that Franchisee Year.

### **Parent Accounts**

3.12 The Franchisee shall, upon the request of the Secretary of State, promptly deliver to, or procure delivery to, the Secretary of State, certified true copies of the annual reports and audited accounts of the Parent, together with copies of all related directors' and auditors' reports. If the Parent is domiciled outside England and

Wales, the equivalent documents in the jurisdiction of residence of the Parent shall be delivered to the Secretary of State.

### **Secretary of State Audit of calculations provided pursuant to paragraph 3.3(b) of Schedule 13 (Information and Industry Initiatives)**

- 3.13 Without prejudice to paragraph 2.2 of Schedule 12 (Financial Obligations and Covenants) or to any other rights of the Secretary of State under the Franchise Agreement, the Secretary of State and his representatives shall be permitted to inspect at any time the books, records and any other material kept by or on behalf of the Franchisee in order to check or audit any item contained in or relating to the Management Accounts in so far as they relate to the statement of calculations required by paragraph 3.3(b) of this Schedule 13 and any other matter in connection with the Franchisee's obligations under paragraph 2 of Schedule 12 (Financial Obligations and Covenants).
- 3.14 The Franchisee shall make available to the Secretary of State and his representatives such information and grant such access or procure the grant of such access (including to or from third parties) as they shall reasonably require in connection with any audit to be carried out pursuant to paragraph 3.13. If any audit carried out pursuant to paragraph 3.13 reveals, in the reasonable opinion of the Secretary of State, any material inaccuracy in the Management Accounts (but only in so far as such accounts relate to the statement of calculations required by paragraph 3.3(b)) then the Secretary of State may exercise its rights as described in paragraphs 2.2(i) or 2.2(ii) of Schedule 12 (Financial Obligations and Covenants) and the Franchisee shall pay all reasonable costs of any such audit as a monitoring cost pursuant to paragraph 1.11 of Schedule 10.1 (Remedial Plans and Remedial Agreements).

## **4. Safety Information**

### **Safety**

- 4.1 The Franchisee shall co-operate with any request from any relevant competent authority for provision of information and/or preparation and submission of reports detailing or identifying compliance with safety obligations set out in the Safety Regulations including any breaches of the Safety Regulations.
- 4.2 The Franchisee shall notify the Secretary of State as soon as practicable of the receipt and contents of any formal notification relating to safety or any improvement or prohibition notice received from ORR. Immediately upon receipt of such notification or notice, the Franchisee shall provide the Secretary of State with a copy of such notification or notice.
- 4.3 The Franchisee shall participate in industry groups and committees addressing the domestic and European safety agenda of the Railway Group.

## **5. Further Information**

- 5.1 The Franchisee shall:
- (a) deliver to the Secretary of State, or procure the delivery to the Secretary of State of, such information, records or documents as he may request within such period as he may reasonably require and which relate to or are connected with the Franchisee's performance of the Franchise Agreement; and

- (b) procure that each Affiliate of the Franchisee complies with paragraph 5.1(a) in respect of any information, records or documents that relate to its dealings with the Franchisee in connection with the Franchisee's performance of its obligations under the Franchise Agreement.

5.2 The information referred to in paragraph 5.1(a) shall include:

- (a) any agreement, contract or arrangement to which the Franchisee is a party in connection with any rolling stock vehicles used in the operation of the Passenger Services;
- (b) in so far as the Franchisee has or is able to obtain the same, any other agreement contract or arrangement which may be associated with the procurement, leasing, financing or maintenance of any such rolling stock vehicles;
- (c) any agreement for the manufacture or supply of any rolling stock vehicles; or
- (d) any arrangements for the securitisation of any lease granted in respect of such rolling stock vehicles.

5.3 The Secretary of State may require the Franchisee to provide:

- (a) the information required to be provided under this Schedule 13 more frequently than set out in this Schedule 13;
- (b) the information required to be provided under this Schedule 13, or, in the Secretary of State's discretion, more detailed financial information, at any time in connection with the re-letting of the Franchise; and
- (c) such unaudited accounts under such accounting policies as may be prescribed by the Secretary of State, acting reasonably, from time to time.

## 6. **Contraventions of the Franchise Agreement**

6.1 The Franchisee shall notify the Secretary of State, so far as possible before it may occur and in any event as soon as reasonably practicable thereafter, of any contravention by the Franchisee of any provision of the Franchise Agreement. This includes where the Franchisee is under an obligation to use all reasonable endeavours to achieve a particular result by a particular time, where such result is not achieved by such time.

6.2 The Franchisee shall deliver to the Secretary of State, or procure the delivery to the Secretary of State of, such information, records or documents as the Secretary of State may request within such period as the Secretary of State may reasonably require for the purpose of determining the existence, likelihood, nature or scope of any contravention of, Event of Default or Termination Event under, the Franchise Agreement.

## 7. **Information from Third Parties**

7.1 The Franchisee shall, if the Secretary of State so requests, use all reasonable endeavours to ensure that the Secretary of State has direct access to any information, data or records relating to the Franchisee which is or are maintained by third parties and to which the Secretary of State is entitled to have access, or

of which the Secretary of State is entitled to receive a copy under the Franchise Agreement.

- 7.2 The Franchisee shall, if the Secretary of State so requests, procure the provision by RSP to the Secretary of State of such information, data and records as the Franchisee is entitled to receive under the Ticketing and Settlement Agreement, in such form as the Secretary of State may specify from time to time.
- 7.3 The obligations of the Franchisee under this Schedule 13 to provide information to the Secretary of State shall not apply if the Secretary of State notifies the Franchisee that he has received the relevant information directly from any other person (including Network Rail or RSP). The Franchisee shall, if the Secretary of State so requests, confirm or validate any such information which is received from any such other person.
- 7.4 The Franchisee shall promptly advise the Secretary of State of any changes that are to be made to its systems or processes or the systems and processes of the RSP that will, in the reasonable opinion of the Franchisee, materially affect the continuity of any of the records that are provided pursuant to this Schedule 13. Any such advice shall include an assessment of the materiality of the relevant change.

## 8. **Compatibility of Information**

- 8.1 All financial, operational or other information, and any data and records required to be provided to the Secretary of State under the Franchise Agreement shall be provided, if so requested by the Secretary of State, in a form compatible with the Secretary of State's electronic data and records systems on the Start Date, as modified from time to time in accordance with paragraph 9.
- 8.2 The Franchisee shall ensure that the interconnection of such systems or the provision of such information, data and records to the Secretary of State under the Franchise Agreement will not result in any infringement of any third party intellectual property rights to which its systems or such information, data or records may be subject.

## 9. **Development of Industry Systems**

The Franchisee shall actively co-operate, in a manner consistent with it being a responsible Train Operator of the Franchise, with Network Rail, the Secretary of State, ORR and all other relevant railway industry bodies and organisations in relation to the development of anything that can reasonably be considered to be a railway industry system including systems in relation to the attribution of train delay, the allocation of revenue and the collection and dissemination of industry wide information.

## 10. **Co-operation with Various Schemes**

The Franchisee shall co-operate (in good faith) with the Secretary of State, the relevant Local Authority and/or any other affected railway industry parties in the development and the implementation of initiatives relating to its participation in Integrated Transport Schemes, multi-modal fares schemes, Traveline and Transport Direct (the "**Industry Schemes**"), where such Industry Schemes relate to the Franchise.



## 11. Co-operation with Network Rail and Alliancing

11.1 The Franchisee shall use all reasonable endeavours to work with Network Rail to identify ways in which co-operation between the Franchisee and Network Rail can be enhanced, costs can be reduced and closer working and alignment of incentives can improve value for money within the parameters of this Franchise Agreement.

11.2 Where the Franchisee considers pursuant to its obligations under paragraph 11.1 above that it is appropriate to enter into an alliance agreement with Network Rail that would require its obligations under this Franchise Agreement to be varied (an "**Alliance Agreement**") it may make a proposal for the Secretary of State to consider. The Franchisee agrees that any such proposal (unless otherwise agreed by the Secretary of State) shall:

(a) be for the purposes of improved delivery of some or all of the following:

- (i) the efficient and cost effective operation of some or all of the network over which the Passenger Services operate;
- (ii) the efficient and cost effective maintenance of some or all of the network over which the Passenger Services operate;
- (iii) the efficient and cost effective renewal of some or all of the network over which the Passenger Services operate;
- (iv) the efficient and cost effective delivery of some or all enhancement projects on the network over which the Passenger Services operate; and
- (v) such other infrastructure enhancement projects as may be agreed by the Franchisee and Network Rail and approved by the Secretary of State during the Franchise Term; and

(b) be on terms which are commercially fair and reasonable so that:

- (i) the incentives of the Franchisee and Network Rail are more effectively aligned in a way that gives a reasonable expectation that the matters subject to the alliance will be delivered in a more efficient and effective way;
- (ii) the financial and operational risk of the Franchisee arising out of the operation of the Franchise is not unreasonably increased (including through the agreement of appropriate limitations of liability); and
- (iii) the Secretary of State has rights to require the termination of the Alliance Agreement in appropriate circumstances including so that the term of the alliance is aligned with the Franchise Term and liabilities do not accrue to any Successor Operator.

11.3 The Franchisee shall provide such information, updates and reports on the progress of its negotiation with Network Rail as the Secretary of State shall reasonably require and meet with the Secretary of State to discuss the progress of the negotiations when reasonably requested to do so.

11.4 On reaching agreement in principle with Network Rail on the terms of an Alliance Agreement the Franchisee shall present the draft Alliance Agreement to the

Secretary of State for approval and shall not enter into any such agreement without the prior written consent of the Secretary of State (which he shall have an unfettered discretion to withhold).

11.5 The Franchisee agrees that any approval of an Alliance Agreement shall (without prejudice to the unfettered discretion of the Secretary of State to refuse to consent to such an alliance) be conditional upon:

- (a) the Secretary of State being satisfied that such Alliance Agreement is consistent with the provisions of paragraph 11.2 above;
- (b) the Franchisee agreeing to a fair and reasonable allocation of the gain from such alliance being passed to the Secretary of State (whether through profit share or otherwise) consistent with the role of the Secretary of State in funding the railway network (which it is agreed shall be at least 25 per cent. of the gain from the alliance that is not allocated to Network Rail); and
- (c) the Franchisee entering into a deed of amendment to the Franchise Agreement in a form reasonably determined by the Secretary of State.

## 12. **Sustainable Construction**

For construction projects (including building refurbishment or fit out):

- (a) which are either being funded by the Franchisee or in respect of which the Franchisee has design responsibility; and
- (b) in respect of which the total capital cost exceeds <sup>28</sup> (indexed by the Retail Prices Index in the same way as variable costs are indexed in Schedule 8.2 (Annual Franchise Payments)),

the Franchisee shall use reasonable endeavours to achieve at least an "excellent" rating from an accredited assessor using Building Research establishment environmental assessment methodology (or an equivalent recognised standard) at both the design stage and the post-construction stage unless the Secretary of State (acting reasonably) agrees that the relevant project is not of a suitable scale or type to be so assessed and the Franchisee shall provide to the Secretary of State such information in relation to any construction project as the Secretary of State may reasonably request.

13. Not used.

## 14. **Community Rail Partnerships**

The Franchisee shall, at the request of the Secretary of State, co-operate with the Secretary of State, Network Rail, the 'Association of Community Rail Partnerships', the relevant Community Rail Partnership and/or any other person as the Secretary of State may nominate in the development of the Secretary of State's initiatives in relation to options for a more cost effective delivery of the railway passenger services operated on any Community Rail Route.

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<sup>28</sup> Where text has been omitted from the document this is because the Director General Rail or Secretary of State has decided to exclude the text in accordance with the provisions within the Freedom of Information Act 2000.

15. **Station Investment**

15.1 The Franchisee shall at all times during the Franchise Term, co-operate with the Secretary of State and any third party nominated by the Secretary of State and notified to the Franchisee in developing opportunities for financing investment at Stations and Franchisee Access Stations in order to improve the station environment at such stations.

15.2 In co-operating with the Secretary of State and/or any nominated third party in developing any such financing opportunities, the Franchisee shall:

- (a) attend meetings with the Secretary of State and/or such third party to discuss such opportunities;
- (b) provide the Franchisee's opinion on those opportunities;
- (c) review and comment on implementation timetables and programmes for any such opportunities; and
- (d) use all reasonable endeavours to achieve any necessary amendments to any Station Leases in order to facilitate the implementation of those opportunities.

16. **Small and Medium-sized Enterprises**

16.1 The Franchisee shall at all times keep accurate and complete records of its use of and interaction with SMEs in delivering the Franchise Services.

16.2 By no later than 31 January in each year (and within one month of the end of the Franchise Period) the Franchisee shall deliver to the Secretary of State a breakdown of the number of SMEs used by the Franchisee in providing the Franchise Services during the calendar year (or part thereof) which ended on the immediately preceding 31 December or at the end of the Franchise Period (as applicable).

17. **Apprenticeships**

17.1 The Franchisee shall at all times keep accurate and complete records of the training and apprenticeships offered by the Franchisee and/or its immediate UK-based supply chain in delivering the Franchise Services.

17.2 By no later than 31 January in each year (and within one month of the end of the Franchise Period) the Franchisee shall deliver to the Secretary of State a breakdown of the number of training and apprenticeships offered by the Franchisee and/or its supply chain in providing the Franchise Services during the calendar year (or part thereof) which ended on the immediately preceding 31 December or at the end of the Franchise Period (as applicable).

18. **Environmental impact monitoring, data collection and contractual targets**

18.1 The Franchisee shall, by no later than 3 months after the Start Date, provide a report to the Secretary of State setting out:

- (a) which measures included in the Dataset the Franchisee is unable to provide, despite using reasonable endeavours to do so ("**Excluded Data**");

- (b) for each item of Excluded Data, the technical, operational or commercial reason why the Franchisee is unable to provide the Excluded Data; and
- (c) a plan ("**Environmental Data Implementation Plan**") detailing, in relation to each item of Excluded Data, the actions which the Franchisee would need to take in order to be able to provide such Excluded Data, the Franchisee's best estimate of the cost of taking such action and the date by which, if such actions were taken, the Franchisee would be able to begin providing such Excluded Data to the Secretary of State.

The dataset, excluding any measures which the Secretary of State agrees, acting reasonably, that the Franchisee is, despite using reasonable endeavours, unable to provide, shall be referred to as the "**Initial Dataset**".

18.2 The Secretary of State may require:

- (a) the Franchisee to implement the Environmental Data Implementation Plan in whole or in part; and/or
- (b) the Franchisee to take such other actions as, in the reasonable opinion of the Secretary of State, would enable the Franchisee to provide any item of Excluded Data,

following which the relevant item of Excluded Data will form part of the Initial Dataset.

18.3 Where the Franchisee is:

- (a) undertaking works, whether at a station or depot or in respect of rolling stock;
- (b) procuring rolling stock; or
- (c) taking any other action which could enable the Franchisee to provide any item of Excluded Data in a cost effective manner,

the Franchisee will use reasonable endeavours to do so in a manner which would enable the Franchisee to provide any relevant item of Excluded Data (and any item of Excluded Data which the Franchisee becomes able to provide as a result will, with effect from the date on which the Franchisee becomes able to provide the same, form part of the Initial Dataset).

18.4 With effect from the date which is 3 months after the Start Date, the Franchisee shall measure, collect and provide to the Secretary of State in accordance with this paragraph 18, that data included on the Initial Dataset so as to allow the Secretary of State and the Franchisee to understand the current environmental performance of the Franchise and any potential for improvement in terms of environmental impact.

18.5 The Franchisee may, in its discretion, measure and collect additional data provided that the minimum required Initial Dataset is adhered to and the Franchisee will co-operate with the Secretary of State to seek to identify improvements in the efficiency and/or cost effectiveness of the collection of the data in the Dataset.

18.6 The Franchisee shall ensure that the form of measurement of the Initial Dataset enables it to report a consolidated quarterly or annual (as applicable) usage figure

to the Secretary of State for each Reporting Quarter or Franchisee Year (as applicable).

- 18.7 The Franchisee shall submit to the Secretary of State a report setting out the result of the of the data collection required by paragraph 18 within four weeks following the end of each (i) Reporting Quarter during the Franchise Period and (ii) Franchisee Year (as applicable).
- 18.8 For the purpose of this paragraph 18 "**Reporting Quarters**" are 1<sup>st</sup> April to 30<sup>th</sup> June, 1<sup>st</sup> July to 30<sup>th</sup> September, 1<sup>st</sup> October to 31<sup>st</sup> December and 1<sup>st</sup> January to 31<sup>st</sup> March. The first Reporting Quarter of the Franchise Period for the purpose of the report shall begin on the Start Date and end on the last day of the Reporting Quarter in which the Start Date falls, and the final quarter shall end on the last day of the Franchise Period.
- 18.9 The Franchisee shall submit the report required by paragraph 18.7 above to the Secretary of State in such format as the Secretary of State may (acting reasonably) from time to time specify. Such report will include the actual quarterly or annual results (as applicable).

## APPENDIX 1 TO SCHEDULE 13

### Environmental Impact Monitoring Dataset

Environmental Impact Monitoring Dataset SUBJECT (UNIT)		GRANULARITY	REGULARITY
<b>TRACTION</b>	EC4T (kWh)	Breakdown per distinct fleet – metered	4-week period
	EC4T (kWh)	Breakdown per distinct fleet - un-metered	4-week period
	Gas-oil (litres)	Breakdown per distinct fleet	4-week period
<b>NONTRACTION</b>	Electricity (kWh)	Total	4-week period or monthly
	Gas (kWh)	Total	4-week period or monthly
	Gas-oil (litres)	Total	4-week period or monthly
<b>CARBON</b>	Scope 1 emissions (tonnes)	Total	Annual
	Scope 2 emissions (tonnes)	Total	Annual
	Embodied carbon in new infrastructure projects over £250,000	Total	Per project
<b>WATER</b>	Mains Water consumption (m3)	Total	Annual
	Water recycling initiatives	Narrative	Annual
<b>WASTE</b>	Waste generated (tonnes)	Total	Annual
	Waste recycled (tonnes)	Total	Annual
	Waste subject to other recovery (tonnes)	Total	Annual
	Waste to landfill (tonnes)	Total	Annual
	Hazardous waste	Total	Annual
<b>ENVIRONMENTAL MANAGEMENT SYSTEM</b>	Enforcement/information Notices	Total	Annual
	Environmental fines or prosecutions	Total	Annual
	Environmental incidents reported through EMS	Total	Annual
	Environmental training records % personnel briefed/trained	Total	Annual

## APPENDIX 2 TO SCHEDULE 13

### Key Assets

#### 1. Information About Assets Used In The Franchise

The Franchisee shall at all times during the Franchise Term maintain (and shall provide copies to the Secretary of State when requested to do so from time to time) records covering the following information:

- (a) for each Primary Franchise Asset or other asset which is the subject of, or operated under, a Key Contract:
  - (i) the progress and completion of all work described in the maintenance schedules and manuals;
  - (ii) all operating manuals (including any safety related regulations); and
  - (iii) all permits, licences, certificates or other documents required to operate such asset; and
- (b) a printed or electronic list of all assets owned by the Franchisee from time to time (excluding, unless otherwise requested by the Secretary of State, any office furniture and consumable items).

## APPENDIX 3 TO SCHEDULE 13

### Operational Information

1. **Information about the Performance of the Franchisee**
  - 1.1 The Franchisee shall at all times during the Franchise Term maintain records in relation to its operational performance under the Franchise Agreement, covering the areas and the information described in this Appendix 3. Such information shall include details as to whether or not any curtailment, diversion, delay or failure to attain any connection is attributable, in the Franchisee's opinion, to either a Force Majeure Event or the implementation of a Service Recovery Plan.
  - 1.2 The Franchisee shall, subject to paragraph 1.3, provide to the Secretary of State the information set out in the following tables at the frequency specified in the column of each such table headed "When information to be provided".
  - 1.3 When so requested by the Secretary of State, the Franchisee shall, within such reasonable period as the Secretary of State may specify, make such information available for review by the Secretary of State by reference to:
    - (a) such level of disaggregation (including by Route or Service Group) as is reasonably specified by the Secretary of State; and
    - (b) any particular day, week or other longer period as is reasonably specified by the Secretary of State.
  - 1.4 The following key shall apply to the table in this Appendix 3:
    - A = Information to be provided on or before any Passenger Change Date;
    - B = Information to be provided for every Reporting Period within 17 days of the last day of each Reporting Period; and
    - C = Information to be provided annually within 10 days of the last day of each Franchisee Year.

**Table 1 Operational Information**

<b>Information to be provided</b>	<b>Information (format)</b>	<b>When information to be provided</b>
<b>Number of Passenger Services</b>		
Number of Passenger Services in the Timetable	[number]	B
Number of Passenger Services in the Enforcement Plan of the Day	[number]	B



<b>Information to be provided</b>	<b>Information (format)</b>	<b>When information to be provided</b>
<b>Number of Cancellations and Partial Cancellations</b>		
Number of Passenger Services in the Enforcement Plan of the Day which were the subject of a Cancellation	[number]	B
Number of Passenger Services in the Enforcement Plan of the Day which were the subject of a Partial Cancellation	[number]	B
Number of Passenger Services in the Enforcement Plan of the Day which were the subject of a Cancellation attributable to the Franchisee's implementation of a Service Recovery Plan	[number]	B
Number of Passenger Services in the Enforcement Plan of the Day which were the subject of a Partial Cancellation attributable to the Franchisee's implementation of a Service Recovery Plan	[number]	B
Number of Passenger Services in the Enforcement Plan of the Day which were the subject of a Network Rail Cancellation	[number]	B
Number of Passenger Services in the Enforcement Plan of the Day which were the subject of a Network Rail Partial Cancellation	[number]	B
Number of Passenger Services in the Enforcement Plan of the Day which were the subject of a Disputed Cancellation	[number]	B
Number of Passenger Services in the Enforcement Plan of the Day which were the subject of a Disputed Partial Cancellation	[number]	B
Number of Disputed Cancellations and Disputed Partial Cancellations for the 12 preceding Reporting Periods for which the attribution remains in dispute between Network Rail and the Franchisee	[minutes]	B
Number of Disputed Cancellations and Disputed Partial Cancellations from the 12 preceding Reporting Periods for which disputed attribution has been resolved or determined since the Franchisee's previous report pursuant to paragraph 2.1 of Schedule 7.1 (Performance Benchmarks) including whether each relevant Disputed Cancellation and/or Disputed Partial	[minutes]	B

<b>Information to be provided</b>	<b>Information (format)</b>	<b>When information to be provided</b>
Cancellation was attributed to Network Rail or to the Franchisee		
<p>Where there is a difference between the Timetable and the Plan of the Day on any day the following:</p> <p>(a) the fact of such difference (together with an annotation showing whether the difference was initiated by Network or the Franchisee); and</p> <p>(b) the number of:</p> <p>(i) Passenger Services affected; and</p> <p>(ii) Cancellations or Partial Cancellations which would have arisen if the Timetable on that day had been the same as the Plan of the Day</p>	[number]	B
<p>Where there is a difference between the Plan of the Day and the Enforcement Plan of the Day on any day:</p> <p>(a) the fact of such difference; and</p> <p>(b) the number of:</p> <p>(i) Passenger Services affected; and</p> <p>(ii) Cancellations or Partial Cancellations which would have arisen if the Plan of the Day had been the same as the Enforcement Plan of the Day</p>		
Number of Passenger Services in the Enforcement Plan of the Day which were the subject of a cancellation and which satisfied the conditions of the term Cancellation, except that such cancellations occurred for reasons attributable to the occurrence of a Force Majeure Event	[number]	B
Number of Passenger Services in the Enforcement Plan of the Day which were the subject of a partial cancellation and which satisfied the conditions of the term Partial Cancellation, except that such partial cancellations occurred for reasons attributable to the occurrence of a Force Majeure Event	[number]	B

<b>Information to be provided</b>	<b>Information (format)</b>	<b>When information to be provided</b>
<b>Capacity</b>		
Number of Passenger Services that have less than the required Passenger Carrying Capacity specified in the Train Plan	[number]	B
Number of Passenger Services that have less than the required Passenger Carrying Capacity specified in the Train Plan attributable to the Franchisee's implementation of a Service Recovery Plan	[number]	B
Number of Passenger Services that have less than the required Passenger Carrying Capacity specified in the Train Plan attributable to the occurrence of a Force Majeure Event	[number]	B
<b>Minutes Delay and Punctuality</b>		
Number of Minutes Delay attributable to the Franchisee	[minutes]	B
Number of Minutes Delay attributable to Network Rail	[minutes]	B
Number of Minutes Delay for such Reporting Period for which the attribution is in dispute between Network Rail and the Franchisee	[minutes]	B
Number of Minutes Delay for the 12 preceding Reporting Periods for which the attribution remains in dispute between Network Rail and the Franchisee	[minutes]	B
Number of Minutes Delay from the 12 preceding Reporting Periods for which disputed attribution has been resolved or determined since the Franchisee's previous report pursuant to paragraph 2.7 of Schedule 7.1 (Performance Benchmarks) and the number of such Minutes Delay attributed to each of the Franchisee and Network Rail as a result of such resolution or determination	[minutes]	B
Number of Minutes Delay attributed to the occurrence of a Force Majeure Event	[minutes]	
<b>Train Mileage</b>		
Aggregate Train Mileage scheduled in the Timetable	[mileage]	A

<b>Information to be provided</b>	<b>Information (format)</b>	<b>When information to be provided</b>
Aggregate Train Mileage operated	[mileage]	B
Year to Date Loaded Train Miles (millions)	[mileage]	B

## **SCHEDULE 14**

### **Preservation of Assets**

<b>Schedule 14.1:</b>	<b>Maintenance of Franchise</b>
<b>Schedule 14.2</b>	<b>Maintenance of Operating Assets</b>
<b>Schedule 14.3</b>	<b>Key Contracts</b>
	<b>Appendix: List of Key Contracts</b>
<b>Schedule 14.4</b>	<b>Designation of Franchise Assets</b>
	<b>Appendix: List of Primary Franchise Assets</b>
<b>Schedule 14.5</b>	<b>Dealings with Franchise Assets</b>

## **SCHEDULE 14.1**

### **Maintenance of Franchise**

#### **Maintenance as going concern**

1. The Franchisee shall maintain and manage the business of providing the Franchise Services so that, to the greatest extent possible and practicable:
  - (a) the Franchisee is able to perform its obligations under the Franchise Agreement; and
  - (b) a Successor Operator would be able to take over the business of providing the Franchise Services immediately at any time.
2. The Franchisee's obligation under paragraph 1 shall include an obligation to ensure that any computer and information technology systems of the Franchisee shared in whole or in part with Affiliates or third parties can be operated by a Successor Operator as a stand alone system without continued reliance on such Affiliates or other third parties immediately from the date of termination of the Franchise Agreement without any reduction in functionality or any increase in maintenance or support costs to the Successor Operator (this obligation being without prejudice to any requirement for the Franchisee to obtain consent to such arrangements relating to sharing computer and information technology systems from the Secretary of State).
3. The Franchisee shall use all reasonable endeavours to ensure that such Successor Operator would have immediate access to all Franchise Employees and Primary Franchise Assets for such purpose.
4. The Franchisee shall maintain and manage the business of providing the Franchise Services on the basis that such business will be transferred, in the manner contemplated under the Franchise Agreement, as a going concern at the end of the Franchise Period to, and continued immediately thereafter by, a Successor Operator.
5. The Franchisee shall use all reasonable endeavours to ensure that an appropriate number of employees (having sufficient skills, qualifications and experience) will transfer by operation of Law to any Successor Operator following the expiry of the Franchise Period.
6. The Franchisee shall comply with all reasonable requirements of the Secretary of State to obtain or maintain the property and rights that a Successor Operator would require, or that it would be convenient for it to have, on the basis that the same will transfer by operation of Law to any Successor Operator following the expiry of the Franchise Period.

#### **Post-Franchise timetables**

7. Both prior to and following the selection of a Successor Operator (whether a franchisee or otherwise and whether or not subject to the satisfaction of any conditions), the Franchisee shall:
  - (a) co-operate with, where a Successor Operator has been appointed, that Successor Operator, or where not, the Secretary of State; and

- (b) take such steps as may reasonably be requested by the Secretary of State,

so as to ensure the continuity of, and orderly handover of control over of the Franchise Services.

- 8. The steps that the Secretary of State may reasonably request (following discussions with the Franchisee) the Franchisee to take pursuant to paragraph 6 include:

- (a) participating in any timetable development process that takes place during the Franchise Period, but which relates to any timetable period applying wholly or partly after the expiry of the Franchise Term (including in relation to timetables intended to implement alterations to passenger services consequent on completion of Northern Hub related works) ("**Successor Operator Timetable**"), including bidding for and securing any Successor Operator Timetable, whether or not:

- (i) the Successor Operator has been identified; or
- (ii) there is in place an Access Agreement relating to the period over which that Successor Operator Timetable is intended to be operated;

- (b) using reasonable endeavours to seek amendments to and/or extensions of Access Agreements which can be transferred to the Successor Operator on expiry of the Franchise Period;

- (c) assisting the Secretary of State or the Successor Operator (as the case may be) in the preparation and negotiation of any new Access Agreement relating to any Successor Operator Timetable; and/or

- (d) entering into that Access Agreement in order to secure the relevant priority bidding rights required by the Successor Operator to operate that Successor Operator Timetable, provided that the Franchisee shall not be required to enter into any such Access Agreement unless the Secretary of State has first provided to it confirmation in writing that he will include that Access Agreement in any Transfer Scheme pursuant to paragraph 3.1 of Schedule 15.4 (Provisions Applying on and after Termination).

## SCHEDULE 14.2

### Maintenance of Operating Assets

#### 1. **Operating Assets**

- 1.1 The Franchisee shall maintain, protect and preserve the assets (including any intellectual property or intangible assets employed in the performance of its obligations under the Franchise Agreement (the "**Operating Assets**") in good standing or good working order, subject to fair wear and tear.
- 1.2 The Franchisee shall carry out its obligations under paragraph 1.1 so that the Operating Assets may be transferred at the end of the Franchise Period to a Successor Operator and used by such Successor Operator in the provision or operation of similar services to the Franchise Services.
- 1.3 Where any Operating Asset is lost, destroyed or otherwise beyond repair, the Franchisee shall replace the Operating Asset with property, rights or liabilities in modern equivalent form to the Operating Asset to be replaced. The Franchisee shall at all times maintain an appropriate volume of Spares, and/or an appropriate level of access to Spares from a third party, to enable it to perform its obligations under the Franchise Agreement.
- 1.4 The Secretary of State may at any time require the Franchisee to provide to the Secretary of State a schedule specifying the condition of any asset or class of assets that he specifies for this purpose. Such schedule shall cover such aspects of asset condition as the Secretary of State may reasonably require. If the parties are unable to agree the content of such schedule of condition, either party may refer the dispute for resolution in accordance with the Dispute Resolution Rules. Until such dispute is resolved, the Franchisee shall comply with the Secretary of State's requirements in respect of such schedule of condition.
- 1.5 The Franchisee shall keep vested in it at all times during the Franchise Period all Franchise Assets designated as such pursuant to Schedule 14.4 (Designation of Franchise Assets) as it may require in order to comply with:
- (a) the Licences;
  - (b) any contracts of employment with Franchise Employees;
  - (c) any relevant Fares;
  - (d) any Key Contracts; and
  - (e) any applicable safety legislation regulations or safety standards and the Safety Certificate,

in order to ensure that the Secretary of State may designate such assets as Primary Franchise Assets.

#### 2. **Brand Licences And Branding**

##### **Brand Licences**

- 2.1 The Franchisee shall comply with its obligations under each of the Brand Licences.



## Branding

2.2 Subject to any applicable obligations or restrictions on the Franchisee (including the terms of the Rolling Stock Leases), the Franchisee may apply registered or unregistered trademarks (including company names, livery and other distinctive get-up) to any assets owned or used by it in the operation and provision of the Franchise Services.

- (a) Subject to paragraphs 2.2(c) and (g), the Franchisee may:
- (i) in respect of unregistered Marks, provide or procure the provision of an irrevocable undertaking to any relevant Successor Operator to the effect that neither it nor the owner of the Marks will enforce such rights as it may have or may in the future have in respect of such Marks against such Successor Operator and its successors; and
  - (ii) in respect of registered Marks, grant or procure the grant of an irrevocable licence to use such Marks to such Successor Operator and its successors.
- (b) Any such licence or undertaking under paragraph 2.2(a) shall be in such form as the Secretary of State shall reasonably require except that the terms of any such licence and, to the extent appropriate, any such undertaking shall accord with the provisions of paragraph 8.3 of Schedule 15.4 (Provisions Applying on and after Termination).
- (c) Subject to paragraph 2.2(g), to the extent that:
- (i) the Franchisee does not provide a relevant undertaking or licence in accordance with paragraph 2.2(a);
  - (ii) the Secretary of State considers the relevant Marks to be so distinctive or otherwise such that a Successor Operator could not reasonably be asked to use the relevant assets to which the Marks are applied; or
  - (iii) the Franchisee has not otherwise removed or covered such Marks in such a way as may be reasonably acceptable to the Secretary of State prior to the expiry of the Franchise Period,
- then the Franchisee shall pay to the relevant Successor Operator such amount as may be agreed between the Franchisee and such Successor Operator, as being the reasonable cost (including any Value Added Tax for which credit is not available under Sections 25 and 26 of the Value Added Tax Act 1994) of covering such Marks or otherwise removing all indications of or reference to the Marks in a manner reasonably acceptable to the Secretary of State. Such amount shall not in any event exceed the cost to the Successor Operator of replacing such Marks with its own. If the Franchisee and the relevant Successor Operator fail to agree such cost within 28 days of the expiry of the Franchise Period, the Franchisee shall submit such dispute for resolution in accordance with such dispute resolution procedures as the Secretary of State may require.
- (d) The amount to be paid to a Successor Operator under paragraph 2.2(c) may include the reasonable cost of:

- (i) removing or covering Marks from the exterior of any rolling stock vehicle;
  - (ii) removing or covering interior indications of the Marks including upholstery and carpets;
  - (iii) replacing or covering all station or other signs including bill boards; and
  - (iv) otherwise ensuring that such removal, covering or replacement is effected with all reasonable care and in such manner that the relevant assets may reasonably continue to be used by a Successor Operator in the provision of the Franchise Services.
- (e) The Franchisee shall, in addition to making a payment under paragraph 2.2(c) grant or procure the grant of a licence or undertaking complying with paragraphs 2.2(a) and (b) except that such licence shall only be for such period as may be agreed between the Franchisee and the Successor Operator as being reasonably required by the Successor Operator to remove the Marks from all relevant assets without causing excessive disruption to the operation of services similar to the Franchise Services provided by such Successor Operator. If such period cannot be agreed, the Franchisee shall submit such dispute for resolution in accordance with such dispute resolution procedures as the Secretary of State may require.
- (f) The Secretary of State shall determine at or around the end of the Franchise Period, and after consultation with the Franchisee, the maximum liability of the Franchisee under paragraph 2.2(c) and the maximum length of licence or undertaking under paragraph 2.2(e);
- (g) The provisions of paragraphs 2.2(a) to (f) shall not apply to the extent that the relevant asset is not to be used by a Successor Operator in the provision of services similar to the Franchise Services. The Secretary of State shall notify the Franchisee as soon as he becomes aware of whether or not any such asset is to be so used.

### **Non-designation of New Brands**

- 2.3 The Secretary of State agrees not to designate as a Primary Franchise Asset any registered or unregistered trademark which is developed by the Franchisee.

## **SCHEDULE 14.3**

### **Key Contracts**

#### **1. Key Contracts**

1.1 The provisions of this Schedule 14.3 apply to all contracts designated as Key Contracts from time to time.

1.2 The Key Contracts as at the date of the Franchise Agreement are set out in the Appendix (List of Key Contracts) to this Schedule 14.3. The Franchisee shall, in respect of any category of agreement, contract, licence or other arrangement which, by virtue of the provisions of this paragraph 1.2, is a Key Contract and to which the Franchisee, as at date of the Franchise Agreement, is not already a party:

- (a) inform the Secretary of State from time to time of any such agreement, contract, licence or other arrangement which it may be intending to enter into; and
- (b) the provisions of paragraph 5.1 shall apply in respect of any such agreement, contract, licence or other arrangement.

1.3 Without prejudice to the provisions of paragraphs 2, 3 and 4 of this Schedule 14.3, the Appendix (List of Key Contracts) to this Schedule 14.3 shall be amended as considered necessary from time to time to take account of any:

- (a) designation by the Secretary of State of any actual or prospective agreement, contract, licence or other arrangement or any category of agreement, contract, licence or other arrangement, to which or under which the Franchisee is (or may become) a party or a beneficiary pursuant to paragraph 2 of this Schedule 14.3; or
- (b) de-designation by the Secretary of State of any Key Contract pursuant to paragraph 3 of this Schedule 14.3; or
- (c) re-designation by the Secretary of State pursuant to paragraph 4 of this Schedule 14.3.

#### **2. Designation of Key Contracts**

2.1 Where the Secretary of State considers that it is reasonably necessary for securing the continued provision of the Franchise Services or the provision of services similar to the Franchise Services by a Successor Operator in accordance with the Franchise Agreement, he may make a designation pursuant to paragraph 2.2.

2.2 The Secretary of State may at any time, by serving notice on the Franchisee, designate as a Key Contract:

- (a) any actual or prospective agreement, contract, licence or other arrangement; and/or
- (b) any category of agreement, contract, licence or other arrangement, to which or under which the Franchisee is (or may become) a party or a beneficiary,

with effect from the date specified in such notice.

- 2.3 Key Contracts may include any agreement, contract, licence or other arrangement whether in written, oral or other form, whether formal or informal and whether with an Affiliate of the Franchisee or any other person and may include any arrangement for the storage of assets (including electronic systems or Computer Systems) or accommodation of employees.

3. **De-Designation of Key Contracts**

The Secretary of State may at any time, by serving a notice on the Franchisee, de-designate any Key Contract from continuing to be a Key Contract with effect from the date specified in such notice.

4. **Re-Designation of Key Contracts**

The Secretary of State may at any time, by serving notice on the Franchisee, re-designate as a Key Contract anything which has ceased to be designated as a Key Contract in accordance with paragraph 3 with effect from the date specified in such notice.

5. **Direct Agreements**

- 5.1 Unless the Secretary of State otherwise agrees, or unless directed to do so by the ORR, the Franchisee shall not enter into any prospective Key Contract unless the counterparty to that prospective Key Contract:

- (a) is a Train Operator; or
- (b) has entered into a Direct Agreement with the Secretary of State in respect of that prospective Key Contract, providing on a basis acceptable to the Secretary of State, amongst other things, for the continued provision of the Passenger Services and/or the continued operation of the Stations and Depots in the event of:
  - (i) breach, termination or expiry of such Key Contract;
  - (ii) termination or expiry of the Franchise Agreement; or
  - (iii) the making of a railway administration order in respect of the Franchisee.

- 5.2 Where the Secretary of State designates or re-designates as a Key Contract:

- (a) any agreement, contract, licence or other arrangement to which the Franchisee is already a party; or
- (b) any category of agreement, contract, licence or other arrangement where the Franchisee is already a party to a contract, licence or other arrangement which, by virtue of the Secretary of State's designation or re-designation, is classified in such category,

the Franchisee shall use all reasonable endeavours to assist the Secretary of State in entering into a Direct Agreement as envisaged by paragraph 5.1(b).

- 5.3 The Franchisee shall pay to the Secretary of State an amount equal to any losses, costs, liabilities, charges or expenses which may be suffered or incurred by the

Secretary of State under the provisions of any Direct Agreement and which may be notified to the Franchisee as a result of, or in connection with:

- (a) any breach by the Franchisee of the terms of the Key Contract to which the relevant Direct Agreement relates; or
- (b) any unsuccessful claim being brought by the Franchisee against the counterparty of any such Key Contract in relation to the termination of such Key Contract.

## 6. **Emergencies**

Where any emergency may arise in connection with the provision and operation of the Franchise Services, the Franchisee:

- (a) may enter into on a short-term basis such contracts, licences or other arrangements as it considers necessary or appropriate to deal with the emergency;
- (b) need not procure that the relevant counterparty enters into a Direct Agreement in respect of such contracts or use all reasonable endeavours to assist the Secretary of State in entering into the same;
- (c) shall promptly inform the Secretary of State of any such emergency and contracts, licences or other arrangements which it proposes to enter into; and
- (d) shall take such action in relation to such emergency, contracts, licences or other arrangements as the Secretary of State may request.

## 7. **No Amendment**

The Franchisee shall not without the prior consent of the Secretary of State (which shall not be unreasonably withheld) vary, or purport to vary, the terms or conditions of any Key Contract at any time, unless directed to do so by the ORR.

## 8. **Replacement of Key Contracts**

The Franchisee shall, prior to the scheduled expiry date of any Key Contract (or, if earlier, such other date on which it is reasonably likely that such Key Contract will terminate), take all reasonable steps to enter into an appropriate replacement contract (whether with the counterparty to the existing Key Contract or not) and shall comply with the reasonable instructions of the Secretary of State in relation to such replacement contract.

## 9. **Termination of Key Contracts**

The Franchisee shall, to the extent so requested by the Secretary of State, exercise its right to terminate any Key Contract on the Expiry Date.

## APPENDIX TO SCHEDULE 14.3

### List of Key Contracts

The following items have as at the date of the Franchise Agreement been agreed between the parties to be Key Contracts:

1. any Access Agreement to which the Franchisee is a party other than in its capacity as a Facility Owner;
2. any Property Lease;
3. any Rolling Stock Related Contract including the Rolling Stock Leases listed in Table 1 and Table 2 of Schedule 1.7 (The Train Fleet);
4. any contract or arrangement for the lending, seconding, hiring, contracting out, supervision, training, assessment, or accommodation by another Train Operator of any train drivers, conductors or other train crew used by the Franchisee in the provision of the Passenger Services;
5. any contract or arrangement for the subcontracting or delegation to another Train Operator of the provision of any of the Passenger Services (whether or not the consent of the Secretary of State is required to such subcontracting or delegation under paragraph 1 of Schedule 2.3 (Third Party Delivery of Passenger Services and Other Franchisees));
6. any contract or arrangement with a Train Operator (other than an Access Agreement) for the provision to the Franchisee of train dispatch, performance or supervision of platform duties, security activities, evacuation procedures, advice or assistance to customers, assistance to disabled customers, operation of customer information systems, cash management or ticket issuing systems administration;
7. any contract or arrangement with a Train Operator for the provision of breakdown or recovery, and track call services to assist in the provision of the Passenger Services;
8. any contract or arrangement for the supply of spare parts or Spares;
9. any contract or arrangement for the maintenance of track and other related infrastructure;
10. any licences of Marks to the Franchisee;
11. any licence of any CRM System or Yield Management System;
12. any contract or arrangement for the provision or lending of Computer Systems (other than the CRM System and Yield Management System) used by the Franchisee for the delivery of the Franchise Services;
13. Universal Licence Agreement dated 1 February 2004 between (1) BRB (Residuary) Limited and (2) First/Keolis TransPennine Limited;
14. Sub-Licence Deed dated 1 February 2004 between (1) BRB (Residuary) Limited and (2) First/Keolis TransPennine Limited; and

15. Master Software Licence dated 1 February 2004 between (1) BRB (Residuary) Limited and (2) First/Keolis TransPennine Limited.

## **SCHEDULE 14.4**

### **Designation of Franchise Assets**

#### **1. Franchise Assets**

- 1.1 Subject to paragraph 1.2, all property, rights and liabilities of the Franchisee from time to time during the Franchise Period shall be designated as Franchise Assets and shall constitute Franchise Assets for the purposes of Section 27(11) of the Act.
- 1.2 The rights and liabilities of the Franchisee in respect of the following items shall not be designated as Franchise Assets and shall not constitute franchise assets for the purposes of Section 27(11) of the Act:
- (a) any contracts of employment;
  - (b) the Franchise Agreement and any Transfer Scheme or Supplemental Agreement;
  - (c) the Ticketing and Settlement Agreement;
  - (d) any sums placed on deposit with a bank or other financial institution;
  - (e) such other property, rights and liabilities as the Franchisee and the Secretary of State may agree from time to time or as the Secretary of State may de-designate as Franchise Assets under paragraph 10.2; and
  - (f) any Rolling Stock Leases.

#### **2. Primary Franchise Assets**

- 2.1 The following property, rights and liabilities shall (to the extent that they constitute Franchise Assets) be designated as Primary Franchise Assets with effect from the following dates:
- (a) the property, rights and liabilities listed as such in the Appendix (List of Primary Franchise Assets) to this Schedule 14.4 (which constitute Primary Franchise Assets agreed between the parties as at the date of the Franchise Agreement), on the Start Date;
  - (b) any additional property, rights and liabilities designated under paragraph 3 during the Franchise Period, on the date of such designation;
  - (c) any property or right which is vested in the Franchisee and used for the purpose of maintaining, replacing, repairing or renewing any property designated as Primary Franchise Assets and which forms or replaces part or all of such designated property on completion of such maintenance, replacement, repair or renewal, on the date of its use for such purpose;
  - (d) the rights and liabilities of the Franchisee under any Key Contract designated under paragraph 5, on the date of such designation;



- (e) the rights and liabilities of the Franchisee in respect of the terms of any Fare or Discount Card designated under paragraph 6, on the date of such designation;
- (f) any CRM Data and/or Yield Management Data and, to the extent that any CRM System and/or Yield Management System is the property of the Franchisee, such CRM System and/or Yield Management System on the later of the Start Date and:
  - (i) in relation to CRM Data or Yield Management Data, the date on which such CRM Data or Yield Management Data (as applicable) is collected; or
  - (ii) in relation to any such CRM System or Yield Management System, the date on which such CRM System or Yield Management System is created,

save, in relation to CRM Data and Yield Management Data, any data in respect of which the Data Subject has not consented to such data being disclosed and Processed by any Successor Operator and/or the Secretary of State; and
- (g) any licence of any CRM System and/or Yield Management System, on the date of such licence.

### 3. **Designation of Additional Primary Franchise Assets**

Subject to paragraph 2.2(f) the Secretary of State may at any time and from time to time during the Franchise Period, by serving notice on the Franchisee, designate any or all of the Franchise Assets as Primary Franchise Assets. Such designation shall take effect from the delivery of such notice and may refer to all or certain categories of property, rights or liabilities. Any such notice shall specify the reasons for such designation. On or before designation of any Franchise Asset as a Primary Franchise Asset, the Secretary of State may agree not to subsequently de-designate such Primary Franchise Asset without the prior written consent of the Franchisee. If the Secretary of State so agrees, the notice designating the relevant Franchise Asset as a Primary Franchise Asset shall state that the Secretary of State shall not de-designate such Primary Franchise Asset without the prior written consent of the Franchisee.

### 4. **Designation during last 12 Months of Franchise Period**

If the Secretary of State designates a Franchise Asset as a Primary Franchise Asset under paragraph 3 at any time during the last 12 months of the Franchise Period then, within 28 days of such designation, the Secretary of State may de-designate such Primary Franchise Asset by serving notice on the Franchisee provided that, in relation to any Primary Franchise Asset in respect of which the Secretary of State agreed pursuant to paragraph 3 that he would not de-designate without the prior written consent of the Franchisee, such consent has been obtained. Such de-designation shall take effect upon delivery of such notice.

### 5. **Designation of Key Contracts as Primary Franchise Assets**

The Secretary of State shall, subject to paragraphs 1.2(b) and 7, be entitled to designate any Key Contract as a Primary Franchise Asset at any time during the Franchise Period by serving notice on the Franchisee. Such designation shall take effect from delivery of such notice.

**6. Designation of Fares and Discount Cards**

The Secretary of State may designate any Fare or Discount Card as a Primary Franchise Asset at any time during the Franchise Period by serving a notice on the Franchisee. Such designation shall take effect from delivery of such notice.

**7. Rights and Liabilities**

The Secretary of State, in designating the rights and liabilities of the Franchisee (whether under a particular contract or other arrangement) as a Primary Franchise Asset may, in his discretion, elect to designate some but not all of the rights and liabilities under a particular contract or other arrangement, or to designate only those rights and liabilities arising after or otherwise relating to a period after a particular time (including the period after the expiry of the Franchise Period) or to those relating only to the Franchise Services or a particular part thereof.

**8. Disputes over Designation**

8.1 The Franchisee may object in writing to the Secretary of State to any designation pursuant to paragraph 3 or 4.

8.2 Such objection may be made solely on the grounds that the designation of the relevant property, rights or liabilities specified in the objection is not, in the Franchisee's opinion, reasonably necessary to secure the continued provision of the Franchise Services by a Successor Operator on the expiry of the Franchise Period on a basis reasonably acceptable to the Secretary of State or to facilitate the transfer to such Successor Operator of the provision of the Franchise Services at such time.

8.3 Any such objection may only be made within 28 days of a designation made more than 12 months prior to the end of the Franchise Period or 14 days of a designation made during the last 12 months of the Franchise Period.

8.4 The Secretary of State shall respond to any such objection as soon as reasonably practicable and shall take account of any representations made by the Franchisee regarding the use of the relevant Primary Franchise Asset otherwise than in the provision and operation of the Franchise Services.

8.5 If the Franchisee's objection cannot be resolved by agreement within a period of 14 days from the date of submission of that objection, the Franchisee may refer the dispute for resolution in accordance with the Dispute Resolution Rules.

8.6 Any body duly appointed to resolve such dispute shall determine whether or not the designation of the relevant property, rights or liabilities was reasonably necessary for securing that the Franchise Services may continue to be provided by a Successor Operator on the expiry of the Franchise Period on a basis reasonably acceptable to the Secretary of State or otherwise facilitating the transfer of the provision of the Franchise Services at such time, and accordingly whether or not they should cease to be so designated.

8.7 If any dispute as to any designation pursuant to paragraph 3 remains outstanding on the expiry of the Franchise Period, then such dispute shall be deemed to cease immediately before the expiry of the Franchise Period and the relevant Franchise Assets shall continue to be designated as Primary Franchise Assets on and after the expiry of the Franchise Period.

9. **Provision of Information to the Secretary of State**

9.1 The Franchisee shall provide such information as the Secretary of State may reasonably require in order to satisfy the Secretary of State that any Franchise Assets which are to be designated as Primary Franchise Assets after the Start Date under this Schedule 14.4 will at the time of such designation be vested in the Franchisee. Such information may include details of any Security Interests over such property, rights and liabilities.

9.2 The Franchisee shall further provide such information as to the property, rights and liabilities of the Franchisee as the Secretary of State may reasonably require in connection with the designation of Primary Franchise Assets. Such information shall be supplied to the Secretary of State within such timescale as the Secretary of State may reasonably require.

10. **De-Designation of Franchise Assets and Primary Franchise Assets**

10.1 The Secretary of State and the Franchisee may agree in writing at any time during the Franchise Period that a Franchise Asset shall cease to be so designated as a Franchise Asset or that a Primary Franchise Asset shall cease to be so designated as a Primary Franchise Asset, and the relevant Franchise Asset or Primary Franchise Asset (as the case may be) shall cease to be designated upon such agreement coming into effect.

10.2 The Secretary of State may in addition at any time during the Franchise Period, by serving notice on the Franchisee, cause a Franchise Asset which is not a Primary Franchise Asset to cease to be so designated as a Franchise Asset. Such Franchise Asset shall cease to be so designated on the date specified in such notice.

10.3 The Secretary of State may in addition, at any time during the Franchise Period, by serving notice on the Franchisee, cause a particular Primary Franchise Asset to cease to be designated as such provided that, in relation to any Primary Franchise Asset in respect of which the Secretary of State agreed pursuant to paragraph 3 that he would not de-designate without the prior written consent of the Franchisee, such consent has been obtained. Such Primary Franchise Asset shall cease to be so designated on the date specified in such notice. Such right may be exercised, in respect of any rights and liabilities in respect of a Fare or Discount Card, at any time and, in respect of any other Primary Franchise Asset, no later than one year prior to the expiry of the Franchise Term.

11. **Amendment of the Appendix to this Schedule 14.4**

The Appendix (List of Primary Franchise Assets) to this Schedule 14.4 shall be amended as the Secretary of State considers necessary or desirable from time to time to take account of designation and de-designation of Primary Franchise Assets pursuant to this Schedule 14.4.

12. **Spares**

The obligation of the Franchisee to maintain, preserve and protect Primary Franchise Assets under this Schedule 14.4 shall, in respect of Spares, include the obligation to replace any Spare which has been designated as a Primary Franchise Asset, which subsequent to its designation ceases to be part of the stock of Spares available to the Franchisee for use in the provision of the Franchise Services, with an equivalent Spare of equal or better quality than the Spare so replaced.

**APPENDIX TO SCHEDULE 14.4**

**List of Primary Franchise Assets**

<b>Description of Primary Franchise Asset</b>	<b>Commitment not to de-designate</b>
Universal Licence Agreement dated 1 February 2004 between (1) BRB (Residuary) Limited and (2) First/Keolis TransPennine Limited.	
Sub-Licence Deed dated 1 February 2004 between (1) BRB (Residuary) Limited and (2) First/Keolis TransPennine Limited.	
Master Software Licence dated 1 February 2004 between (1) BRB (Residuary) Limited and (2) First/Keolis TransPennine Limited.	

## **SCHEDULE 14.5**

### **Dealing with Franchise Assets**

#### **1. Assets not Designated as Primary Franchise Assets**

1.1 This paragraph 1 relates to any Franchise Assets that are property or rights and are not designated as Primary Franchise Assets.

1.2 For the purposes of Section 27(3) of the Act, the Secretary of State consents to the Franchisee:

- (a) transferring or agreeing to transfer any such Franchise Assets or any interests in, or right over, any such Franchise Assets; and
- (b) creating or extinguishing, or agreeing to create or extinguish, any interest in, or right over, any such Franchise Assets.

#### **2. Liabilities not Designated as Primary Franchise Assets**

2.1 This paragraph 2 relates to any liabilities which are not designated as Primary Franchise Assets.

2.2 For the purposes of Section 27(3) of the Act, the Secretary of State consents to the Franchisee entering into any agreement under which any such liability is released or discharged, or transferred to another person.

#### **3. Franchise Assets and Primary Franchise Assets**

3.1 This paragraph 3 relates to Franchise Assets (whether or not designated as Primary Franchise Assets) which are property or rights.

3.2 The Secretary of State hereby consents to the installation of Spares which have been designated as Primary Franchise Assets on any rolling stock vehicles. Any Spare which is so installed shall cease to be so designated on such installation.

3.3 For the purposes of Section 27(3) of the Act, the Secretary of State hereby consents to the Franchisee creating or agreeing to create any Security Interest over any of these Franchise Assets to the extent that the terms of any such Security Interest provided that:

- (a) if the relevant Franchise Asset becomes the subject of a transfer scheme made under Section 12 and Schedule 2 of the Railways Act 2005, it shall be fully and automatically released from the relevant Security Interest immediately before the coming into force of such transfer scheme;
- (b) if the relevant Franchise Asset is assigned, novated or otherwise transferred to another person pursuant to and in accordance with the Franchise Agreement, it shall be fully and automatically released from the relevant Security Interest immediately before such assignment, novation or transfer; and

- (c) such Security Interest shall not be enforced or enforceable until the date on which such Franchise Asset ceases to be designated as a Franchise Asset.

4. **Prohibition on Other Security Interests**

The Franchisee shall not create or agree to create a Security Interest over any Franchise Asset except on the terms permitted under paragraph 3.3.

5. **Miscellaneous**

The Franchisee shall promptly inform the Secretary of State of any Security Interest arising at any time over any of its property or rights and shall provide the Secretary of State with such information in relation thereto as he may reasonably require.

## **SCHEDULE 15**

### **Obligations Associated with Termination**

<b>Schedule 15.1:</b>	<b>Reletting Provisions</b>
<b>Schedule 15.2</b>	<b>Last 12 or 13 Months of Franchise Period</b>
<b>Schedule 15.3</b>	<b>Handover Package</b>
	<b>Appendix: Form of Handover Package</b>
<b>Schedule 15.4</b>	<b>Provisions Applying on and after Termination</b>
	<b>Appendix 1: Form of Transfer Scheme</b>
	<b>Appendix 2: Form of Supplemental Agreement</b>

## **SCHEDULE 15.1**

### **Reletting Provisions**

#### **1. Reletting of Franchise**

1.1 The Franchisee acknowledges that the Secretary of State may wish, at or before the expiry of the Franchise Period, either to invite persons to tender for the right to provide all or some of the Passenger Services under a franchise agreement or alternatively to enter into a franchise agreement in respect of all or some of the Passenger Services without having gone through a tendering process.

1.2 The Franchisee further acknowledges that the Secretary of State has in certain circumstances a duty under Section 30 of the Act to secure the continued provision of services equivalent to the Passenger Services on expiry or termination of the Franchise Agreement. The Franchisee accordingly accepts and agrees to the restrictions and obligations imposed on it under Schedule 1.6 (Franchise Services), Schedule 14 (Preservation of Assets) and this Schedule 15.

#### **2. Preparation for Reletting**

2.1 The Franchisee shall, if so requested by the Secretary of State, provide the Secretary of State and his representatives and advisers with access to officers, the Franchise Employees and all books, records and other materials kept by or on behalf of the Franchisee in connection with the Franchise Services (including electronic or magnetic records, any CRM System and any Yield Management System) for the purpose of assisting such representatives and advisers:

- (a) to prepare reports or other documents in connection with any invitation to potential Successor Operators to tender for the right and obligation to operate all or any of the Franchise Services;
- (b) to prepare invitations to other potential franchisees to tender for the right and obligation to provide any other railway passenger services or operate any other additional railway asset; or
- (c) to enter into any franchise agreement or other agreement (including any agreement entered into by the Secretary of State in fulfilment of his duties under section 30 of the Act) relating to services equivalent to any of the Franchise Services, without undergoing a tendering process,

provided that the exercise of such access rights by the Secretary of State and his representatives and advisers shall not unduly interfere with the continuing provision and operation of the Franchise Services by the Franchisee.

#### **2.2**

- (a) The Franchisee shall make available to the Secretary of State and his representatives and advisers such Data Site Information (as defined at paragraph (e)) as they shall reasonably require in connection with the matters referred to in paragraph 2.1.
- (b) The Franchisee shall prepare and present such information in such manner (including in disaggregated form) as the Secretary of State



may require, and shall provide such assistance as the Secretary of State may require in connection with the verification of such information.

- (c) The Franchisee shall provide such confirmation in relation to the accuracy of:
  - (i) the contents of the documents referred to in paragraph 2.1; and
  - (ii) any Data Site Information uploaded to such electronic data site as the Secretary of State may require pursuant to paragraph 2.2(d)

in each case, as the Secretary of State shall require from time to time.

- (d) The Franchisee shall upload such Data Site Information as the Secretary of State may require to such electronic data site as he may specify and shall make a sufficient number of appropriate staff available for that purpose. The Franchisee shall ensure that such staff are trained in the use of such data site (such training to be at the expense of the Secretary of State). For the avoidance of doubt, the Data Site Information required by the Secretary of State under this paragraph may cover the entire Franchise Period or any part of it.

- (e) **"Data Site Information"** means information relating to any of the following:

- (i) the Franchise or the Franchisee, any Affiliate of the Franchisee or their respective businesses (including their audited and management accounts, asset registers and contract lists);
- (ii) past and present demand for the Franchise Services or any similar services (including passenger count data, Yield Management Data and CRM Data));
- (iii) information required to be provided by the Franchisee pursuant to Schedule 1.5 (Information about Passengers);
- (iv) the total revenue (being all revenue whatsoever from any source obtained from any commercial or non-commercial activity or undertaking of the Franchisee) received or which the Franchisee expects to receive during the Franchise Period;
- (v) the Franchisee's safety authorisation, safety certificate or safety management system (in each case as defined in the Safety Regulations);
- (vi) any other safety matter;
- (vii) the arrangements contained within the Railways Pension Scheme, the Pension Trust, the Franchise Sections, or any other pension arrangement in respect of Employees of the Franchisee or employees of any person who was a franchisee or franchise operator in relation to a Previous Franchise Agreement;

- (viii) the management structure of the Franchisee's business (including organograms and any planned changes);
- (ix) Employees and contractors (including details of responsibilities, job title, remuneration, grade, qualifications and any other personnel records);
- (x) terms and conditions of employment and human resources policies;
- (xi) public and working timetables;
- (xii) driver, other train crew and rolling stock diagrams;
- (xiii) rolling stock (including train and vehicle miles, restrictions of use, fleet examinations and servicing, fleet performance, casualty data and any relevant reports);
- (xiv) any station (including any leases, documents of title, maintenance arrangements, station facilities, plans and contingency or security plans relating to any station);
- (xv) health and safety and environmental information;
- (xvi) copies of contracts (including Access Agreements, policies of insurance, property, rolling stock and other leases, catering contracts, contracts for outsourced services, and rolling stock maintenance and spares contracts);
- (xvii) Network Rail charges and requirements (including rules of the route/plan);
- (xviii) any information technology system (hardware or software) used or owned by the Franchisee or any Affiliate of the Franchisee (including any software licences);
- (xix) performance data;
- (xx) customer service (including staffing levels, call volumes and opening hours);
- (xxi) fares and fares baskets;
- (xxii) relationships with stakeholders (including minutes of meetings with unions, Passenger Transport Executives, local authorities or Transport for London); or
- (xxiii) any other matter which the Secretary of State may specify from time to time,

and in this paragraph (e) the term "**Employee**" includes any person engaged by the Franchisee pursuant to a contract of personal service.

- (f) The Franchisee shall:
  - (i) comply with its obligations under paragraph 2.1 or this paragraph 2.2 promptly and in any case in accordance with

any reasonable timetable with which the Secretary of State requires the Franchisee by notice in writing to comply; and

- (ii) where the Secretary of State raises with the Franchisee any query in relation to any Data Site Information, make a full and substantive response to such query within 5 Weekdays. Such response shall include any further information requested by the Secretary of State in relation to such query; and
- (iii) nominate a person to whom:
  - (A) all queries or requests for information pursuant to paragraph 2.2(f)(ii);
  - (B) requests for access to premises pursuant to paragraph 4; and
  - (C) requests for access to employees,

shall be addressed and who shall be responsible for complying with any such queries or requests for information and such requests for access to employees and premises. The Franchisee shall notify the Secretary of State (his representatives and advisers) of the name and contact details of such person.

2.3 In connection with any proposal (whether or not yet finalised) to enter into separate franchise agreements and/or other agreements with more than one Successor Operator, each relating to some only of services equivalent to the Franchise Services (whether or not together with other railway passenger services) at or following the end of the Franchise Period, the Franchisee agrees and acknowledges that the Secretary of State may require:

- (a) that the Franchisee provides the Secretary of State with additional information and reports and analysis in respect of such Service Groups as the Secretary of State may specify. This may include:
  - (i) information relating to the operational and financial performance of the Franchisee in relation to such Service Groups; and
  - (ii) identification of those employees, assets and liabilities which relate to such Service Groups together with an indication of the extent to which the same are shared between the operation of different Service Groups; and
- (b) subject to paragraph 2.4, that the Franchisee reorganises the business of providing the Franchise Services in order to facilitate the transfer anticipated by this Schedule 15.1 on an ongoing basis of the business of providing the Franchise Services within each of such Service Groups to separate Successor Operators. This may include, to the extent reasonably practicable:
  - (i) the re-organisation of personnel such that an appropriate number of employees (having sufficient skills, qualifications and experience) will transfer by operation of Law to each Successor Operator of each such Service Group; and/or

- (ii) entering into additional or clarificatory contractual or other arrangements so that the Successor Operator of each such Service Group will have the necessary assets and rights to operate the Franchise Services within that Service Group; and
  - (c) that the Franchisee uploads Data Site Information to more than one data site.
- 2.4 Subject to paragraph 2.5, the Secretary of State shall reimburse any reasonable out-of-pocket expenses that the Franchisee may incur in complying with its obligations under this paragraph 2.
- 2.5 Without prejudice to any other rights the Secretary of State may have (under the Franchise Agreement or otherwise) in respect of any contravention by the Franchisee of its obligations under this paragraph 2, if the Secretary of State is of the reasonable opinion that the Franchisee does not have sufficient resources to enable its compliance with its obligations under this paragraph 2 he may:
  - (a) require the Franchisee (at its own cost) to employ; or
  - (b) after notification to the Franchisee, employ,
 

such suitable additional resource as may be required to ensure that the Franchisee can comply with its obligations under this paragraph 2. The Franchisee shall reimburse to the Secretary of State, by way of adjustment to Franchise Payments, any proper costs (including staff costs) incurred by him in the employment of any such additional resource pursuant to paragraph 2.5(b).
- 2.6 To the extent reasonably practicable, prior to taking any of the actions referred to in paragraph 2.5, the Secretary of State shall allow the Franchisee a reasonable opportunity to make representations to him concerning the exercise by the Secretary of State of his rights under paragraph 2.5 but the Secretary of State shall not be obliged by those representations to refrain from exercising any of the actions specified under paragraph 2.5.
- 3. **Non-Frustration of Transfer to Successor Operator**
- 3.1 The Franchisee shall take no action or steps which is or are designed, directly or indirectly:
  - (a) to prevent, prejudice or frustrate the transfer as a going concern of the business of providing the Franchise Services at the end of the Franchise Period to a Successor Operator; or
  - (b) to avoid, frustrate or circumvent any provision of the Franchise Agreement (including in particular the provisions of Schedule 14 (Preservation of Assets) and this Schedule 15) which is included in whole or in part for the purpose of preventing any such preventive, prejudicial or frustrating action or steps.
- 3.2 Subject to the restrictions set out in paragraph 3.1 and the other provisions of the Franchise Agreement, the Franchisee may take such action as it may require for the purposes of bidding to become, or becoming, a Successor Operator.

4. **Inspection Rights at premises used for the provision of the Franchise Services**

- 4.1 Without limiting any other rights of the Secretary of State under the Franchise Agreement and subject to paragraph 4.2, the Franchisee shall, if so requested by the Secretary of State, permit the Secretary of State (or his nominee, which for these purposes shall include potential Successor Operators including potential bidders who have expressed an interest in tendering for the right and obligation to operate any or all of the Franchise Services) to have such access to premises owned or occupied by the Franchisee or any of its Affiliates (including Stations and Depots and which for these purposes shall include any premises used in connection with the provision of the Franchise Services by the Franchisee or any of its Affiliates) as the Secretary of State may reasonably require in connection with any Tendering/Reletting Process including for the purposes of inspecting such premises (including the taking of inventories) and undertaking such surveys as may be necessary or desirable for the purposes of ascertaining the condition of any such premises.
- 4.2 The Secretary of State shall use reasonable endeavours to ensure that any access rights required pursuant to paragraph 4.1 shall be undertaken so as not to unduly interfere with the continuing provision and operation of the Franchise Services by the Franchisee

## SCHEDULE 15.2

### Last 12 or 13 Months of Franchise Period and other conduct of business provisions

1. **Last 12 or 13 Month Period**

1.1 Where reference is made in the Franchise Agreement to the last 12 or 13 months of the Franchise Period, such period shall (notwithstanding the fact that such period is longer than twelve or thirteen months) be deemed to commence on the Start Date.

1.2 Any such period (which may be longer or shorter than 12 or 13 months, as the case may be) shall expire on the Expiry Date.

2. **Franchise Employees**

**Terms of Employment of Existing Employees**

2.1 The Franchisee shall not, and shall secure that each other relevant employer shall not, without the prior consent of the Secretary of State (which shall not be unreasonably withheld), vary or purport or Promise to Vary the terms or conditions of employment of any Franchise Employee (in particular, the Franchisee shall not promise to make any additional payment or provide any additional benefit or vary any term or condition relating to holiday, leave or hours to be worked) where such variation or addition:

(a) takes effect in the last 12 months of the Franchise Period unless it is in the ordinary course of business and, when aggregated with any other variation or addition which takes effect during such period, represents an increase in the remuneration of a Franchise Employee of no more than the amount determined in accordance with the following formula:

$$\frac{\text{MAWE} + \text{JAWWE} + \text{SAWE} + \text{DAWE}}{4}$$

where:

MAWE is the change in the Average Weekly Earnings between March in the preceding 12 months and the corresponding March one year before, expressed as a percentage;

JAWWE is the change in the Average Weekly Earnings between June in the preceding 12 months and the corresponding June one year before, expressed as a percentage;

SAWE is the change in the Average Weekly Earnings between September in the preceding 12 months and the corresponding September one year before, expressed as a percentage; and

DAWE is the change in the Average Weekly Earnings between December in the preceding 12 months and the corresponding December one year before, expressed as a percentage;

(b) wholly or partly first takes effect after the end of the Franchise Period;

- (c) results in any such employment not being terminable by the Franchisee or other relevant employer within six months of the expiry of the Franchise Period;
- (d) relates to a payment or the provision of a benefit triggered by termination of employment;
- (e) relates to the provision of a benefit (excluding base salary) which any such employee will or may have a contractual right to receive after the expiry of the Franchise Period; or
- (f) prevents, restricts or hinders any such employee from working for a Successor Operator or from performing the duties which such employee performed for the Franchisee.

It is agreed that the Franchisee will be permitted to make a decrease in the remuneration of any Franchise Employee that takes effect in the last 12 months of the Franchise Period without first obtaining the consent of the Secretary of State in circumstances where such decrease is in the ordinary course of business and when aggregated with any other variation which takes effect during such period, represents a decrease in the remuneration of a Franchise Employee of no more than the amount determined in accordance with the formula contained in paragraph 2.1(a) where a calculation pursuant to such formula gives rise to a negative percentage. In any other circumstances the prior consent of the Secretary of State will be required to any decrease in the remuneration of a Franchise Employee in the last 12 months of the Franchise Period.

2.2 Without limiting the foregoing, the Franchisee shall consult the Secretary of State as soon as reasonably practicable in any circumstances in which the Secretary of State's consent under paragraph 2.1 may be required. Further, it shall always be deemed to be reasonable for the Secretary of State to withhold his consent to a variation or addition which is prohibited without such consent under paragraph 2.1(a) provided the Secretary of State:

- (a) makes an overall increase in Franchise Payments equal to the amount of the direct net losses suffered by the Franchisee on the days when the Passenger Services are affected by Industrial Action taken by the Franchise Employees which is a consequence of a refusal by the Secretary of State to agree to the variation or addition; and
- (b) agrees that, to the extent that the Franchisee would otherwise be in contravention of the Franchise Agreement as a consequence of the Industrial Action referred to in this paragraph 2.2, no such contravention shall have occurred, save where such contravention relates to safety requirements.

2.3 The expression "**Promise to Vary**" when used in paragraph 2.1 includes any offer or indication of willingness to vary (whether or not such offer or willingness is made conditional upon obtaining the Secretary of State's consent).

**Terms of Employment of New Employees**

2.4 The Franchisee shall not, and shall secure that each other relevant employer shall not, without the prior consent of the Secretary of State (which shall not be unreasonably withheld), create or grant, or promise to create or grant, terms or conditions of employment for any Franchise Employee where the employment of

such Franchise Employee by the Franchisee or such other relevant employer may commence on or after the Start Date if and to the extent that:

- (a) such terms or conditions are, in the reasonable opinion of the Franchisee, materially different from the terms or conditions of employment of equivalent or nearest equivalent Franchise Employees at the date on which such employment is scheduled to commence; and
- (b) if such terms or conditions were granted to such equivalent Franchise Employees already employed by the Franchisee by way of variation to their terms or conditions of employment, the Franchisee would be in contravention of paragraph 2.1.

### **Changes in Numbers and Total Cost of Employees**

2.5 Subject to and excluding any increase in the remuneration of Franchise Employees permitted under paragraph 2.1, the Franchisee shall not, and shall secure that each other relevant employer shall not, without the prior written consent of the Secretary of State (which shall not be unreasonably withheld) increase or decrease in the last 12 months of the Franchise Period the number of Franchise Employees such that:

- (a) the total number of Franchise Employees or the total cost per annum to the Franchisee and each other relevant employer of employing all Franchise Employees is increased; or
- (b) the total number of Franchise Employees is decreased,

in each case, by more than five per cent. during such period of 12 months provided that where the last 12 months or 13 months of the Franchise Period has been deemed to have commenced under paragraph 1.1 and the period of the restriction contemplated by this paragraph 2.5 lasts longer than 12 months such restriction shall apply in respect of the longer period.

## **3. Fares**

### **Reduction in Prices of Fares**

#### **3.1**

- (a) During the last 13 months of the Franchise Period the Franchisee shall not, without the prior written consent of the Secretary of State (not to be unreasonably withheld), set the Price or Child Price of or sell (except to the extent required to do so under the terms of the Ticketing and Settlement Agreement as a result of the Price or Child Price of a Fare being set by another person) any Fare which would entitle the purchaser of such Fare to travel on all or any of the Passenger Services after the Franchise Period for an amount which is less than the Price or the Child Price of that Fare immediately before the commencement of such 13 month period or, in the case of a new Fare, the Price of its nearest equivalent immediately before the commencement of such period.
- (b) Paragraph 3.1(a) shall not prevent the Franchisee from giving any discount or reduction to which the purchaser of a Fare may be entitled by virtue of:



- (i) presenting a Discount Card (or any equivalent replacement thereof) issued by the Franchisee before the commencement of such 13 month period and to which the purchaser would have been entitled before the commencement of such period;
  - (ii) presenting a Discount Card issued by another train operator;
  - (iii) the Passenger's Charter or the passenger's charter of any other train operator; or
  - (iv) any relevant conditions of carriage.
- (c) The Franchisee shall procure that persons acting as its agent (except persons acting in such capacity by virtue of having been appointed under Parts II to VI of Chapter 9 of the Ticketing and Settlement Agreement or by being party to the Ticketing and Settlement Agreement) shall comply with the provisions of paragraph 3.1(a) to the extent that such provisions apply to the selling of Fares by the Franchisee.

### **Percentage Allocations**

#### 3.2

- (a) Except to the extent that the Secretary of State may consent from time to time (such consent not to be unreasonably withheld), the Franchisee shall not, in the last 13 Reporting Periods of the Franchise Period, take any action or step which may result in its Percentage Allocation (as defined in the Ticketing and Settlement Agreement) in respect of any Rail Product (as defined in the Ticketing and Settlement Agreement) being reduced.
- (b) The Franchisee shall notify the Secretary of State before taking any such action or step in the last 13 Reporting Periods of the Franchise Period and upon becoming aware of any other person proposing to take any action or step which may have the same effect. The Franchisee shall take such action as the Secretary of State may reasonably request in order to prevent any such reduction, including submitting any dispute to any relevant dispute resolution procedures.

### **Restrictions in respect of Sale of Advance Purchase Train-specific Fares**

#### 3.3

- (a) It is acknowledged that the Franchisee will make available for sale prior to the end of the Franchise Period Advance Purchase Train-specific Fares which are valid for travel after the end of the Franchise Period.
- (b) In making such Advance Purchase Train-specific Fares available for purchase the Franchisee shall not change its commercial practice in terms of the number of such Advance Purchase Train-specific Fares made available or the Passenger Services on which they are valid for use when compared with its previous commercial practice in respect of Advance Purchase Train-specific Fares valid for travel prior to the end of the Franchise Period.

- (c) The Franchisee will be permitted to take into account reasonable seasonal factors in determining its previous commercial practice. In assessing reasonableness, account will be taken of the Franchisee's practice in addressing such seasonal factors in the corresponding period in the previous year.

#### 4. **Inter-Operator Schemes**

##### **Voting on Scheme Councils**

4.1 Subject to paragraph 4.6, during the last 12 months of the Franchise Period the Franchisee shall give the Secretary of State reasonable notice of:

- (a) any meeting of:
  - (i) a scheme council of an Inter-Operator Scheme on which the Franchisee is represented; or
  - (ii) a scheme management group of any Inter-Operator Scheme:
    - (A) in which the Franchisee has a permanent position; or
    - (B) where the Franchisee employs a member of such group;
- (b) the resolutions to be voted upon at any such meeting; and
- (c) the Franchisee's voting intentions.

4.2 Subject to paragraph 4.3, the Franchisee shall vote at any such meeting in the manner required by the Secretary of State.

##### **Successor Operator**

4.3 Where the Franchisee has been notified by the Secretary of State that a Successor Operator has been selected (whether a franchisee or otherwise and whether or not such selection is conditional), the Franchisee shall give such Successor Operator reasonable notice of:

- (a) any meeting referred to in paragraph 4.1(a);
- (b) any resolutions to be voted upon at any such meeting where such resolutions might reasonably be considered to affect the interests of such Successor Operator; and
- (c) the Franchisee's voting intentions.

4.4 The Franchisee shall discuss with the Successor Operator in good faith with a view to agreeing the way the Franchisee should vote on the resolutions referred to in paragraph 4.3(b). In the absence of any agreement, the Franchisee shall, as soon as reasonably practicable thereafter, having regard to the deadline for voting on such resolutions, refer the matter to the Secretary of State for determination.

4.5 The Secretary of State shall reasonably determine the way the Franchisee should vote on any resolutions referred to him in accordance with paragraph 4.4, having

regard to the transfer of the Franchise Services as a going concern at the end of the Franchise Period.

- 4.6 Where paragraph 4.3 applies, the Franchisee shall vote at any meeting referred to in paragraph 4.1(a) in accordance with any agreement pursuant to paragraph 4.4 or determination pursuant paragraph 4.5.

## **SCHEDULE 15.3**

### **Handover Package**

#### **1. Handover Package Status**

##### **1.1 The Franchisee shall:**

- (a) on or before the Start Date, provide to the Secretary of State:
  - (i) the Handover Package; and
  - (ii) a letter in a form approved by and addressed to the Secretary of State confirming the details of any insurer providing insurance to the Franchisee and authorising the insurer (and any relevant broker) to release any insurance-related information to any of the Secretary of State, a Successor Operator or its agent on demand;
- (b) maintain the Handover Package and update it at least every three Reporting Periods; and
- (c) in respect of the information required pursuant to paragraph 1.1(a)(ii), supply revised information and/or letters to the Secretary of State as and when required in order to ensure that such information and letters remain accurate and up to date.

1.2 The Franchisee shall ensure that any Successor Operator will have immediate access to the Handover Package on the expiry of the Franchise Period.

1.3 The Franchisee shall also ensure that the Key Contacts List is provided to the Secretary of State within 24 hours of the receipt of any Termination Notice.

#### **2. Director's Certificate**

Once in each Franchisee Year, the Franchisee shall provide to the Secretary of State a certificate signed by a nominated and duly authorised director of the Franchisee, addressed to the Secretary of State, which confirms that the Handover Package contains the information and objects specified in the Appendix (Form of Handover Package) to this Schedule 15.3 and that such information is accurate as at the date of the certificate.

## **APPENDIX TO SCHEDULE 15.3**

### **Form of Handover Package**

1. **Property**

A list of all property owned, leased, operated or occupied by the Franchisee which shall include the address and contact telephone number of each property. Where applicable, the list will also include the name, address and telephone number of the lessor and/or the party which has granted authority to use or occupy the property, and any relevant reference numbers applicable to that lease or occupation.

2. **Contracts**

A printed or electronic list (in a format acceptable to the Secretary of State) of all contracts (sales, purchases or otherwise including leases and licences) between the Franchisee and the counterparty or counterparties to each such contract, showing the name, address and telephone number of each counterparty; the contract reference number of the Franchisee and each counterparty (if any); and the contract price/value, term and expiry date. This requirement shall apply to all contracts unless otherwise agreed by the Secretary of State.

3. **Systems**

A list of the electronic systems in use by the Franchisee, together with the name, office address and telephone number of the Franchisee's Information Technology Manager (or the holder of any equivalent post) who is responsible for administration of each such system.

4. **Daily Operations**

A printed or electronic list (in a format acceptable to the Secretary of State) of all assets owned or operated by the Franchisee, together with their location.

5. **Insurance**

A list of the names, addresses and telephone numbers of all insurers and any relevant broker providing insurance to the Franchisee, together with the relevant policy numbers and other references and details of any outstanding claims or unresolved disputes.

6. **Safety Certificate**

A complete copy of the Safety Certificate and full details of the Franchisee's safety management system in place to support the Safety Certificate.

## **SCHEDULE 15.4**

### **Provisions Applying on and after Termination**

#### **1. Novation of Access Agreements on Termination of the Franchise Agreement**

1.1 The Franchisee shall, to the extent so requested by the Secretary of State on termination of the Franchise Agreement, in relation to any Access Agreement to which it is a party, novate its interest under any relevant Access Agreement (and any related Collateral Agreement) to the Secretary of State or as he may direct.

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

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

(a) that the Franchisee shall not be released from any accrued but unperformed obligation, the consequences of any breach of the relevant agreement which is the subject of arbitration or litigation between the parties or any liability in respect of any act or omission under or in relation to the relevant agreement prior to, or as at the date of, any such novation (except to the extent that the Secretary of State or his nominee agrees to assume responsibility for such unperformed obligation, such liability or the consequences of such breach in connection with the relevant novation); and

(b) that neither the Secretary of State nor his nominee shall be obliged, in connection with such novation, to agree to assume responsibility for any unperformed obligation, liability or consequences of a breach referred to in paragraph 1.3(a),

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

1.4 The Franchisee shall, on the occurrence of any of the circumstances specified in paragraph 1.1 in relation to any other Train Operator who is a party to an Access Agreement to which the Franchisee is also party, agree to the novation of the relevant Train Operator's interest under the relevant Access Agreement to the Secretary of State or as he may direct, subject, to the extent applicable, to the consent of the ORR. The provisions of paragraph 1.3 shall apply to any such novation.

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

#### **2. Co-operation with Successor Operator**

2.1 In order to ensure the continuity of, and an orderly handover of control over, the Franchise Services, the Franchisee shall co-operate with:

- (a) where a Successor Operator has been appointed, such Successor Operator; or
- (b) where a Successor Operator has not been so appointed, the Secretary of State,

and shall take such steps as may be reasonably requested by the Secretary of State in connection therewith.

2.2 In satisfaction of its obligations under paragraph 2.1, the Franchisee shall:

- (a) not used;
- (b) make appropriately skilled and qualified Franchise Employees reasonably available to attend such meetings with the Secretary of State, the Successor Operator, Network Rail, any rolling stock lessor and/or and other relevant third party as are reasonably required in order to determine:
  - (i) those actions that are required in order to facilitate such continuity and orderly handover, in particular those actions arising under, but not limited to, the following agreements:
    - (A) Access Agreements;
    - (B) Property Leases;
    - (C) agreements in relation to Shared Facilities;
    - (D) Rolling Stock Leases;
    - (E) Rolling Stock Related Contracts; and
    - (F) any other Key Contract; and
  - (ii) without prejudice to the Secretary of State's rights under this Schedule 15.4, those rights and liabilities as may be specified in any Transfer Scheme.

### 3. **Transfer of Primary Franchise Assets**

#### **Option Arrangements**

3.1

- (a) The Secretary of State hereby grants to the Franchisee the right to require the Secretary of State to make, and the Franchisee hereby grants to the Secretary of State the right to make, a Transfer Scheme in accordance with Section 12 and Schedule 2 of the Railways Act 2005 for the transfer of any or all Primary Franchise Assets on the expiry of the Franchise Period.
- (b) On or within 14 days before the expiry of the Franchise Period:
  - (i) either party may serve notice on the other party specifying the Primary Franchise Assets to be transferred; and

- (ii) the other party may (within such timescale) serve a subsequent notice specifying any additional Primary Franchise Assets to be transferred.
- (c) The Secretary of State may (and shall if required by the Franchisee) make one or more such Transfer Schemes for the transfer of the Primary Franchise Assets specified in any such notice within 14 days after service of such notice (except in relation to any such Primary Franchise Assets which are, in accordance with Schedule 14.4 (Designation of Franchise Assets), de-designated as such prior to the end of the Franchise Period).
- (d) Any Franchise Assets or Primary Franchise Assets which are not so transferred shall cease to be designated as such 14 days after service of such notice.

### **Supplemental Agreement**

- 3.2 Without prejudice to the duties, powers, rights and obligations of the Secretary of State under the Railways Act 2005 in respect of any Transfer Scheme, any Transfer Scheme shall impose on the Franchisee and the transferee an obligation to enter into an agreement substantially in the form of the Supplemental Agreement which shall provide for the determination of amounts to be paid in respect of the property, rights and liabilities which are transferred under such Transfer Scheme. The Franchisee shall enter into any such Supplemental Agreement and shall comply with its obligations thereunder.

### **Payment of Estimated Transfer Price**

3.3

- (a) The Secretary of State may require the Franchisee to pay to any transferee under a Transfer Scheme, or may require any such transferee to pay to the Franchisee, on the day on which the Transfer Scheme comes into force such sum as the Secretary of State may determine should be so paid having regard to:
  - (i) his estimate of the sum likely to be paid under the relevant Supplemental Agreement in respect of the Primary Franchise Assets being transferred under the relevant Transfer Scheme;
  - (ii) his estimate of any other sums likely to be paid thereunder;
  - (iii) the financial condition of the Franchisee and the transferee and whether any estimate so paid would be likely to be repaid, if in excess of the sums eventually payable thereunder; and
  - (iv) such other matters as the Secretary of State may consider appropriate.
- (b) The Franchisee shall pay to any such transferee the sum determined by the Secretary of State in accordance with paragraph 3.3(a) on the day on which the relevant Transfer Scheme comes into force.



## **Possession of Franchise Assets**

- 3.4 On the coming into force of a Transfer Scheme, the Franchisee shall deliver up to the Secretary of State (or his nominee) possession of the Primary Franchise Assets transferred under such Transfer Scheme.

## **4. Associated Obligations on Termination**

### **Assistance in Securing Continuity**

#### **4.1**

- (a) In order to facilitate the continuity of the Franchise Services on expiry of the Franchise Period, the Franchisee shall take such steps, both before and after the expiry of the Franchise Period, as the Secretary of State may reasonably require, to assist and advise any Successor Operator in providing and operating the Franchise Services.
- (b) In particular, the Franchisee shall provide any Successor Operator with such records and information relating to or connected with the Franchise Services as the Secretary of State may reasonably require (other than confidential financial information but including all records relating to the Franchise Employees).

### **Access**

- 4.2 On the expiry of the Franchise Period, the Franchisee shall grant the Secretary of State and his representatives such access as the Secretary of State may reasonably request to any property owned, leased or operated by the Franchisee at such time, for the purpose of facilitating the continued provision of the Franchise Services.

### **Key Contracts**

#### **4.3**

- (a) The Franchisee shall provide such assistance to any Successor Operator as the Secretary of State may reasonably require in ensuring that, pursuant to any Direct Agreements, such Successor Operator may enter into (or enjoy the benefit of) contracts equivalent to the relevant Key Contracts (or part thereof).
- (b) In satisfaction of its obligations under paragraph 4.3(a), the Franchisee shall terminate, surrender, cancel or undertake not to enforce its rights under any Key Contract (or part thereof) provided that nothing in this paragraph shall require the Franchisee to undertake not to enforce any rights under a Key Contract relating to the period prior to the expiry of the Franchise Period.

### **Change of Name**

- 4.4 The Franchisee shall cease to use any trademarks which are licensed to the Franchisee under any of the Brand Licences forthwith upon expiry of the Franchise Period and shall take all necessary steps to change any company name which incorporates any such marks as soon as practicable.

## Property Leases

### 4.5

- (a) The Franchisee shall, on the expiry of the Franchise Period, if requested by the Secretary of State, assign its interest under all or any Property Leases to the Secretary of State or as he may direct, subject where applicable to the agreement of any other party to such Property Lease or the ORR.
- (b) Such assignment shall be on such terms as the Secretary of State may reasonably require, including:
  - (i) that the Franchisee shall not be released from any accrued but unperformed obligation, the consequences of any antecedent breach of a covenant or obligation in the Property Leases or any liability in respect of any act or omission under or in relation to the Property Lease prior to, or as at the date of, any such assignment (except to the extent that the Secretary of State or his nominee agrees to assume responsibility for such unperformed obligation, such liability or the consequences of such breach in connection with the relevant assignment); and
  - (ii) that neither the Secretary of State nor his nominee shall be obliged, in connection with such assignment, to agree to assume responsibility for any unperformed obligation, liability or consequences of a breach referred to in paragraph 4.5(b)(i), and the Franchisee shall indemnify the Secretary of State or his nominee, as the case may be, on demand, on an after-tax basis against any costs, losses, liabilities or expenses suffered or incurred in relation thereto.
- (c) The Franchisee shall, on the occurrence of any of the circumstances specified in paragraph 4.5(a) in relation to any other Train Operator who is a party to a Property Lease to which the Franchisee is also party, agree to the assignment of such Train Operator's interest under the relevant Property Lease to the Secretary of State or as he may direct, subject, where applicable, to the consent of Network Rail. The provisions of paragraph 4.5(b) shall apply to any such assignment.
- (d) The Franchisee shall notify the Secretary of State on becoming aware of any circumstances which might lead to the Secretary of State being able to require the Franchisee to assign its interest or agree to the assignment of another Train Operator's interest under this paragraph 4.

## 5. Actions required immediately on Handover

- 5.1 The Franchisee shall immediately on the expiry of the Franchise Period make available to the Secretary of State:
  - (a) information as to the status of each purchase order or contract, including its award date, anticipated delivery date, confirmation of receipt of goods or services and the payment records for each purchase order, together with any matters in dispute with the appointed subcontractor and, to the extent that the Franchisee is a subcontractor

to another Train Operator, equivalent information in respect of that Train Operator; and

- (b) information concerning any contract necessary for the continued operation of the Franchise where a procurement or bidding process has been initiated.

5.2 The Franchisee agrees that the Secretary of State or his agents may have access to and use free of charge any information contained in any Computer System or in hard copy format as he sees fit (for the purposes of continuing the operation of the Franchise Services).

## 6. **Maintenance Records**

The Franchisee shall immediately on expiry of the Franchise Period provide to the Secretary of State:

- (a) records of the status of the maintenance of the rolling stock vehicles used in the provision of the Passenger Services;
- (b) records of the status of the maintenance of any lifting equipment;
- (c) a list of any deferred maintenance; and
- (d) records of the status of the maintenance of any depot or station which is a Franchise Asset,

including the extent of completion of examinations and the modification status of each such rolling stock vehicle

## 7. **Ticketing Arrangements**

The Franchisee shall provide immediately on expiry of the Franchise Period a statement certifying:

- (a) all ticketing transactions with the public or credit card agencies that are in process and not yet complete, together with any allocations on multi-modal travel with other agencies or local authorities;
- (b) the extent of any outstanding claims with ticketing settlement agencies;
- (c) refund arrangements (whether under the Passenger's Charter or not) with members of the public or other Train Operators or ticketing settlement agencies that are in process and not yet complete; and
- (d) commissions owed and/or due.

## 8. **Franchisee's Intellectual Property**

### 8.1

- (a) On the expiry of the Franchise Period, the Franchisee will grant to any Successor Operator licences of any intellectual property which:
  - (i) is owned by or licensed to the Franchisee;

- (ii) was not owned by or licensed to it immediately prior to the Start Date;
  - (iii) has not been designated as a Primary Franchise Asset;
  - (iv) does not represent or constitute a Mark; and
  - (v) may, in the reasonable opinion of the Secretary of State, be necessary for any Successor Operator to operate the Franchise Services on an efficient and economic basis after the expiry of the Franchise Period.
- (b) When agreeing the terms on which intellectual property is to be licensed to it, the Franchisee shall use all reasonable endeavours to ensure that such terms include the right to sub-license such intellectual property in accordance with this paragraph 8.1. The Franchisee shall not enter into a licence that does not include such a provision without first obtaining the Secretary of State's prior written consent (such consent not to be unreasonably withheld).

## 8.2

- (a) Any such licence shall be granted to the relevant Successor Operator for such period as the Secretary of State may determine to be reasonably necessary for the purpose of securing continuity of the provision of the Franchise Services and shall be free of charge and royalty-free for a period of one month or less.
- (b) If such licence is for a period in excess of one month, the grant of the licence shall be subject to payment of a reasonable royalty (backdated to the expiry of the Franchise Period) on the basis of a willing licensor and licensee entering into a licence on comparable terms to similar licences of such intellectual property. If the Franchisee and the relevant Successor Operator are unable to agree such royalty, the Franchisee shall submit such dispute for resolution in accordance with such dispute resolution rules as the Secretary of State may require.

## 8.3 Any such licence shall be in such form as the Secretary of State shall reasonably determine and shall:

- (a) be non-exclusive and limited to use solely for the purposes of the provision and operation of the Franchise Services and will not provide for any right to use such intellectual property for any other purpose (including its marketing or exploitation for any other purpose);
- (b) be terminable on material breach by the Successor Operator;
- (c) contain an indemnity from the Franchisee to the effect that to the best of its knowledge and belief it owns the relevant intellectual property or has the right to license it and the licensing of it and the subsequent use of the intellectual property will not infringe any third party intellectual property rights; and
- (d) require the Successor Operator, to the extent that it relates to any trademarks, to use such trademarks in such manner as may reasonably be required by the Franchisee provided that it shall not be reasonable

for the Franchisee to require any such trademark to be used in a manner materially different from its use during the Franchise Period.

9. **Information about Passengers**

The Franchisee shall immediately on the expiry of the Franchise Period make available to the Secretary of State and/or his nominee:

- (a) passenger numbers information specified in paragraph 1 of Schedule 1.5 (Information about Passengers), in such format and to such level of disaggregation as the Secretary of State and/or his nominee may reasonably require; and
- (b) the CRM Data and Yield Management Data.

**APPENDIX 1 TO SCHEDULE 15.4**

**Form of Transfer Scheme**

Dated \_\_\_\_\_ 20[•]

**TRANSFER SCHEME  
OF  
THE SECRETARY OF STATE FOR TRANSPORT  
MADE PURSUANT TO SCHEDULE 2 OF THE RAILWAYS ACT 2005**

**IN FAVOUR OF  
[SUCCESSOR OPERATOR]**

**IN RESPECT OF  
CERTAIN PROPERTY, RIGHTS AND LIABILITIES  
OF  
[FRANCHISEE]**

*Secretary of State for Transport  
33 Horseferry Road  
London SW1P 4DR*

## TRANSFER SCHEME

### Whereas:

- (A) [*Franchisee*] (the "**Transferor**") has been providing certain services for the carriage of passengers by railway and operating certain stations and light maintenance depots pursuant to a franchise agreement with the Secretary of State for Transport (the "**Secretary of State**") dated [\_\_\_\_\_] (the "**Franchise Agreement**").
- (B) The Franchise Agreement terminated or is to terminate on [\_\_\_\_\_] and [*Successor Operator*] (the "**Transferee**") is to continue the provision of all or part of such services or the operation of all or some of such stations and light maintenance depots under a new franchise agreement or in connection with the performance or exercise of the duties and powers of the Secretary of State to secure the provision of such services or the operation of such stations or light maintenance depots.
- (C) Certain property, rights and liabilities of the Transferor which were designated as franchise assets for the purpose of the Franchise Agreement are to be transferred to the Transferee under a transfer scheme made by the Secretary of State under Section 12 and Schedule 2 of the Railways Act 2005.

The Secretary of State, in exercise of the powers conferred on him by Schedule 2 of the Railways Act 2005, hereby makes the following scheme:

### 1. **Definitions and Interpretation**

In this Transfer Scheme functions has the meaning ascribed to it in the Railways Act 2005 and relevant enactment has the meaning ascribed to it in paragraph 6 of Schedule 2 of the Railways Act 2005.

### 2. **Transfer of Property, Rights and Liabilities**

With effect from [\_\_\_\_\_] the property, rights and liabilities of the Transferor specified or described in the Schedule shall be transferred to, and vest in, the Transferee.

### 3. **Statutory Functions**

Subject to any amendment to the relevant enactment which comes into force on or after the date on which this Transfer Scheme is made, there shall be transferred to the Transferee all the functions of the Transferor under any relevant enactments if and to the extent that any such relevant enactment:

- (a) relates to any property which is to be transferred by this Transfer Scheme; or
- (b) authorises the carrying out of works designed to be used in connection with any such property or the acquisition of land for the purpose of carrying out any such works.

4. **Supplemental Agreement**

Each of the Transferor and the Transferee shall enter into the Supplemental Agreement (as defined in the Franchise Agreement) on the coming into force of this Transfer Scheme.

This Transfer Scheme is made by the Secretary of State on [\_\_\_\_\_. \_\_\_\_].

THE CORPORATE SEAL  
OF THE SECRETARY OF  
STATE FOR TRANSPORT  
IS HEREUNTO AFFIXED:



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



## **SCHEDULE TO THE TRANSFER SCHEME**

*[List relevant Franchise Assets to be transferred to Successor Operator]*

**APPENDIX 2 TO SCHEDULE 15.4**

**Form of Supplemental Agreement**

Dated \_\_\_\_\_ 20[•]

**[OUTGOING FRANCHISEE]**

**and**

**[SUCCESSOR OPERATOR]**

**SUPPLEMENTAL AGREEMENT**

to the transfer scheme dated [•] made  
by the Secretary of State for Transport in respect of  
certain property rights and liabilities of  
*[OUTGOING FRANCHISEE]*

*Secretary of State for Transport  
33 Horseferry Road  
London SW1P 4DR*

**This Supplemental Agreement** is made on [\_\_\_\_\_] 20[\_\_\_]

**BETWEEN**

[*OUTGOING FRANCHISEE*] whose registered office is at [*registered office*] (the "**Transferor**"); and

[*SUCCESSOR OPERATOR*] whose registered office is at [*registered office*] (the "**Transferee**").

**WHEREAS**

- (A) The Transferor has been providing certain services and the carriage of passengers by railway and operating certain stations and light maintenance depots pursuant to a franchise agreement with the Secretary of State for Transport (the "**Secretary of State**") dated [\_\_\_\_\_] (the "**Franchise Agreement**").
- (B) The Franchise Agreement terminated or is to terminate on [\_\_\_\_\_] and the Transferee has been selected by the Secretary of State to continue the provision of all or part of such services pursuant either to a franchise agreement with the Secretary of State or arrangements made with the Secretary of State in connection with the Secretary of State's duties and powers.
- (C) Certain property, rights and liabilities of the Transferor are to be transferred to the Transferee pursuant to a transfer scheme made by the Secretary of State on [\_\_\_\_\_] under Section 12 and Schedule 2 of the Railways Act 2005 (the "**Transfer Scheme**").
- (D) This Agreement is supplemental to the Transfer Scheme and sets out certain terms between the Transferor and the Transferee in relation to the transfer of such property, rights and liabilities under the Transfer Scheme and the transfer of certain other property, rights and liabilities at the same time.

**IT IS AGREED THAT**

**1. DEFINITIONS AND INTERPRETATION**

**Definitions**

1.1 The following words and expressions shall have the following meaning:

"**Business**" means such of the undertaking or part of the undertaking of the Transferor prior to the Transfer Date as may be continued by the Transferee after the Transfer Date;

"**Credit**" has the meaning assigned to that term under the Ticketing and Settlement Agreement;

"**Debit**" has the meaning assigned to that term under the Ticketing and Settlement Agreement;

"**Estimated Completion Payment**" has the meaning ascribed to that term in clause 2.1;

"**Net Asset Statement**" means the statement to be drawn up pursuant to clause 2.2;

**"Net Asset Value"** means the aggregate of the amounts of the Relevant Franchise Assets, the Relevant Contract Liabilities, the Relevant Debits and Credits and the Relevant Employee Liabilities as shown in the Net Asset Statement agreed or determined pursuant to clause 2.2;

**"Purchase Price"** has the meaning ascribed to that term in clause 2.1;

**"Relevant Contract Liabilities"** means such rights and liabilities of the Transferor as may be transferred to the Transferee on the expiry of the Franchise Period in relation to any Licence, Access Agreement or Property Lease under paragraphs 1 and 4.5 of Schedule 15.4 (Provisions Applying on and after Termination) of the Franchise Agreement;

**"Relevant Debits and Credits"** means such Debits and Credits of the Transferor which relate to Fares sold before the Transfer Date and which may be received by the Transferee as a result of Clause 11-33 of the Ticketing and Settlement Agreement;

**"Relevant Employee Liabilities"** means such rights and liabilities of the Transferor (or any other relevant employer or person) under any contracts of employment relating to the Relevant Employees which have been or are to be transferred to the Transferee by virtue of the operation of Law (including the Transfer Regulations);

**"Relevant Employees"** means all persons employed in the Business immediately before the Transfer Date (whether employed by the Transferor or otherwise) whose contract of employment has been or is to be transferred to the Transferee by virtue of the operation of Law (including the Transfer Regulations) or any other person employed at any time in the Business in respect of whom liabilities arising from a contract of employment or employment relationship have or will be transferred by virtue of the operation of Law (including the Transfer Regulations);

**"Relevant Franchise Assets"** means such of the property, rights and liabilities that are legally or beneficially owned by the Transferor and which are or are to be transferred to the Transferee under the Transfer Scheme;

**"Reporting Accountants"** means such firm of accountants as may be selected by agreement between the parties within four weeks of the preparation of the Net Asset Statement or, in the absence of such agreement, selected by the Secretary of State upon the request of either party;

**"Season Ticket Fare"** means a Fare which entitles the purchaser to make an unlimited number of journeys in any direction during the period for which, and between the stations and/or the zones for which, such Fare is valid;

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

**"Taxation"** comprises all forms of taxation, duties, contributions and levies of the United Kingdom whenever imposed and (except in so far as attributable to the unreasonable delay or default of the Transferee) all penalties and interest relating thereto;

**"TOGC"** has the meaning assigned to that term in clause 6.2;

**"Transfer Date"** means the date and, where relevant, the time on or at which the Transfer Scheme comes into force;

**"Transfer Regulations"** means the Transfer of Undertakings (Protection of Employment) Regulations 2006 (as amended, replaced or substituted from time to time);

**"Transferring Assets and Liabilities"** has the meaning assigned to that term in clause 2.1; and

**"Undisclosed Employee"** has the meaning assigned to that term in clause 7.1(d).

## **Construction and Interpretation**

1.2 In this Agreement terms and expressions defined in the Franchise Agreement shall have the same meaning and the terms "contract of employment", "collective agreement", "employee representatives" and "trade union" shall have the same meanings respectively as in the Transfer Regulations.

## **2. Transfer Price**

### **Amount and Payment**

2.1 The price for the transfer of:

- (a) the Relevant Franchise Assets;
- (b) the Relevant Contract Liabilities;
- (c) the Relevant Debits and Credits; and
- (d) the Relevant Employee Liabilities,

(together the **"Transferring Assets and Liabilities"**) shall (subject to adjustment as expressly provided in this Agreement) be an amount equal to the Net Asset Value (the **"Purchase Price"**). The sum of £[amount], as determined under paragraph 3.3 of Schedule 15.4 (Provisions Applying on and after Termination) of the Franchise Agreement (the **"Estimated Completion Payment"**) shall be paid in immediately available funds by the Transferor to the Transferee, or by the Transferee to the Transferor, as determined under paragraph 3.3 of Schedule 15.4 (Provisions Applying on and after Termination) of the Franchise Agreement, on the Transfer Date. On determination of the Purchase Price a balancing payment (if any) shall be made by the Transferor to the Transferee or the Transferee to the Transferor (as the case may be) in accordance with clause 2.5.

### **Net Asset Statement**

2.2 The Transferee shall procure that, as soon as practicable and in any event not later than two months following the Transfer Date, there shall be drawn up a statement showing a true and fair view of the aggregate of the amount of each separate asset and liability of the Transferring Assets and Liabilities as at the Transfer Date.

2.3 The Net Asset Statement shall be:

- (a) drawn up in the manner described in the Schedule;

- (b) prepared on such basis as would enable the Transferee's auditors, if so requested, to give an unqualified audit report thereon to the effect that it had been drawn up in accordance with the Schedule; and
- (c) presented, initially as a draft, to the Transferor immediately following its preparation for review in conjunction with its auditors.

2.4 If the Transferor and the Transferee have failed to agree the Net Asset Statement within four weeks following such presentation, the matter shall be referred to the Reporting Accountants who shall settle and complete the Net Asset Statement as soon as practicable and shall determine the amount of the Net Asset Value as shown by the Net Asset Statement.

### **Adjustment of Price**

2.5 If the Purchase Price exceeds or is less than the Estimated Completion Payment, the Transferee shall pay to the Transferor or, as the case may be, the Transferor shall pay to the Transferee, in either case within 14 days of the agreement or determination of the Net Asset Value, an amount equal to such excess or deficiency together in either case with interest thereon calculated from the Transfer Date at the Interest Rate.

### **3. References to the Reporting Accountants**

Whenever any matter is referred under this Agreement to the decision of the Reporting Accountants:

- (a) the Reporting Accountants shall be engaged jointly by the parties on the terms set out in this Agreement and otherwise on such terms as shall be agreed, provided that neither party shall unreasonably (having regard, amongst other things, to the provisions of this Agreement) refuse its agreement to terms proposed by the Reporting Accountants or by the other party. If the terms of engagement of the Reporting Accountants have not been settled within 14 days of their appointment having been determined (or such longer period as the parties may agree) then, unless one party is unreasonably refusing its agreement to those terms, such accountants shall be deemed never to have been appointed as Reporting Accountants, save that the accountants shall be entitled to their reasonable expenses under clause 3(d), and new Reporting Accountants shall be selected in accordance with the provisions of this Agreement;
- (b) if Reporting Accountants acting or appointed to act under this Agreement resign, withdraw, refuse to act, or are disqualified for any reason from performing their duties then, except as may be agreed between the parties, the parties shall appoint a replacement in accordance with the definition of Reporting Accountants;
- (c) the Reporting Accountants shall be deemed to act as experts and not as arbitrators;
- (d) the Reporting Accountants shall have power to allocate their fees and expenses for payment in whole or in part by any party at their discretion. If not otherwise allocated they shall be paid as to half by the Transferor and as to half by the Transferee;

- (e) each of the parties shall promptly on request supply to the Reporting Accountants all such documents and information as they may require for the purpose of the reference;
- (f) the decision of the Reporting Accountants shall (in the absence of objection on the grounds of any manifest error discovered within 14 days of the issue of their decision) be conclusive and binding (and in accordance with clause 3(g) below) and shall not be the subject of any appeal by way of legal proceeding or arbitration or otherwise; and
- (g) without prejudice to clauses 3(a) to 3(f) above, either party may, prior to or during the course of the reference to the Reporting Accountants, seek a declaration from the court on a relevant point of law, including but not limited to a point of legal interpretation. Upon such application for a declaration being issued and served all applicable time limits relative to the reference to the Reporting Accountant shall be stayed pending the outcome of such application (including any appeal). The Reporting Accountants are bound to make their determination in a manner consistent with the findings of the Court.

#### 4. **WARRANTY**

The Transferor warrants and represents to the Transferee that the Relevant Contract Liabilities and the Relevant Franchise Assets are, to the extent they are property or rights, transferring to the Transferee free and clear of all Security Interests.

#### 5. **INTEREST**

If the Transferor or the Transferee defaults in the payment when due of any sum payable under this Agreement (whether determined by agreement or pursuant to an order of a court or otherwise) the liability of the Transferor or the Transferee (as the case may be) shall be increased to include interest on such sum from the date when such payment is due until the date of actual payment (after as well as before judgement) at a rate equal to the Interest Rate. Such interest shall accrue from day to day.

#### 6. **VALUE ADDED TAX**

- 6.1 All amounts under this Agreement are expressed as exclusive of Value Added Tax where Value Added Tax is applicable.
- 6.2 The Transferor and the Transferee shall use all reasonable endeavours to secure that the transfer of the Transferring Assets and Liabilities is treated for Value Added Tax purposes as the transfer of a business as a going concern ("**TOGC**") and accordingly as neither a supply of goods nor a supply of services for the purposes of Value Added Tax.
- 6.3 If HM Revenue & Customs direct that the transfer of the Transferring Assets and Liabilities cannot be treated as a TOGC, the Transferor shall provide the Transferee with a copy of such direction within five days of receipt thereof by the Transferor.
- 6.4 The Transferee shall thereafter pay upon the receipt of a valid tax invoice the amount of any Value Added Tax which as a result of that direction may be chargeable on the transfer of the Transferring Assets and Liabilities. If the aforementioned direction was issued as a result of any action or inaction of the Transferee then the Transferee shall in addition to the Value Added Tax indemnify

the Transferor for any penalties and interest that may be incurred upon receipt of such evidence from HM Revenue & Customs.

- 6.5 If the Transferee considers the direction issued by HM Revenue & Customs referred to in clause 6.3 to be incorrect then, without prejudice to the Transferee's obligation under clause 6.4 to pay to the Transferor the amount of any Value Added Tax which as a result such direction may be chargeable on the transfer of the Transferring Assets and Liabilities, the Transferee may, within 30 days of receipt of such direction by the Transferor, give notice to the Transferor that it requires the Transferor to appeal such direction. Upon requesting such an appeal the Transferee agrees to indemnify the Transferor for all reasonable costs that the Transferor may incur in taking such action upon receipt of evidence of those costs. If such an appeal is successful the Transferor agrees to reimburse the Transferee for such reasonable costs and penalties and interest to the extent that those costs have been reimbursed by HM Revenue & Customs.
- 6.6 If any amount paid by the Transferee to the Transferor in respect of Value Added Tax pursuant to this Agreement is subsequently found to have been paid in error the Transferor shall issue a valid tax credit note for the appropriate sum to the Transferee and promptly repay such amount to the Transferee.
- 6.7 If any amount is payable by the Transferor to the Transferee in respect of the transfer of the Relevant Franchise Assets, Relevant Contract Liabilities, Relevant Debits and Credits and Relevant Employee Liabilities pursuant to this Agreement, clauses 6.3 to 6.6 inclusive shall apply mutatis mutandis to such payment substituting Transferor for Transferee and vice versa.
- 6.8 Not used.
- 6.9 All of the records referred to in Section 49 of the Value Added Tax Act 1994 relating to the Business (being the purchase records) shall be retained by the Transferor and the Transferor shall undertake to the Transferee to:
- (a) preserve those records in such manner and for such periods as may be required by law; and
  - (b) give the Transferee as from the Transfer Date reasonable access during normal business hours to such records and to take copies of such records.

## 7. EMPLOYEES

### Transfer Regulations

- 7.1 The parties accept that, to the extent that the undertaking or part of the undertaking of the Transferor is continued by the Transferee after the Transfer Date, this Agreement and the transfer of the Business which is effected in connection with the Transfer Scheme are governed by the Transfer Regulations and the following provisions shall apply in connection therewith:
- (a) the contract of employment of each of the Relevant Employees (save, to the extent provided by the Transfer Regulations, insofar as such contract relates to any occupational pension scheme) shall be transferred to the Transferee with effect from the Transfer Date which shall be the "time of transfer" under the Transfer Regulations and the Transferee shall employ each such Relevant Employee on the terms of those contracts of employment (save, to the extent provided by the



Transfer Regulations, insofar as such contract relates to any occupational pension scheme) with effect from the Transfer Date;

- (b) the Transferor shall perform and discharge all its obligations in respect of all the Relevant Employees for its own account up to and including the Transfer Date including, without limitation, discharging all wages and salaries of the Relevant Employees, all employer's contributions to any relevant occupational pension scheme and all other costs and expenses related to their employment (including, without limitation, any Taxation, accrued holiday pay, accrued bonus, commission or other sums payable in respect of service prior to the close of business on the Transfer Date) and shall indemnify the Transferee and keep the Transferee indemnified against each and every action, proceeding, liability (including, without limitation, any Taxation), cost, claim, expense (including, without limitation, reasonable legal fees) or demand arising from the Transferor's failure so to discharge;
- (c) the Transferor shall indemnify the Transferee and keep the Transferee indemnified against each and every action, proceeding, cost, claim, liability (including, without limitation, any Taxation), expense (including, without limitation, reasonable legal fees) or demand which relates to or arises out of any act or omission by the Transferor or any other event or occurrence prior to the Transfer Date and which the Transferee may incur in relation to any contract of employment or collective agreement concerning one or more of the Relevant Employees pursuant to the provisions of the Transfer Regulations or otherwise including, without limitation, any such matter relating to or arising out of:
  - (i) the Transferor's rights, powers, duties and/or liabilities (including, without limitation, any Taxation) under or in connection with any such contract of employment or collective agreement, which rights, powers, duties and/or liabilities (as the case may be) are or will be transferred to the Transferee in accordance with the Transfer Regulations; or
  - (ii) anything done or omitted before the Transfer Date by or in relation to the Transferor in respect of any such contract of employment or collective agreement or any Relevant Employee, which is deemed by the Transfer Regulations to have been done or omitted by or in relation to the Transferee save where the thing done or omitted to be done before the Transfer Date relates to the Transferee's failure to comply with its obligations referred to in clause 7.4;
- (d) if any contract of employment or collective agreement which is neither disclosed in writing to the Transferee by the Transferor prior to the Transfer Date nor made available to the Secretary of State under Schedule 15.3 (Handover Package) of the Franchise Agreement prior to the Transfer Date shall have effect as if originally made between the Transferee and any employee (the "**Undisclosed Employee**") or a trade union or employee representatives as a result of the provisions of the Transfer Regulations (without prejudice to any other right or remedy which may be available to the Transferee):
  - (i) the Transferee may, upon becoming aware of the application of the Transfer Regulations to any such contract of

employment or collective agreement terminate such contract or agreement forthwith;

- (ii) the Transferor shall indemnify the Transferee against each and every action, proceeding, cost, claim, liability (including, without limitation, any Taxation), expense (including, without limitation, reasonable legal fees) or demand relating to or arising out of such termination and reimburse the Transferee for all costs and expenses (including, without limitation, any Taxation) incurred in employing such employee in respect of his employment following the Transfer Date; and
- (iii) the Transferor shall indemnify the Transferee in respect of any Undisclosed Employee on the same terms mutatis mutandis as the Transferor has indemnified the Transferee in respect of a Relevant Employee pursuant to the terms of clauses 7.1(b) and 7.1(c); and
- (e) the Transferor shall indemnify the Transferee and keep the Transferee indemnified against each and every action, proceeding, cost, claim, liability (including without limitation, any Taxation) expense (including, without limitation, reasonable legal fees) or demand which relates to or arises out of any dismissal (including, without limitation, constructive dismissal) by the Transferor of any employee (not being a Relevant Employee) and which the Transferee may incur pursuant to the provisions of the Transfer Regulations.

### **Transferee's Indemnities**

7.2 The Transferee shall indemnify the Transferor and keep the Transferor indemnified against each and every action, proceeding, liability (including, without limitation, any Taxation), cost, claim, loss, expense (including reasonable legal fees) and demand arising out of or in connection with:

- (a) any substantial change in the working conditions of the Relevant Employees to his or her detriment or any of them occurring on or after the Transfer Date;
- (b) the change of employer occurring by virtue of the Transfer Regulations and/or the Franchise Agreement being significant and detrimental to any of the Relevant Employees;
- (c) the employment by the Transferee on or after the Transfer Date of any of the Relevant Employees other than on terms (including terms relating to any occupational pension scheme) at least as good as those enjoyed prior to the Transfer Date or the termination of the employment of any of them on or after the Transfer Date; or
- (d) any claim by any Relevant Employee (whether in contract or in tort or under statute (including the Treaty of the European Community or European Union and any Directives made under the Secretary of State of any such Treaty or any successor thereof)) for any remedy (including, without limitation, for unfair dismissal, redundancy, statutory redundancy, equal pay, sex or race discrimination) as a result of any act or omission by the Transferee after the Transfer Date.

- 7.3 The Transferee shall indemnify the Transferor and keep the Transferor indemnified against each and every action, proceeding, liability, cost, claim, loss, expense (including reasonable legal fees) and demand which arises as a result of it not providing or not having provided, in accordance with its obligations under the Transfer Regulations, the Transferor in writing with such information and at such time as will enable the Transferor to carry out its duties under Regulation 13(2)(d) and 13(6) of the Transfer Regulations concerning measures envisaged by the Transferee in relation to the Relevant Employees.

### **Details of Relevant Employees**

- 7.4 Without prejudice to the Transferor's duties under the Transfer Regulations, the Transferor warrants to the Transferee that it has (to the extent not made available to the Secretary of State under Schedule 15.4 (Provisions Applying on and after Termination) of the Franchise Agreement prior to the Transfer Date) provided the Transferee prior to the Transfer Date with full particulars of:
- (a) each Relevant Employee, including name, sex, and the date on which continuity of employment began for each Relevant Employee for statutory purposes;
  - (b) terms and conditions of employment of each such person;
  - (c) all payments, benefits or changes to terms and conditions of employment promised to any such person;
  - (d) dismissals of Relevant Employees or termination of employment effected within 12 months prior to the Transfer Date including the Transfer Date;
  - (e) all agreements or arrangements entered into in relation to the Relevant Employees between the Transferor, any Affiliate of the Transferor or any other relevant employer and any trade union or association of trade unions or organisation or body of employees including employee representatives and elected representatives; and
  - (f) all strikes or other Industrial Action taken by any Relevant Employee within 12 months prior to the Transfer Date including the Transfer Date.
- 7.5 The Transferor and Transferee shall deliver to each of the Relevant Employees letters in an agreed form from the Transferor and Transferee as soon as is practicable after the execution of this Agreement (to the extent not already delivered prior to the Transfer Date).

## **8. MISCELLANEOUS PROVISIONS**

### **Variations in Writing**

- 8.1 No variation of this Agreement shall be effective unless in writing and signed by duly authorised representatives of the parties.

### **Partial Invalidity**

- 8.2 If any provision in this Agreement shall be held to be void, illegal, invalid or unenforceable, in whole or in part, under any enactment or rule of law, such provision or part shall to that extent be deemed not to form part of this Agreement

but the legality, validity and enforceability of the remainder of this Agreement shall not be affected.

### **Further Assurance**

8.3 Each of the parties agrees to execute and deliver all such further instruments and do and perform all such further acts and things as shall be necessary or expedient for the carrying out of the provisions of this Agreement.

### **Notices**

8.4 Any notice or other communication requiring to be given or served under or in connection with this Agreement shall be in writing and shall be sufficiently given or served if delivered or sent to the registered office of the recipient or:

(a) in the case of the Transferor to [name of Transferor] at:

[address]

Attention: [name]

(b) in the case of the Transferee to [name of Transferee] at:

[address]

Attention: [name]

8.5 Any such notice or other communication shall be delivered by hand or sent by courier or prepaid first class post. If sent by courier such notice or communication shall conclusively be deemed to have been given or served at the time of despatch. If sent by post such notice or communication shall conclusively be deemed to have been received two Weekdays from the time of posting.

### **Counterparts**

8.6 This Agreement may be executed in any number of counterparts each of which shall be deemed an original, but all the counterparts shall together constitute one and the same instrument.

### **Third Parties**

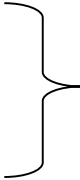
8.7 This Agreement does not create any rights under the Contracts (Rights of Third Parties) Act 1999 which is enforceable by any person who is not a party to it.

### **Governing Law**

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

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

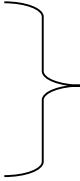
SIGNED FOR AND ON  
BEHALF OF THE  
[**TRANSFEROR**]



DIRECTOR:

DIRECTOR/SECRETARY:

SIGNED FOR AND ON  
BEHALF OF THE  
[**TRANSFeree**]



DIRECTOR:

DIRECTOR/SECRETARY:

## SCHEDULE TO THE SUPPLEMENTAL AGREEMENT

### Net Asset Statement

The Net Asset Statement shall be drawn up (except to the extent otherwise agreed by the Transferor and the Transferee) in accordance with accounting principles generally accepted in the United Kingdom and such that the Transferring Assets and Liabilities are valued on the following basis:

1. Rights and liabilities relating to an obligation of carriage under the terms of any Fare shall be valued in accordance with the following formula:

$$(C - D) \times \frac{A}{B} + E$$

where:

C equals the Credit (exclusive of any Valued Added Tax) received by the Transferor in respect of the Fare provided that:

- (a) such Credit shall be deemed not to include any reduction in respect of a discount allowed to the purchaser of the Fare pursuant to the Passenger's Charter or any other passenger's charter of the Transferor;
- (b) if the Fare is a Season Ticket Fare, such Credit shall be the New Credit (as defined in the Ticketing and Settlement Agreement) relating to that Season Ticket Fare on the Transfer Date if different to the Credit that was in fact received by the Transferor in respect of such Season Ticket Fare;
- (c) such Credit shall be net of any Private Settlement Credit (as defined in the Ticketing and Settlement Agreement) arising in respect of that Fare; and
- (d) such Credit shall be deemed to exclude any Credit received by the Transferor in respect of any commission due to it in respect of the sale of such Fare (provided that for these purposes the amount of such commission shall not exceed the National Standard Rate of Commission (as defined in the Ticketing and Settlement Agreement) in respect of the Fare);

D equals the Debit (exclusive of any Value Added Tax) received by the Transferor in respect of the commission due in respect of the sale of the Fare (provided that for these purposes the amount of such commission shall not exceed the National Standard Rate of Commission (as defined in the Ticketing and Settlement Agreement) in respect of the Fare);

$\frac{A}{B}$  equals

- (a) in the case of a Season Ticket Fare, the number of journeys which the purchaser of the Fare is estimated to make from (and including) the Transfer Date to (and including) the last day on which the Fare is valid (including any extensions to its original period of validity) divided by the total number of journeys which the purchaser of the Fare is estimated to make with that Fare (as determined in each case in

accordance with Schedule 28 of the Ticketing and Settlement Agreement);

(b) in the case of any other Fare which entitles the holder thereof to make more than two journeys, the number of days for which the Fare continues to be valid after the Transfer Date (including any extensions to its original period of validity) divided by the total number of days for which such Fare is valid on issue (except to the extent that it can reasonably be estimated what proportion of the journeys which could be made on issue of the Fare have not been made prior to the Transfer Date); or

(c) in the case of any other Fare, zero; and

E equals, if  $\frac{A}{B}$  is greater than zero:

the amount of any discount to which it can be reasonably estimated that the purchaser of the Fare would be entitled pursuant to the Passenger's Charter or any other passenger's charter of the Transferor on purchasing an equivalent Fare on the expiry of the relevant Fare,

and for these purposes a Credit or Debit shall be deemed to be received when the relevant Fare is Accepted for Clearing (as defined in the Ticketing and Settlement Agreement).

2. Rights and liabilities relating to an Excess Fare, Reservation or Upgrade (as such terms are defined in the Ticketing and Settlement Agreement) shall be valued at zero unless such Excess Fare, Reservation or Upgrade involves more than two journeys, in which case they shall be valued in accordance with paragraph 1 and references to Fare in paragraph 1 shall be construed accordingly.

3. Rights and liabilities under a Discount Card shall be valued in accordance with the following formula:

$$(C - D) \times \frac{A}{B}$$

where:

C equals the Credit (exclusive of any Value Added Tax) received by the Transferor in respect of the Discount Card;

D equals the Debit (exclusive of any Value Added Tax) received by the Transferor in respect of the commission due in respect of the sale of the Discount Card (provided that for these purposes the amount of such commission shall not exceed the National Standard Rate of Commission (as defined in the Ticketing and Settlement Agreement) in respect of the Discount Card); and

$\frac{A}{B}$  equals the number of days for which the Discount Card continues to be valid after the Transfer Date (including any extensions to its original period of validity) divided by the total number of days for which such Discount Card is valid on issue, or in the case of any Discount Card listed in Schedules 12 or 39 of the Ticketing and Settlement Agreement on the Start Date, zero,

and for these purposes a Credit or Debit shall be deemed to be received when the relevant Discount Card is Accepted for Clearing (as defined in the Ticketing and Settlement Agreement).

4. Relevant Debits and Credits shall be valued at the full amount of such Debits and Credits (inclusive of any Value Added Tax) but excluding any Debits and Credits arising in respect of Adjustment Amounts (as defined in the Ticketing and Settlement Agreement) which are received by the Transferee in respect of a change to the Credit which is used to value any relevant Season Ticket Fare under paragraph 1 of this Schedule to the extent such Adjustment Amounts (as defined in the Ticketing and Settlement Agreement) relate to a period after the Transfer Date.
5. Rights and liabilities in respect of any contract, lease, licence or other equivalent arrangement (excluding rights and liabilities valued under paragraphs 1 to 4 [and paragraph 6] of this Schedule 1) shall be valued at nil except to the extent that the relevant rights and liabilities include matters specified in the left hand column of the following table, which shall be valued on the basis specified in the right hand column of the following table:

<b>RIGHTS AND LIABILITIES</b>	<b>VALUE</b>
Any accrued rights to receive payment	Monetary amounts so accrued, subject to any provision being made for payment not being received from any other person
Any right to receive payment in respect of goods and/or services provided by the Transferor prior to the Transfer Date where the due date for such payment is after the Transfer Date	Amount payable under such contract, lease, licence or other equivalent arrangement for the goods and/or services so provided by the Transferor, subject to any provision being made for payment not being received from any other person
Any accrued liabilities to make payment	Monetary amounts so accrued
Any liability to make payment in respect of goods and/or services provided to the Transferor prior to the Transfer Date where the due date for such payment is after the Transfer Date	Amount payable under such contract, lease, licence or other equivalent arrangement for the goods and/or services provided to the Transferor
Any rights in respect of which payment has already been made by the Transferor	Monetary amounts so paid, subject to any provision being made for such rights not being exercisable against any other person
Any liabilities in respect of which payment has already been received by the Transferor	Monetary amounts so received
Any liability resulting from any breach of or failure by the Transferor to comply with the terms of any such	Amount of such liability or, to the extent that such amount is not



RIGHTS AND LIABILITIES	VALUE
contract, lease, licence or other equivalent arrangement	ascertained, the parties reasonable estimate of the amount of such liability
6. <i>[Insert details of other assets where the value has been pre-agreed between the Secretary of State and F/KTPE].</i>	
7. The four ticket machines to be installed at Huddersfield pursuant to paragraph 27 of part 1 of Schedule 6.1 shall be valued at nil.	
8. The Stored Credit Balance held by the Franchisee at the Transfer Date shall be valued at the monetary amount so held.	
9. CRM Data and Yield Management Data shall be valued at nil.	
10. Any ITSO equipment (including smartcard and ITSO Certified Smartmedia readers and ITSO database) and any intellectual property rights associated with that ITSO equipment transferred from the Transferor to the Transferee pursuant to the Transfer Scheme shall be valued at nil.	
11. Any other property, rights or liabilities shall be valued on the basis of a willing vendor and purchaser and ongoing usage within the railway industry.	

## SCHEDULE 16

### Pensions

#### 1. Franchise Sections

The Franchisee shall participate in and become the Designated Employer in relation to the following Shared Cost Sections of the Railway Pension Scheme:

- 1.1 TransPennine Express (Former ATN) Section; and
- 1.2 TransPennine Express (Former NWT) Section,

(together the "**Franchise Sections**") in respect of the Franchise Services. Subject to paragraphs 2 and 3.2(d) membership of the Franchise Sections will be offered to each employee of a Franchisee only.

#### 2. Closed Schemes

- 2.1 Subject to any requirements of Her Majesty's Revenue and Customs, the Franchisee shall take any necessary steps (including entering into any relevant deed of participation) to allow Closed Scheme Employees to continue in membership of the British Railways Superannuation Fund or the BR (1974) Pension Fund in accordance with their terms during the Franchise Period.
- 2.2 For the purposes of this paragraph 2, "**Closed Scheme Employees**" means such of the employees of the Franchisee who were, immediately prior to the commencement of their employment with the Franchisee, members of either of the British Railways Superannuation Fund or the BR (1974) Pension Fund.

#### 3. Variations in benefits, contributions and investment

- 3.1 If a Franchisee is considering making a proposal that falls within the scope of paragraphs 3.2(a) to (g) inclusive, it shall promptly consult with the Secretary of State in relation to that proposal prior to putting such a proposal to the Pensions Committee of any Franchise Sections, the Trustee of the Railways Pension Scheme (the "**Trustee**"), or to any trade union. The Franchisee must otherwise consult in good time with the Secretary of State in relation to any proposal falling within the scope of paragraphs 3.2(a) to (g) inclusive.
- 3.2 Separately and in addition to complying with its obligations under paragraph 3.1, the Franchisee shall not, without the prior written consent of the Secretary of State (which may be given on such terms and subject to such conditions as the Secretary of State thinks fit):
  - (a) restructure or change the composition of the earnings of employees of the Franchisee in such a way as to increase the part of those earnings which qualifies as pensionable earnings under rules of the Railways Pension Scheme applicable to any Franchise Section (the "**Franchise Section Rules**") or take any action (or consent to the taking of any action) which could detrimentally affect the funding of any Franchise Section, including varying or providing different or additional benefits under that Franchise Section or promising to do so, unless this change:
    - (i) is required by Law; or

- (ii) only affects benefits payable in respect of past service of members of that Franchise Section and on or prior to the effective date of the change the Franchisee pays an additional cash payment to the Trustee which, in the opinion of the Actuary, meets in full the additional funding cost imposed on that Franchise Section; or
  - (iii) would not lead to substantial changes in the funding of any Franchise Section and is the result of the normal application of the Franchise Section Rules in the ordinary day to day running of the business of the Franchise, for example, where individual employees are, from time to time promoted or transferred to higher paid or different employment which has a different composition of earnings;
- (b) make or consent to any proposal to change any of the provisions of the Pension Trust in respect of the Franchise Sections unless the change is required by Law;
  - (c) provide retirement, death or life assurance benefits in respect of any of its employees other than under any Franchise Section or as provided in paragraph 2;
  - (d) omit to provide the above-mentioned benefits in respect of its employees save that, without prejudice to any rights which any such employee may otherwise have, the Franchisee shall not under this Schedule 16 be obliged for the purposes of the Franchise Agreement to offer such benefits to any employee employed on a fixed term contract of 12 months or less;
  - (e) take any action (or consent to the taking of any action) which could affect the contributions payable by Participating Employers under any Franchise Section, including exercising any discretion allowed to the Franchisee as Designated Employer arising out of any actuarial valuation of a Franchise Section, and varying or providing different or additional benefits under the Franchise Sections in respect of future service, unless such action is required by Law;
  - (f) close a Franchise Section to new members; or
  - (g) take (or omit to take) any action which could result in any Franchise Section being wound up, in whole or in part.

3.3 The Franchisee shall consult with the Secretary of State on:

- (a) any proposal made by the Trustee to change the statement of investment principles applicable to any Franchise Section; and
- (b) any proposal to alter the rate of contributions payable by the Franchisee or its employees under a new schedule of contributions for the Franchise Section.

3.4 With respect to any proposal falling within the scope of paragraph 3.3(a) or (b), the Franchisee shall also consult with the Trustee on the basis of any response it receives from the Secretary of State in relation to any such proposal.

#### 4. **Funding liabilities**

- 4.1 The Franchisee shall pay the employer contributions required under the schedule of contributions applicable to each Franchise Section (or either of the British Railways Superannuation Fund or the BR (1974) Pension Fund in which it participates) in respect of the Franchise Term subject to the provisions of paragraph 4.2 below.
- 4.2 Where, during the Franchise Term, Franchise Services are aggregated or disaggregated by the Secretary of State (for example, as a result of remapping) and, as a consequence, a Franchise Section of which the Franchisee is the Designated Employer is required to accept a transfer in or to make a transfer out of members, the Secretary of State shall ensure that the Franchisee has no liability for any resulting deterioration immediately arising in the funding level of the Franchise Section measured in accordance with the Franchise Sections' technical provisions in Part 3 of the Pensions Act 2004, or for any amount arising under article 7(4) of the Railway Pensions (Protection and Designation of Schemes) Order 1994. Notwithstanding the above the Secretary of State shall have no liability for any future deterioration in the funding levels of the Franchise Section linked to such transfer in or out of members.

#### 5. **Discharge of obligations**

- 5.1 The Secretary of State may at any time during the Franchise Term seek information from the Trustee with a view to satisfying himself that the Franchisee and the other Participating Employers (if any) have fully discharged their respective obligations under the Railways Pension Scheme, including their obligations in respect of the payment of contributions to any Franchise Section.
- 5.2 The Franchisee shall, at its expense, promptly provide such information in relation to any Franchise Section, including actuarial advice and information, as the Secretary of State may from time to time request and shall authorise and consent to the Trustee doing so.
- 5.3 The Franchisee shall, in respect of the Franchise Term, use all reasonable endeavours to provide to the Secretary of State:
- (a) within one month of the expiry of each Franchisee Year; and
  - (b) at other times as soon as practicable following a request by the Secretary of State,

a certificate signed by the Trustee in relation to the Franchise Sections stating either that the Franchisee has fully complied with its obligations under the Railways Pensions Scheme, including its obligation to contribute to the Franchise Sections or, if it has not so complied, stating the extent to which it has not done so. Where the certificate is given pursuant to paragraph 5.3(a), it shall cover the relevant Franchisee Year. Where the certificate has been given pursuant to paragraph 5.3(b), it shall cover such period as the Secretary of State shall specify.

- 5.4 If the Trustee does not certify under paragraph 5.3 in relation to the Franchise Sections that the Franchisee has fully complied with its obligations under the Railways Pension Scheme or if the Secretary of State otherwise reasonably considers that the Franchisee has not complied with such obligations, the Secretary of State may adjust Franchise Payments payable under Schedule 8 (Payments) by an amount which is, in his opinion, no greater than the amount of

any contribution that the Franchisee has thereby failed to make or avoided making.

- 5.5 The Secretary of State may, under paragraph 5.4, continue to make such adjustments to Franchise Payments payable under Schedule 8 (Payments) until such time as he reasonably determines that the relevant contributions have been made in full by the Franchisee. Following that determination, any amounts so withheld by the Secretary of State shall become payable (without interest) on the next day on which a Franchise Payment becomes payable under Schedule 8 (Payments), being a day which falls no less than seven days after such determination or, if there is no such day, 14 days after the date of such determination. To the extent that the Secretary of State has not so determined within four weeks after the expiry of the Franchise Period, the Franchisee's right to receive the amount so withheld under the Franchise Agreement shall lapse and the Secretary of State shall not be obliged to pay such amount.

## 6. **Termination of Franchise**

The Secretary of State shall at the end of the Franchise Period ensure that the Franchisee has no liability for any deficit in the Franchise Sections (other than for contributions due and payable by the Franchisee to the Franchise Sections for any period prior to the end of the Franchise Term) and shall have no right to benefit from any surplus which may exist in the Franchise Sections. For the avoidance of doubt, this paragraph 6 shall apply where the Franchise Services are either aggregated or disaggregated (for example, as a result of remapping).

## 7. **Definitions**

Unless otherwise defined in the Franchise Agreement, terms used in this Schedule 16 shall have the meanings given to them in the Railways Pension Scheme.

## **SCHEDULE 17**

### **Confidentiality and Freedom of Information**

#### **1. Confidentiality**

Subject to the provisions of the Act, the Transport Act, the Railways Act 2005, the Environmental Information Regulations, the Freedom of Information Act (and any code of practice or other guidance related to the same) and paragraphs 2 to 8 and 10 of this Schedule 17 inclusive, each party shall hold in confidence all documents, materials and other information, whether technical or commercial, supplied by or on behalf of the other party (including all documents and information supplied in the course of proceedings under the Dispute Resolution Rules or the rules of any other dispute resolution procedures to which a dispute is referred in accordance with the Franchise Agreement) (all together the "**Confidential Information**") and shall not, except with the other party's prior written authority, publish or otherwise disclose any Confidential Information otherwise than as expressly provided for in the Franchise Agreement unless or until the recipient party can demonstrate that any such document, material or information is in the public domain through no fault of its own and through no contravention of the Franchise Agreement, whereupon to the extent that it is in the public domain this obligation shall cease.

#### **2. Disclosure of Confidential Information**

2.1 Each party may disclose any data or information acquired by it under or pursuant to the Franchise Agreement or information relating to a dispute arising under the Franchise Agreement without the prior written consent of the other party if such disclosure is made in good faith:

- (a) to any Affiliate of such party or outside consultants or advisers of such Affiliate, upon obtaining from such Affiliate and/or such outside consultants or advisers of such Affiliate an undertaking of confidentiality equivalent to that contained in paragraph 1;
- (b) to any outside consultants or advisers engaged by or on behalf of such party and acting in that capacity, upon obtaining from such consultants or advisers an undertaking of confidentiality equivalent to that contained in paragraph 1;
- (c) to any lenders, security trustee, bank or other financial institution (and its or their advisers) from which such party is seeking or obtaining finance, upon obtaining from any such person an undertaking of confidentiality equivalent to that contained in paragraph 1;
- (d) to the extent required by Law or pursuant to an order of any court of competent jurisdiction or under the Dispute Resolution Rules or the rules of any other dispute resolution procedures to which a dispute is referred in accordance with the Franchise Agreement or the rules of a recognised stock exchange or a formal or informal request of any taxation authority;
- (e) to any insurer, upon obtaining from such insurer an undertaking of confidentiality equivalent to that contained in paragraph 1;

- (f) to any director, employee or officer of such party, to the extent necessary to enable such party to perform its obligations under the Franchise Agreement or to protect or enforce its rights under the Franchise Agreement; or
- (g) by the Franchisee, to the ORR, Passengers' Council or a Local Authority.

2.2 The Secretary of State may disclose the Confidential Information of the Franchisee:

- (a) on a confidential basis to any Central Government Body for any proper purpose of the Secretary of State or of the relevant Central Government Body;
- (b) to Parliament and Parliamentary Committees or if required by any Parliamentary reporting requirement;
- (c) to the extent that the Secretary of State (acting reasonably) deems disclosure necessary or appropriate in the course of carrying out its public functions;
- (d) on a confidential basis to a professional adviser, consultant, supplier or other person engaged by any of the entities described in paragraph 2.2(a) of this Schedule 17 (including any benchmarking organisation) for any purpose relating to or connected with this Franchise Agreement;
- (e) on a confidential basis for the purpose of the exercise of its rights under this Franchise Agreement, including but not limited to its right of audit, assessment or inspection pursuant to paragraph 5 of Schedule 11 (Agreement Management Provisions) and its rights pursuant to Schedule 15.1 (Reletting Provisions);
- (f) on a confidential basis to a proposed successor, transferee or assignee of the Secretary of State in connection with any assignment, novation or disposal of any of its rights, obligations or liabilities under this Franchise Agreement; or
- (g) on a confidential basis to a Local Authority or other relevant Stakeholder to the extent that the Secretary of State (acting reasonably) deems such disclosure necessary or appropriate for the purposes of the development and/or implementation of any proposal promoted by (or on behalf of) such Local Authority or other relevant Stakeholder in relation to the provision of additional, varied and/or extended Passenger Services, introduction of new stations or enhancements to Stations or other infrastructure schemes which impact on the Franchise,

and for the purposes of the foregoing, references to disclosure on a confidential basis shall mean disclosure subject to a confidentiality agreement or arrangement containing terms no less stringent than those placed on the Secretary of State under this paragraph 2.2 of this Schedule 17.

2.3 For the purposes of paragraph 2.2, the following defined terms shall have the following meanings:

**"Central Body"**

**Government**

means a body listed in one of the following sub-categories of the Central Government classification of the Public Sector Classification Guide, as published and amended from time to time by the Office for National Statistics:

- (a) Government Department;
- (b) Non-Departmental Public Body or Assembly Sponsored Public Body (advisory, executive, or tribunal);
- (c) Non-Ministerial Department; or
- (d) Executive Agency.

**3. Publication of Certain Information**

3.1 Notwithstanding the provisions of paragraph 1, the Secretary of State may publish (whether to the press, the public or to one or more individuals, companies or other bodies, including to any prospective Successor Operator) in such form and at such times as he sees fit, the following (irrespective of whether the same was provided to the Secretary of State by the Franchisee or a third party):

- (a) any or all of the Franchise Documents provided that the Secretary of State will, prior to publishing the same, redact from any Franchise Document any information contained therein which the Secretary of State and the Franchisee agree or failing which the Secretary of State determines, in his absolute discretion, is exempt from disclosure in accordance with the provisions of the Freedom of Information Act and/or the Environmental Information Regulations;
- (b) the amount of any Franchise Payments payable under the Franchise Agreement and the aggregate amount of Franchise Payments paid in each year under the Franchise Agreement;
- (c) such information as the Secretary of State may consider reasonably necessary to publish in connection with the performance of his functions in relation to any Closure or proposed Closure;
- (d) the amount of any payments by the Franchisee under the Passenger's Charter;
- (e) such information (including CRM Data and Yield Management Data) as may reasonably be required in connection with any Tendering/Reletting Process or the retendering or reletting of any other railway passenger services, provided that such information may only be published during the period of, or during the period leading up to, such retendering or reletting;



- (f) any reports and accounts delivered to him under Schedule 13 (Information and Industry Initiatives) including any analyses, statistics and other information derived from such reports and accounts;
- (g) the results of any monitoring or measurement of the performance of the Franchisee in the provision of the Franchise Services (including any information provided under Schedule 11 (Agreement Management Provisions));
- (h) the results, on a Service Group, Route, station or other comparable basis, of any calculation of passenger numbers under Schedule 1.5 (Information about Passengers);
- (i) the results of any survey under Schedule 7.2 (National Rail Passenger Survey);
- (j) the results of any assessment or inspection under Schedule 11 (Agreement Management Provisions);
- (k) details of the Franchisee's plans and performance in respect of safety;
- (l) not used;
- (m) such information as the Secretary of State may reasonably require to include in his annual report in respect of the Franchisee provided that, in preparing that report, the Secretary of State shall have regard to the need for excluding, so far as is practicable, the matters specified in paragraphs (a) and (b) of Section 71(2) of the Act for this purpose, taking references in those paragraphs to the ORR as references to the Secretary of State; and
- (n) such information as the Secretary of State may reasonably require to publish at or around the expiry or possible termination of the Franchise Period in order to secure continuity of the provision and operation of the Franchise Services.

3.2 Without prejudice to any other provision of this Schedule 17, the Secretary of State may publish any other information relating to the Franchisee if he has previously notified the Franchisee and the Franchisee does not demonstrate to the reasonable satisfaction of the Secretary of State within 14 days of such notification that the publication of such information would, in the reasonable opinion of the Franchisee, be materially detrimental to its business. If the Franchisee attempts so to demonstrate to the Secretary of State but he is not so satisfied, the Secretary of State shall allow seven more days before publishing the relevant information.

#### 4. **Service Development Information**

Nothing in this Schedule 17 shall be deemed to prohibit, prevent or hinder, or render either party liable for, the disclosure by either party to Network Rail, the ORR, other Train Operators, any operators of services for the carriage of goods by rail, Passengers' Council and/or any Local Authority of any information relating to the development of the Service Level Commitment in accordance with Schedule 1.1 (Service Development).

**5. Publication by Secretary Of State**

Nothing in this Schedule 17 shall be deemed to prohibit, prevent or hinder, or render the Secretary of State liable for, the disclosure of any information by the Secretary of State to the ORR, the Parliamentary Commissioner for Administration, a Minister of the Crown, any department of the government of the United Kingdom, the Scottish Parliament, the National Assembly of Wales, the Mayor of London, the Greater London Authority or any department or officer of any of them or of information which is otherwise disclosed for the purpose of facilitating the carrying out of his functions.

**6. Provision of Information to the ORR**

The Franchisee hereby authorises the Secretary of State to provide to the ORR, to the extent so requested by the ORR, such information as may be provided to the Secretary of State in relation to the Franchisee under the Franchise Agreement.

**7. Disclosure by Comptroller and Auditor General**

The parties recognise that the Comptroller and Auditor General may, in pursuance of his functions under the Exchequer and Audit Department Act 1921, the National Audit Act 1983 and the Government Resources and Accounts Act 2000, disclose information which he has obtained pursuant to those Acts and which a party to the Franchise Agreement would not be able to disclose otherwise than under this Schedule 17.

**8. Continuing Obligation**

This Schedule 17 (and any other provisions necessary to give effect hereto) shall survive the termination of the Franchise Agreement, irrespective of the reason for termination.

**9. Freedom of Information – General Provisions**

9.1 The Franchisee acknowledges and shall procure that its agents and subcontractors acknowledge that the Secretary of State is subject to the requirements of the Freedom of Information Act and the Environmental Information Regulations and accordingly the Franchisee shall and shall procure that its agents and subcontractors shall assist and co-operate with the Secretary of State to enable the Secretary of State to comply with his information disclosure obligations under the Freedom of Information Act and/or the Environmental Information Regulations.

9.2 The Franchisee shall and shall procure that its agents and subcontractors shall:

- (a) transfer to the Secretary of State any Requests for Information received by the Franchisee (or its agents or subcontractors) as soon as practicable and in any event within two Weekdays of receiving any such Request for Information;
- (b) provide the Secretary of State with a copy of all information in its (or their) possession or power in the form that the Secretary of State requires within five Weekdays of the Secretary of State's request (or within such other period as he may specify); and
- (c) provide all necessary assistance as reasonably requested by the Secretary of State to enable him to respond to any Request for

Information within the time for compliance set out in section 10 of the Freedom of Information Act or regulation 5 of the Environmental Information Regulations as applicable.

- 9.3 The Secretary of State shall be responsible for determining in his absolute discretion, and notwithstanding any other provision in the Franchise Agreement or any other agreement, whether Confidential Information (as such term is defined in paragraph 1 of this Schedule 17) and/or any other information is exempt from disclosure in accordance with the provisions of the Freedom of Information Act and/or the Environmental Information Regulations.
- 9.4 The Franchisee shall not and shall procure that its agents and subcontractors shall not respond directly to any Request for Information unless expressly authorised to do so by the Secretary of State.
- 9.5 The Franchisee acknowledges and shall procure that its agents and subcontractors acknowledge that notwithstanding any provision to the contrary in the Franchise Agreement the Secretary of State may be obliged under the Freedom of Information Act and/or the Environmental Information Regulations and any related Code of Practice or other guidance to disclose information concerning the Franchisee and/or its agents and subcontractors:
- (a) in certain circumstances without consulting the Franchisee (or its agents and/or subcontractors where applicable); or
  - (b) following consultation with the Franchisee and having taken its views into account (and the views of its agents and/or subcontractors where applicable),

provided always that where applicable the Secretary of State shall in accordance with the provisions of the Freedom of Information Act and/or the Environmental Information Regulations take reasonable steps where appropriate to give the Franchisee advance notice or failing that to draw the disclosure to the Franchisee's attention after any such disclosure.

## 10. **Redactions**

10.1 Subject to paragraph 9, by no later than the date which is:

- (a) 4 weeks after the date of this Franchise Agreement (in respect of the Franchise Documents referred to in paragraphs (a) to (d) of the definition thereof);
- (b) 30 days after the date of notification by the Secretary of State to the Franchisee of another agreement that is required for publication (in respect of the Franchise Documents referred to in paragraph (e) of the definition thereof); and
- (c) 30 days after the date of any document varying the terms of any Franchise Document,

the Franchisee will provide to the Secretary of State details of any provisions of the Franchise Documents or any such variation which the Franchisee believes are exempt from disclosure in accordance with the provisions of the Freedom of Information Act, the Environmental Information Regulations and/or Section 73(3) of the Act (the "**Redactions**").

10.2 For each such Redaction the Franchisee should specify:

- (a) the exact text of the Franchise Document or variation that the Franchisee proposes is redacted;
- (b) whether the Franchisee proposes that the Redaction applies in relation to the publication of the relevant Franchise Document or variation on the website of the Department for Transport, on the register required to be maintained by the Secretary of State pursuant to Section 73 of the Act or on both such website and such register;
- (c) the reasons why the Franchisee believes that the proposed Redaction is justified in accordance with the Freedom of Information Act, the Environmental Information Regulations and/or Section 73(3) of the Act.

10.3 The Secretary of State shall consult with the Franchisee in relation to the Franchisee's proposed Redactions (provided that the same are provided to the Secretary of State in accordance with paragraph 10.1). If the Secretary of State and the Franchisee are unable to agree upon any proposed Redaction, the Secretary of State shall be entitled to determine, in his absolute discretion, whether or not to make such proposed Redaction. If the Franchisee does not provide its proposed Redactions to the Secretary of State in accordance with paragraph 10.1, the Franchisee shall be deemed to have consented to publication of the relevant document without any Redactions.

## **SCHEDULE 18**

### **Additional Reporting Periods**

1. **Expiry Date**

Subject to paragraph 2, the Franchise Agreement shall expire at 01:59 on 1 April 2016.

2. **Continuation for up to Additional Eleven Reporting Periods**

If the Secretary of State gives notice to the Franchisee on or before 23:59 on 21 December 2015, then the Franchise Agreement shall continue after the date on which the Franchise Agreement is due to expire in accordance with paragraph 1.1 on the terms set out in the Franchise Agreement for not less than one and not more than eleven Reporting Periods as the Secretary of State may stipulate in the notice.

3. **Key Contracts**

The Franchisee shall enter into any and all Key Contracts which are necessary for the Franchise Agreement to continue or be extended in accordance with this Schedule 18.

## **SCHEDULE 19**

### **Other Provisions**

#### **1. Rights Cumulative**

The rights of the Secretary of State under the Franchise Agreement are cumulative, may be exercised as often as he considers appropriate and are in addition to his rights under the general Law. The exercise of such rights shall not limit the Secretary of State's right to make payment adjustments, claim damages in respect of contraventions of the Franchise Agreement or pursue any available remedies under general Law.

#### **2. Disputes**

##### **Disputes under the Franchise Agreement**

- 2.1 Wherever the Franchise Agreement provides that the Secretary of State may reasonably determine any matter, the Franchisee may, unless the Franchise Agreement expressly provides otherwise, dispute whether a determination made by the Secretary of State is reasonable, but the Secretary of State's determination shall prevail unless and until it is agreed or found to have been unreasonable.
- 2.2 Where either party is entitled, pursuant to the terms of the Franchise Agreement, to refer a dispute arising out of or in connection with the Franchise Agreement for resolution or determination in accordance with the Dispute Resolution Rules, then such dispute shall, unless the parties otherwise agree and subject to any duty of the Secretary of State under Section 55 of the Act, be resolved or determined by arbitration pursuant to the Dispute Resolution Rules.
- 2.3 Where, in the absence of an express provision in the Franchise Agreement entitling it to do so, either party wishes to refer a dispute arising out of or in connection with the Franchise Agreement to arbitration pursuant to the Dispute Resolution Rules, the following process shall apply:
- (a) the party seeking to refer to arbitration shall serve a written notice upon the other party stating (i) the nature and circumstances of the dispute, (ii) the relief sought including, to the extent possible, an indication of any amount(s) claimed, and (iii) why it is considered that the dispute should be resolved by way of arbitration rather than litigation;
  - (b) the other party shall respond within 20 Weekdays of service of the notice confirming whether or not referral of the dispute to arbitration is agreed. In the absence of any response, the referral to arbitration shall be deemed not to have been agreed;
  - (c) in the event that the parties agree to refer the dispute to arbitration then it shall be resolved or determined in accordance with the Dispute Resolution Rules;
  - (d) in the event that the parties do not agree to refer to arbitration then it shall be resolved or determined in accordance with Clause 10 (Governing Law) of this Franchise Agreement; and

- (e) nothing in this paragraph 2.3 shall preclude either party from commencing, continuing or otherwise taking any step by way of litigation in pursuit of the resolution or determination of the dispute unless an agreement is reached to refer the dispute to arbitration.

2.4 The arbitrator in any dispute referred for resolution or determination under the Dispute Resolution Rules shall be a suitably qualified person chosen by agreement between the parties or, in default of agreement, chosen by the Disputes Secretary from a panel of persons agreed from time to time for such purposes between the Secretary of State and the Franchisee or, in default of agreement as to the arbitrator or as to such panel, selected on the application of any party by the President of the Law Society or the President of the Institute of Chartered Accountants in England and Wales from time to time (or such other person to whom they may delegate such selection).

### **Disputes under Other Agreements**

2.5 The Franchisee shall notify the Secretary of State of any disputes to which it is a party under any Inter-Operator Scheme, Access Agreement, Property Lease or Rolling Stock Related Contract, or under any other agreement in circumstances where the relevant dispute could have an adverse effect on the Franchisee's ability to comply with its obligations under the Franchise Agreement or on the provision of the Franchise Services and which have been submitted for resolution either to the courts or to any other procedure for dispute resolution provided for under such agreements.

2.6 Such notification shall be made both:

- (a) at the time of such submission (and such notification shall include reasonable details of the nature of the dispute); and
- (b) at the time of the resolution of the dispute (whether or not subject to appeal) (and such notification shall include reasonable details of the result of the dispute, any associated award and whether it is subject to appeal).

2.7 The Franchisee shall provide such further details of any dispute referred to in paragraph 2.5 as the Secretary of State may reasonably request from time to time.

### **3. Notices**

#### **Notices**

3.1

- (a) Any notice, notification or other communication under or in connection with the matters specified in Schedule 10.2 (Termination and Expiry) or any dispute under or in connection with the Franchise Agreement shall be in writing and shall be delivered by hand or recorded delivery or sent by pre-paid first class post to the relevant party at the address for service set out below, or to such other address in the United Kingdom as each party may specify by notice in writing to the other party:

Name: The Department for Transport

Address: 33 Horseferry Road, London SW1P 4DR

E-mail: franchise.notices@dft.gsi.gov.uk

Attention: The manager – TransPennine Express Franchise

Name: First/Keolis TransPennine Limited

Address: 50 Eastbourne Terrace, Paddington, London W2 6LG

E-mail: nick.donovan@firstgroup.com

Attention: Managing Director

(b) Any other notice, notification or other communication under or in connection with the Franchise Agreement shall be in writing and shall be delivered:

(i) in accordance with paragraph 3.1(a); or

(ii) by electronic data transfer,

except that it shall be marked for the attention of the Contract Manager or the Franchise Manager (as the case may be).

### **Deemed Receipt**

3.2 Any notice or other communication issued pursuant to paragraph 3.1 shall be deemed to have been received by the party to whom it is addressed as follows:

(a) if sent by hand or recorded delivery, when delivered;

(b) if sent by pre-paid first class post, from and to any place within the United Kingdom, three Weekdays after posting unless otherwise proven; and

(c) if sent by electronic data transfer, upon sending, subject to receipt by the sender of a "delivered" confirmation (provided that the sender shall not be required to produce a "read" confirmation).

### **4. Assignment**

The Franchisee shall not without the prior written consent of the Secretary of State assign, hold in trust for any other person, or grant a Security Interest in or over, the Franchise Agreement or any part hereof or any benefit or interest or right herein or hereunder (other than any right of the Franchisee to receive monies under a Supplemental Agreement).

### **5. Set Off**

5.1 Save as otherwise expressly provided under the Franchise Agreement or required by law, all sums payable under the Franchise Agreement shall be paid in full and without any set-off or any deduction or withholding including on account of any counter-claim.



- 5.2 Notwithstanding paragraph 5.1 the Secretary of State shall be entitled to set-off against any amounts payable by him under the Franchise Agreement:
- (a) any amount or liability payable or due to him under or in relation to the Franchise Agreement (whether such amount or liability is present, contingent and/or future, liquidated or unliquidated); and
  - (b) any monetary penalty payable under the Act.

## 6. **Miscellaneous Provisions**

### **Waivers**

#### 6.1

- (a) Either party may at any time waive any obligation of the other party under the Franchise Agreement and the obligations of the parties hereunder shall be construed accordingly.
- (b) No waiver by either party of any default by the other party in the performance of such party's obligations under the Franchise Agreement shall operate or be construed as a waiver of any other or further such default, whether of a like or different character. A failure to exercise or delay in exercising a right or remedy under the Franchise Agreement shall not constitute a waiver of any right or remedy or a waiver of any other rights or remedies and no single or partial exercise of any right or remedy under the Franchise Agreement shall prevent any further exercise of such right or remedy or the exercise of any other right or remedy.

### **Time Limits**

- 6.2 Where in the Franchise Agreement any obligation of a party is required to be performed within a specified time limit (including an obligation to use all reasonable endeavours or best endeavours to secure a particular result within such time limit) that obligation shall be deemed to continue after the expiry of such time limit if such party fails to comply with that obligation (or secure such result, as appropriate) within such time limit.

### **Partial Invalidity**

- 6.3 If any provision in the Franchise Agreement is held to be void, illegal, invalid or unenforceable, in whole or in part, under any enactment or rule of Law, such provision or part shall to that extent be deemed not to form part of the Franchise Agreement but the legality, validity and enforceability of the remainder of the Franchise Agreement shall not be affected.

### **Further Assurance**

- 6.4 Each party agrees to execute and deliver all such further instruments and do and perform all such further acts and things as shall be necessary or expedient for the carrying out of the provisions of the Franchise Agreement.

## **Rights of Third Parties**

### 6.5

- (a) A person who is not a party to the Franchise Agreement shall have no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of the Franchise Agreement except to the extent set out in this paragraph 6.5.
- (b) Any Successor Operator or potential Successor Operator nominated by the Secretary of State and notified to the Franchisee for the purposes of this paragraph 6.5 may enforce and rely on the provisions of Schedule 15 (Obligations Associated with Termination) to the same extent as if it were a party but subject to paragraphs 6.5(c) and (d).
- (c) The Franchise Agreement may be terminated, and any term may be amended or waived, in each case in accordance with the terms of the Franchise Agreement, without the consent of any person nominated under paragraph 6.5(b).
- (d) The person nominated under paragraph 6.5(b) shall only be entitled to enforce and rely on Schedule 15 (Obligations Associated with Termination) to the extent determined by the Secretary of State (whether at the time of nomination or at any other time) and, to the extent that any such person is entitled to enforce and rely on Schedule 15 (Obligations Associated with Termination), any legal proceedings in relation thereto must be commenced within one year of the expiry of the Franchise Period and any such person shall not be entitled to enforce or rely on Schedule 15 (Obligations Associated with Termination) to the extent that it has consented to any particular act or omission of the Franchisee which may constitute a contravention of Schedule 15 (Obligations Associated with Termination) or has been afforded a reasonable opportunity to indicate to the Franchisee that it is not so consenting and has not so indicated (the extent of such reasonable opportunity to be determined by the Secretary of State unless otherwise agreed).

## **Secretary of State's Consent or Approval**

- 6.6 Where any provision of the Franchise Agreement provides for any matter to be subject to the consent or approval of the Secretary of State, then (subject only to the express terms of that provision as to the basis on which that consent or approval may be given or withheld) the Secretary of State shall be entitled to give that consent or approval subject to any condition or conditions as he considers appropriate, which may include the adjustment of any of the terms of the Franchise Agreement.

## **7. Enforcement Costs**

The Franchisee shall compensate the Secretary of State for all reasonable costs incurred by the Secretary of State as a result of the Franchisee failing to perform its obligations under the Franchise Agreement in accordance with their terms in the exercise of the Secretary of State's rights under Schedule 10 (Remedies, Termination and Expiry).

