

THIS AGREEMENT is dated ____ September 2006

BETWEEN

- (1) **THE SECRETARY OF STATE FOR TRANSPORT**, whose principal address is at 76 Marsham Street, London SW1P 4DR (the *Secretary of State*); and
- (2) **STAGECOACH SOUTH WESTERN TRAINS LIMITED**, whose registered office is at *Friars Bridge Court, 41-45 Blackfriars Road, London, SE1 8NZ*¹ (the *Franchisee*).

WHEREAS

(A) The Secretary of State wishes to appoint a franchisee to provide railway passenger services within the Franchise and expects his franchisee, on the terms of this Agreement, actively to seek, in all reasonable business ways, greatly improved performance over the Franchise Term from its employees, its Train Fleet and other assets, and from Network Rail and its other suppliers, so as to deliver to the passenger the best railway passenger service that can be obtained from the resources that are available to it.

(B) The Franchisee wishes to be appointed as the Secretary of State's franchisee for the Franchise and intends, on the terms of this Agreement, actively to seek, in all reasonable business ways, greatly improved performance over the Franchise Term from its employees, its Train Fleet and other assets, and from Network Rail and its other suppliers, so as to deliver to the passenger the best railway passenger service that can be obtained from the resources that are available to it.

(C) This Agreement has been entered into pursuant to and incorporates by reference the Terms. This Agreement specifies the matters which the Terms require to be addressed in a franchise agreement and which are to be agreed between the parties or prescribed by the Secretary of State, together with any other provisions that the parties have agreed should amend or supplement the Terms.

(D) The following provisions of this Agreement are intended to reflect and give effect to the matters referred to in Recitals (A) to (C) inclusive.

1. INTERPRETATION AND DEFINITIONS

1.1 In this Agreement:

Conditions Precedent Agreement means the agreement between the Secretary of State and the Franchisee of even date herewith specifying certain conditions to be satisfied prior to the issue of a Franchise Commencement Certificate;

Terms means the National Rail Franchise Terms (Second Edition), attached to this Agreement.

1.2 The Terms are hereby incorporated by reference in this Agreement.

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

¹ Insert change text wef 25/04/07

1.4 This Agreement shall be interpreted in accordance with the Terms, for which purpose terms defined therein shall have the same meanings where used in this Agreement, unless this Agreement expressly provides to the contrary.

1.5 If there is any conflict between the terms of this Agreement and the Terms, the terms of this Agreement shall prevail.

2. COMMENCEMENT

2.1 The provisions of the Terms listed in clauses 2.1(a) to 2.1(n) (inclusive) together with such provisions of this Agreement as may be required to give effect to the same, shall take effect and be binding upon each of the Secretary of State and the Franchisee immediately upon signature of this Agreement:

- (a) paragraph 5.3 of Schedule 1.4 (*Passenger Facing Obligations*);
- (b) paragraph 2 of Schedule 2.2 (*Security of Access Agreements, Rolling Stock Leases, Station and Depot Leases*);
- (c) paragraph 2 of Schedule 2.3 (*Third Party Delivery of Passenger Services and Other Franchisees*);
- (d) Schedule 5.1 (*Purpose, Structure and Construction*);
- (e) Schedule 5.3 (*Allocation of Fares to Fares Baskets*);
- (f) Schedule 5.7 (*Changes to Fares and Fares Regulation*);
- (g) Schedule 9 (*Changes*);
- (h) Schedule 10 (*Remedies, Termination and Expiry*);
- (i) paragraphs 1 to 3 (inclusive) of Schedule 11 (*Agreement Management Provisions*);
- (j) paragraph 4 of Schedule 12 (*Financial Obligations and Covenants*);
- (k) paragraphs 1, 2, 5, 6, 7 and 8 of Schedule 13 (*Information and Industry Initiatives*);
- (l) Schedule 14.3 (*Key Contracts*);
- (m) Schedule 17 (*Confidentiality*); and
- (n) Schedule 19 (*Other Provisions*).

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

3. TERM

This Agreement shall terminate on the Expiry Date or on the date of any earlier termination pursuant to clause 2.2(a) of the Conditions Precedent Agreement or pursuant to Schedule 10 (*Remedies, Termination and Expiry*) of the Terms.

4. GENERAL OBLIGATIONS

4.1 The Franchisee shall perform its obligations under this Agreement in accordance with their 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.

4.2 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.

4.3 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 Agreement.

4.4 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 Agreement.

5. SPECIFIC OBLIGATIONS

The following provisions shall apply for the purpose of implementing the Terms.

Clause 3 (*Definitions*)

5.1 The following words and expressions contained in clause 3.1 of the Terms shall be interpreted in accordance with the following:

- (a) the prescribed month for the purpose of the definition of ***Bond Year*** is February;
- (b) the prescribed stations for the purpose of the definition of ***Commuter Fare*** are:
 - (i) London Stations; and
 - (ii) Suburban Stations;
- (c) the ***Commuter Fares Document*** in the agreed terms is attached to this Agreement marked ***CFD***;
- (d) the schemes for the purpose of the definition of ***Discount Fare Scheme*** are:
 - (i) ATOC Disabled Persons Railcard Scheme dated 23 July 1995 between the participants named therein;
 - (ii) ATOC Young Persons Railcard Scheme dated 23 July 1995 between the participants named therein; and
 - (iii) ATOC Senior Railcard Scheme dated 23 July 1995 between the participants named therein;
- (e) the prescribed period for the purpose of the definition of ***Evening Peak*** is the period between 1600 and 1859 during a Weekday or such other continuous evening three hour period as the Secretary of State may specify from time to time;
- (f) the prescribed date for the purpose of paragraph (b) of the definition of ***Expiry Date*** is 4 February 2017;
- (g) for the purposes of the definition of ***Franchise***:

- (i) the prescribed date is 31 March 2006; and
 - (ii) the prescribed places are London, Guildford, Reading, Basingstoke, Woking, Southampton, Bournemouth, Portsmouth, Bristol, Weymouth, Salisbury and Exeter, amongst others;
- (h) the date for the purposes of the definition of **Franchise Letting Process Agreement** is 11 January 2006;
- (i) each **Franchisee Year** shall, subject to the terms of that definition, begin on 1 April and end on 31 March;
- (j) the **Initial Business Plan** in the agreed terms is attached to this Agreement marked **IBP**;
- (k) the date for the purpose of the definition of **Initial Expiry Date** is 1 February 2014;
- (l) the schemes for the purpose of the definition of **Inter-Operator Scheme** are:
 - (i) ATOC Staff Travel Scheme dated 23 July 1995 between the participants named therein;
 - (ii) Ticketing and Settlement Agreement;
 - (iii) ATOC LRT Scheme dated 23 July 1995 between the participants named therein;
 - (iv) Travelcard Agreement dated 15 October 1995 between London Regional Transport and the parties named therein;
 - (v) Through Ticketing (Non-Travelcard) Agreement dated 15 October 1995 between London Regional Transport and the parties named therein; and
 - (vi) National Rail Enquiry Scheme dated 11 June 1996 between the participants named therein;
- (m) the prescribed station for the purpose of the definition of **Managed Station** is London Waterloo station;
- (n) the prescribed amount for the purpose of the definition of **Minor Works' Budget** is £250,000 for each Franchisee Year;
- (o) the prescribed period for the purpose of the definition of **Morning Peak** is the period between 0700 and 0959 during a Weekday or such other continuous morning three hour period as the Secretary of State may specify from time to time;
- (p) the **Operational Model** in the agreed terms is attached to this Agreement marked **OM**;
- (q) **Parent** means
 - (i) in the context of Schedule 10.3 (*Events of Default and Termination Event*) to the Terms, either Stagecoach Group plc or the Integrated Transport Company Limited; and
 - (ii) in all other contexts Stagecoach Group plc;

- (r) the *Passenger's Charter* in the agreed terms is attached to this Agreement marked **PC**;
- (s) the *Power of Attorney* in the agreed terms is attached to this Agreement marked **POA**;
- (t) the *Protected Fares Document* in the agreed terms is attached to this Agreement marked **PFD**;
- (u) for the purpose of the definition of *Qualifying Change*, the prevailing discount rate is 3.5 per cent. per annum (in real terms) at the date of this Agreement;
- (v) the *Record of Assumptions* in the agreed terms is attached to this Agreement marked **ROA**;
- (w) the *Reporting Accountants* are Ernst & Young LLP;
- (x) the date for the purpose of paragraph (a) of the definition of *Review Date* is 4 January 2007;
- (y) the agreed assumptions for the purpose of the definition of *Secretary of State Risk Assumptions* are set out in Appendix 1 (*Secretary of State Risk Assumptions*);
- (z) the *Service Level Commitments* in the agreed terms are attached to this Agreement marked **SLC1** and **SLC2**;
- (aa) *Service Quality Audit Programme* in the agreed terms is attached to this Agreement marked **SQAP**;
- (ab) the *Service Quality Management System* in the agreed terms is attached to this Agreement marked **SQMS**;
- (ac) the *Service Quality Standards* in the agreed terms are attached to this Agreement marked **SQS**;
- (ad) the time and date for the purpose of paragraph (a) of the definition of *Start Date* is 0200 on 4 February 2007;
- (ae) the agreed amounts of "TR" for the purpose of the definition of *Target Revenue* are set out in Appendix 2 (*Target Revenue (expressed in real terms)*);
- (af) for the purposes of the formula set out in the definition of *Threshold Amount*:
 - (i) the prescribed threshold amount for any Franchise Year, referred to by the acronym "FAT" is 0.1 per cent. of annual Turnover assumed by the Franchisee as at the date of this Agreement;
 - (ii) the prescribed month for the purpose of the definition of "CRPI" is January; and
 - (iii) the prescribed base month and year for the purpose of the definition of "ORPI" are January 2006;
- (ag) the *Train Plan* in the agreed terms is attached to this Agreement marked **TP**.

Changes to the Terms

5.2 The Terms shall be amended by:

(a) the insertion in clause 3.1 thereof of the following definitions:

²Additional Phase 1 Capacity means the additional number of vehicles over and above the Windsor & Eton Base Capacity and the Waterloo Mainline Base Capacity as described in paragraph 4.2 of Part 4 of Appendix 11(Committed Obligations and HLOS Committed Obligations);

³Alstom means Alstom Transport Limited (Registered Number 293588), a company incorporated in England and Wales whose registered office is at Newbold Road, Rugby, Warwickshire, CV 21 2NH;

Airtrack Project means the proposed project for the improvement of rail access to Heathrow Airport from the south, which as currently envisaged would comprise three sets of passenger rail services operating to Terminal 5 at Heathrow Airport from London Waterloo, Guildford and Reading;

⁴Base Capacity means each and/or both of the Waterloo Mainline Base Capacity and the Windsor & Eton Base Capacity, as the context requires;

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² Date of insertion 23/12/2011

³ Date of insertion 23/12/2011

⁴ Date of insertion 23/12/2011

⁵ 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.

⁶ 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.

⁷ 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 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.

⁹*Class 450 Maintenance Contract has the meaning described in paragraph 13 of Part 4 of Appendix 11 (Committed Obligations and HLOS Committed Obligations);*

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Crossrail Scheme means the scheme known as ‘Crossrail’ which is the subject of the Crossrail Bill before Parliament as of the date of this Agreement;

¹¹*Customer Information System means a system of information screens showing passenger train arrival and departure and other relevant information;*

¹²*Decision Period has the meaning attributed to it in paragraph 5 of Part 4 of Appendix 11 (Committed Obligations and HLOS Committed Obligations);*

Demand Management Principles has the meaning given to it in paragraph 10.2 of Appendix 13 (*South Western Specific Provisions*) to the Franchise Agreement;

Demand Management Principles Document means the principles document in the agreed terms marked *DMPD*;

Demand Management Regulation has the meaning given to it in paragraph 10.1 of Appendix 13 (*South Western Specific Provisions*) to the Franchise Agreement;

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¹⁴*First Hole in the Wall means the doorway intended for future passenger access to and from platform 20 located in the wall between platform 19 of Waterloo station and Waterloo International station which is closest to the buffer stops of platform 19 as at the date of the HLOS Deed of Amendment (being located approximately 90 metres from such buffer stops);*

GSM-R means the radio communication system known as the Global Standard for Mobile Communications – Railway;

¹⁵*High Peak means the period between and including 08.00 and 08.59 inclusive on a weekday which is not a public holiday in England;*

⁹ Date of insertion 23/12/2011

¹⁰ 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.

¹¹ Date of insertion 23/12/2011

¹² Date of insertion 23/12/2011

¹³ 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.

¹⁴ Date of insertion 23/12/2011

¹⁵ Date of insertion 23/12/2011

¹⁶*HLOS Committed Obligations means any of the Franchisee's obligations listed in Part 4 of Appendix 11 (Committed Obligations and HLOS Committed Obligations);*

¹⁷*HLOS Committed Obligation Payment Adjustment has the meaning attributed to it in paragraph 1.1 of Part 5 of Appendix 11 (Committed Obligations and HLOS Committed Obligations);*

¹⁸*HLOS Deed of Amendment means the Deed of Amendment dated 23rd December 2011 entitled 'Deed Of Amendment relating to the South Western Franchise Agreement – HLOS' made between the Secretary of State and the Franchisee;*

¹⁹*HLOS Franchise Payment Adjustment means, the amounts payable pursuant to paragraphs 1.7, 2.2, 3.4, 7.2, 7.3, 7.5, 9.2, 12.3 and 13 of Part 4 of Appendix 11 (Committed Obligations and HLOS Committed Obligations) ;*

²⁰*HLOS Milestone has the meaning attributed to it in paragraph 1.1 of Part 5 of Appendix 11 (Committed Obligations and HLOS Committed Obligations);*

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Invitation to Tender means the South Western Franchise Invitation to Tender dated March 2006;

ITSO means the Integrated Transport Smartcard Organisation;

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¹⁶ Date of insertion 23/12/2011

¹⁷ Date of insertion 23/12/2011

¹⁸ Date of insertion 23/12/2011

¹⁹ Date of insertion 23/12/2011

²⁰ Date of insertion 23/12/2011

²¹ **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.**

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²⁴ **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.**

²⁶*Milestone Deadline has the meaning attributed to it in paragraph 1.1 of Part 5 of Appendix 11 (Committed Obligations and HLOS Committed Obligations);*

²⁷*Modification Agreement means the agreement entered into between the Franchisee, Porterbrook and Alstom on or about the date of the HLOS Deed of Amendment under which the Phase 1 Rolling Stock is to be created by adding an additional vehicle formerly included in a Class 460 unit to existing four vehicle Class 458 units and creating new five vehicle Class 458/5 units entirely from former Class 460 vehicles;*

Off-peak Return Fare means a Fare which is a Permanent Fare and which entitles the purchaser to make a journey in each direction in Standard Class Accommodation between the stations and/or 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, and which expires no earlier than 0200 on the day after the day of the outward journey, or if later, the time the relevant journey may be completed if commenced before 0200;

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Oyster fare means the fare charged to a passenger using an Oystercard for a journey;

Oyster Pay As You Go means the scheme operated by TfL for prepaid travel using a monetary value added onto an Oystercard before the start of a journey;

³⁰*Passenger Information System means a public address system on a relevant platform able to provide announcements of reasonable volume and clarity along the reasonable operational length of such platform;*

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

²⁵ 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.

²⁶ Date of insertion 23/12/2011

²⁷ Date of insertion 23/12/2011

²⁸ 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.

²⁹ 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.

³⁰ Date of insertion 23/12/2011

³¹*Phase 1 Rolling Stock means the rolling stock vehicles described in paragraph 1.2 of Part 4 of Appendix 11 (Committed Obligations and HLOS Committed Obligations);*

³²*Phase 1 Rolling Stock Lease means the lease between the Franchisee and Porterbrook dated on or about the date of the HLOS Deed of Amendment in relation to Phase 1 Rolling Stock;*

Point-to-Point Ticket has the meaning given to it in the Through Ticketing (Non-Travelcard) Agreement;

³³*Porterbrook means Porterbrook Leasing Company Limited (Registered Number 2912662), a company incorporated in England and Wales whose registered office is at Ivatt House, 7 the Point, Pinnacle Way, Pride Park, Derby DE24 8ZS;”*

Previous Passenger Service means any railway passenger service operated under the Previous Franchise Agreement that is the same or substantially the same as any Passenger Service in terms of departure and arrival times and stopping patterns;

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Short Formation means the operation of a railway passenger service with fewer rolling stock vehicles than the number of rolling stock vehicles scheduled to be operated by the Train Operator under the Previous Franchise Agreement or by the Franchisee, as applicable;

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SLC1 means Service Level Commitment 1 in the agreed terms;

SLC2 means Service Level Commitment 2 in the agreed terms;

³¹ Date of insertion 23/12/2011

³² Date of insertion 23/12/2011

³³ Date of insertion 23/12/2011

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³⁶ **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.**

³⁷ **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.**

TfL means Transport for London;

TfL railway passenger services, tramway and bus services means the railway passenger services, tramway services and bus services provided by or on behalf of TfL, its Affiliates or contractors;

TfL stations means the stations at which TfL or any of its Affiliates or contractors provides railway passenger services;

³⁸**Total Loss of a Unit** has the meaning attributed to it in paragraph 5 of Part 4 of Appendix 11 (Committed Obligations and HLOS Committed Obligations);

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Travelcard has the meaning given to it in the Travelcard Agreement;

Thameslink Programme means the scheme promoted by Network Rail formerly known as ‘Thameslink 2000’, as described in its 2005 Transport and Works Act 1992, to enhance the network and relevant stations to allow the operation of 12-car trains and up to 24 trains per hour between Midland Mainline/Great Northern and London Bridge/Elephant & Castle, or such other capacity scheme derived from that specification as is agreed by the Secretary of State, Network Rail and all relevant stakeholders;

TranSys means Transaction Systems Limited;

Vehicle Change has the meaning given to it in the Network Code;

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⁴¹**Waterloo Mainline Base Capacity** means the capacity (measured by number of vehicles) which the parties have agreed for the purpose of Part 4 of Appendix 11 (Committed Obligations and HLOS Committed Obligations) the Franchisee is to be regarded as being capable of planning to operate in the provision of the Waterloo Mainline Services:-

(i) to arrive at Waterloo or Waterloo International in the Morning Peak (and in the High Peak) and

(ii) to depart from Waterloo or Waterloo International in the Evening Peaks using the Train Fleet without the Phase 1 Rolling Stock being:-

³⁸ Date of insertion 23/12/2011

³⁹ 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.

⁴⁰ 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.

⁴¹ Date of insertion 23/12/2011

(a) subject to b) below, the capacity set out in Section B of Annex 1 to Part 4 in the column headed Waterloo Mainline Base Capacity(2) Dec 08”(based on the Train Fleet deployed in the Peak and High Peak in the Train Plan for the December 2008 Passenger Change Date); or

(b) such amended capacity as notified by the Franchisee in accordance with paragraph 6 of Part 4;

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⁴³*Waterloo Mainline Services means the group of Passenger Services more particularly described in Service Groups HY03 (Waterloo – West of England); HY04 (Waterloo – Farnham / Alton); HY07 (Waterloo – Portsmouth) and HY08 (Waterloo – Weymouth) as set out in schedule 5 to the Track Access Agreement as at the date of the HLOS Deed of Amendment;”*

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⁴⁵*Windsor & Eton Base Capacity means the capacity (measured by number of vehicles) which the parties have agreed for the purpose of Part 4 of Appendix 11 (Committed Obligations and HLOS Committed Obligations) the Franchisee is to be regarded as being capable of planning to operate in the provision of the Windsor & Eton Services:-*

(i) to arrive at Waterloo or Waterloo International in the Morning Peak (and in the High Peak) and

(ii) to depart from Waterloo or Waterloo International in the Evening Peaks using the Train Fleet without the Phase 1 Rolling Stock being:-

(a) subject to b) below, the capacity set out in Section B of Annex 1 to Part 4 in the column headed “Windsor and Eton Base Capacity (3) – Dec 08” (based on the Train Fleet deployed in the Peak and High Peak in the Train Plan for the December 2008 Passenger Change Date); or

⁴² **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.**

⁴³ Date of insertion 23/12/2011

⁴⁴ **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.**

⁴⁵ Date of insertion 23/12/2011

(b) *such amended capacity as notified by the Franchisee in accordance with paragraph 6 of Part 4;*”

Windsor and Eton Routes means those parts of the national rail network which are used by the Franchisee to provide the Windsor and Eton Services;

⁴⁶Windsor & Eton Services means the group of Passenger Services serving Windsor and Eton more particularly described in Service Groups HY05(Windsor Inners) and HY06(Windsor Outers) as set out in Schedule 5 to the Track Access Agreement as at the date of the HLOS Deed of Amendment;

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Schedule 1.1 (Service Development)

5.3 For the purpose of paragraph 3.1 of Schedule 1.1 (*Service Development*) of the Terms, Tables 1 and 2 are set out Appendix 3 (*The Train Fleet*).

Schedule 1.5 (Information about Passengers)

5.4 The technology to be used for the purpose of paragraph 1.2 of Schedule 1.5 (*Information about Passengers*) of the Terms on the 455, 458, 158 and 159 fleets⁴⁹

Level of Expenditure

The cost of installation on the non-Desiro fleet is estimated to be £⁵⁰, which is broken down as shown in the table below. Should the cost be less than this estimate, the Franchisee reserves the right to spend less than this amount.

Rolling Stock	Units to be fitted	Vehicles to be fitted	Estimated Overall Price per vehicle⁵¹	Estimated Total Cost⁵²
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⁴⁶ Date of insertion 23/12/2011

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455 (4-car)	23	92		
159 (3-car)	6	18		
158 (3-car)	1	3		
158 (2-car)	2	4		
458 (4-car)	8	32		
TOTAL	40	149		

Extent of Fitment and Timeframe for Completion

Rolling Stock	Total Units	PLD System	Units to be fitted (or already fitted)	Percentage of Fleet	Timescale ⁵³
455 (4-car)	91	Infrared	23	25%	
159 (3-car)	22	Infrared	6	27%	
158 (3-car)	5	Infrared	1	20%	
158 (2-car)	9	Infrared	2	22%	
458 (4-car)	30	Infrared	8	27%	
450 (4-car)	127*	Infrared	39	31%	
444 (5-car)	45	Infrared	12	27%	

*Includes 17 new Class 450s

Interim Measures to Determine Passenger Load

During the transition to automated counts, the Franchisee shall continue with the existing annual physical passenger counts in the Waterloo Station to Clapham Junction sections.

The Franchisee will carry out manual counts throughout the Franchise Term on the Isle of Wight and the Lymington branch line because the Franchisee does not consider it economic to fit infrared equipment to the ex-LUL/heritage fleet. Instead, ad hoc manual counts will be undertaken by operations staff on designated days across the year. Specific focus will be given to the summer months as both lines experience a high level of seasonality

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⁵² 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.

⁵³ 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 1.6 (*Franchise Services*)

5.5 The prescribed percentages for the purposes of paragraphs 5(d)(i) and (ii) of Schedule 1.6 (*Franchise Services*) of the Terms are, respectively:

- (a) 1.25 per cent.; and
- (b) 1 per cent.

5.6 The relevant Depots for the purpose of paragraph 5(e) of Schedule 1.6 of the Terms are as follows:

- (a) Basingstoke Barton Mill Depot;
- (b) Bournemouth Depot;
- (c) Clapham Depot
- (d) Farnham Depot;
- (e) Fratton Depot;
- (f) Salisbury Depot;
- (g) Strawberry Hill Depot;
- (h) Wimbledon Depot; and
- (i) prospectively, Poole Depot.

5.7 The relevant property for the purpose of paragraph 5(n) of Schedule 1.6 of the Terms is as follows:

- (a) accommodation at Friars Bridge Court, Blackfriars Road, London, SE1;
- (b) accommodation at Overline House, Southampton;
- (c) accommodation at White Rose Court, Oriental Road, Woking;
- (d) accommodation at Springpark House, Basingstoke; and
- (e) accommodation at Viewpoint, Basingstoke.

5.8 The prescribed 'Original Amounts' for the purposes of paragraph 5(q) of Schedule 1.6 of the Terms are:

- (a) £25,000 per annum per item; and
- (b) £250,000 per annum in aggregate.

Schedule 2.1 (*Asset Vesting and Transfer*)

5.9 The provisions of Part 1 of Schedule 2.1 (*Asset Vesting and Transfer*) of the Terms shall apply, for which purpose any new Property Leases shall be in the agreed terms attached to this Agreement marked **SL** and **DL** (as appropriate).

Schedule 2.3 (*Third Party Delivery of Passenger Services and Other Franchisees*)

5.10 The prescribed percentage for the purpose of paragraph 1.2(d) of Schedule 2.3 (*Third Party Delivery of Passenger Services and Other Franchisees*) of the Terms is five per cent.

Schedule 2.5 (*Transport, Travel and Other Schemes*)

5.11 The prescribed Integrated Transport Schemes for the purpose of paragraph 1.1 of Schedule 2.5 (*Transport, Travel and Other Schemes*) of the Terms are as follows:

None.

5.12 *The prescribed concessionary travel schemes for the purpose of paragraph 2.1(a) of Schedule 2.5 of the Terms are as follows:*

(a) *London Concessionary Fare Schemes*

(b) *Educational Season Ticket Schemes*

Surrey Educational Season Ticket Scheme
Hampshire Educational Season Ticket Scheme

(c) *Island Line Concessionary Fares Schemes*

Student Rider
*Islander Card*⁵⁴

5.13 The prescribed multi-modal schemes for the purpose of paragraph 3.1(a) of Schedule 2.5 of the Terms are as follows:

None.

Schedule 3 (*Priced Options*)

5.14 The Priced Options and the terms upon which the Secretary of State may exercise each Priced Option for the purpose of Schedule 3 (*Priced Options*) of the Terms, are set out in Appendix 4 (*List of Priced Options*).

Schedule 5.7 (*Changes to Fares and Fares Regulation*)

5.14A Schedule 5.7 (*Changes to Fares and Fares Regulation*) of the Terms shall be amended by the insertion of the following heading and paragraph immediately after paragraph 8:

“9. **Fares between London Stations**

9.1 The Franchisee shall negotiate during each Fares Setting Round with each other Train Operator that is a Lead Operator in respect of services that call at or operate between any London Stations and agree the prices to be charged for Single Fares, Return Fares, Season Ticket Fares and Off-peak Return Fares for travel between each London Station and each other London Station.

⁵⁴ Insert change text wed 25/04/07

9.2 With effect from 1 January 2007, unless otherwise agreed with the Secretary of State, Single Fares, Return Fares and Off-peak Return Fares shall be set so that the same price shall apply for any journey which involves travel within or across the same Zone or Zones. The Franchisee shall:

- (a) use all reasonable endeavours to agree with such other Lead Operators, any terms and conditions necessary for those Fares or for those journeys, including the time period to be designated “Off-peak”, so that the same terms, conditions and (in the case of Off-peak Return Fares) time restrictions shall apply to journeys between any two London Stations; and
- (b) for those purposes, exchange such information as may be reasonably necessary for or associated with reaching and reviewing such agreement.

9.3 With effect from 1 January 2010, unless otherwise agreed with the Secretary of State, Season Ticket Fares set in accordance with paragraph 9.1 shall be set so that the same price shall apply for any journey which involves travel within or across the same Zone or Zones. The Franchisee shall use all reasonable endeavours to agree with the other Lead Operators any terms and conditions necessary for those Fares or for those journeys so that the same terms and conditions shall apply to Season Ticket Fares between any two London Stations.

9.4 The Single Fares, Return Fares and Season Ticket Fares (but not Off-peak Return Fares) set in line with paragraphs 9.1 to 9.3 (inclusive) shall remain subject to the Fares regulation set out in this Schedule 5 (*Fares*). The Secretary of State shall, where reasonably necessary to enable the Franchisee to comply with its obligations under this paragraph 9, grant such waivers of the terms of Schedule 5.5 (*Regulation of Individual Fares*) as are reasonably necessary in respect of the Fare Year in which Season Ticket Fares are first set on a zonal basis in order to comply with the provisions of paragraph 9.3.

Schedule 7.1 (*Performance Benchmarks*)

5.15 The Cancellations Benchmarks for the purpose of paragraph 1.1 of Schedule 7.1 (*Performance Benchmarks*) of the Terms are set out in Appendix 5 (*Cancellations Benchmark Table*).

5.16 The Capacity Benchmarks for the purpose of paragraph 1.2 of Schedule 7.1 of the Terms are set out in Appendix 6 (*Capacity Benchmark Table*).

5.17 The Service Delivery Benchmarks for the purpose of paragraph 1.4 of Schedule 7.1 of the Terms are set out in Appendix 7 (*Service Delivery Benchmark Table*).

Schedule 8.1 (*Franchise Payments*)

5.18 The prescribed percentage for the purpose of paragraph 3.1 of Schedule 8.1 (*Franchise Payments*) of the Terms shall, in relation to a Franchisee Year, be the percentage specified for that Franchisee Year in column 2 of the table below:

Column 1	Column 2
Franchisee Year	Prescribed percentage ⁵⁵

⁵⁵ 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.

Column 1	Column 2
Franchisee Year	Prescribed percentage⁵⁵
Year 1	
Year 2	
Year 3	
Year 4	
Year 5	
Year 6	
Year 7	
Year 8 (if the Franchise is not extended in accordance with Schedule 18)	
Year 8 (if the Franchise is extended in accordance with Schedule 18)	
Up to 7 Reporting Period extension	
Year 9	
Year 10	
Year 11	
Up to 7 Reporting Period extension	

5.19 The prescribed percentages to be applied to the formula set out in paragraph 3.2(c) of Schedule 8.1 of the Terms are in relation to a Franchise Year:

- (a) for paragraph (a) of factor “A”, the percentage specified for that Franchise Year in column 2 of the table below;
- (b) for paragraph (b) of factor “A”, the percentage specified for that Franchise Year in column 3 of the table below;
- (c) for factor “X”, the percentage specified for that Franchise Year in column 4 of the table below;
- (d) for factor “B”, the percentage specified for that Franchise Year in column 5 of the table below; and
- (e) for factor “Y”, the percentage specified for that Franchise Year in column 6 of the table below,⁵⁶

⁵⁶ 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)

5.20 The agreed figures for the purposes of the definitions of “FXD”, “VCRPI”, “VCAEI”, “PRPI” and “TRRPI” in the formula set out in Schedule 8.2 (*Annual Franchise Payments*) of the Terms are shown in the table set out in Appendix 8 (*Figures for Calculation of Annual Franchise Payments*).

5.21 The prescribed month and the prescribed date for the purposes of the definitions of “RPI” and “AEI” in the formula set out in Schedule 8.2 of the Terms are, respectively, January and January 2006.

Schedule 9.3 (Runs of the Financial Model)

5.22 The percentage agreed profit margin for the purpose of paragraphs 7.1(a) and (b)(i) of Schedule 9.3 (*Runs of the Financial Model*) of the Terms shall, in relation to a Franchisee Year, be the percentage specified for that Franchisee Year in column 2 of the table below:

Column 1	Column 2
Franchisee Year	Percentage Agreed Profit Margin⁵⁷
Year 1	
Year 2	
Year 3	
Year 4	
Year 5	
Year 6	
Year 7	
Year 8 (if the Franchise is not extended in accordance with Schedule 18)	
Year 8 (if the Franchise is extended in accordance with Schedule 18)	
Up to 7 Reporting Period extension	
Year 9	
Year 10	
Year 11	
Up to 7 Reporting Period extension	

⁵⁷ 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 12 (*Financial Obligations and Covenants*)

5.23 The agreed amounts of any Performance Bond for the purposes of paragraphs 4.4(a), (b) and (c) of Schedule 12 (*Financial Obligations and Covenant*) of the Terms are, respectively:

- (a) £⁵⁸, being ⁵⁹ per cent. of the aggregate forecast operating costs of the Franchisee for the period from the date of this Agreement to the first anniversary of the Start Date referred to in sub-paragraph (a), as forecast in the Initial Business Plan;
- (b) £⁶⁰, being ⁶¹ per cent. of the annual aggregate forecast operating costs of the Franchisee for the second year referred to in sub-paragraph (b), as forecast in the Initial Business Plan; and
- (c) as follows for the third and subsequent years referred to in sub-paragraph (c):
 - (i) £⁶², being ⁶³ per cent. of the annual aggregate forecast operating costs of the Franchisee for the third year referred to in sub-paragraph (c), as forecast in the Initial Business Plan;
 - (ii) £⁶⁴, being ⁶⁵ per cent. of the annual aggregate forecast operating costs of the Franchisee for the fourth year following the Start Date, as forecast in the latest practicably available Business Plan;

⁵⁸ 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.

⁵⁹ 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.

⁶⁰ 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.

⁶¹ 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.

⁶² 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.

⁶³ 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.

⁶⁴ 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.

⁶⁵ 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.

- (iii) £⁶⁶, being ⁶⁷ per cent. of annual aggregate forecast operating costs of the Franchisee for the fifth year following the Start Date and ⁶⁸per cent. of annual aggregate forecast operating costs of the Franchisee for each subsequent year referred to in sub-paragraph (c), as forecast in the latest practicably available Business Plan.

Schedule 14.3 (*Key Contracts*)

5.24 Key Contracts as at the date of this Agreement for the purpose of paragraph 1.2 of Schedule 14.3 (*Key Contracts*) of the Terms are set out in Appendix 9 (*List of Key Contracts*).

Schedule 14.4 (*Designation of Franchise Assets*)

5.25 The Primary Franchise Assets as at the date of this Agreement for the purpose of paragraph 2(a) of Schedule 14.4 (*Designation of Franchise Assets*) of the Terms are listed in Appendix 10 (*List of Primary Franchise Assets*).

Schedule 16 (*Pensions*)

5.26 The relevant sections of the Railways Pension Scheme for the purpose of paragraph 1 of Schedule 16 (*Pensions*) of the Terms are:

- (a) the Island Line Limited Shared Cost Section; and
- (b) the South West Trains Shared Cost Section.

Schedule 18 (*Franchise Continuation Criteria*)

5.27 The relevant date for the purpose of paragraph 1.2 of Schedule 18 (*Franchise Continuation Criteria*) of the Terms is the date prescribed in paragraph (b) of the definition of Expiry Date.

Schedule 19 (*Other Provisions*)

5.28 *The details of the parties for the purpose of paragraph 5.1(a) of Schedule 19 (Other Provisions) of the Terms are as follows.*

Name: ***The Department for Transport***

Address: ***33 Horseferry Road, London SW1P 4DR⁶⁹***

⁶⁶ 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.

⁶⁷ 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.

⁶⁸ 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.

⁶⁹ Date of change 04/01/2012

Facsimile: 020 7944 2446
E-mail: *franchise.notices@dft.gsi.gov.uk*
Attention: *Director, Rail Commercial Contracts*⁷⁰

Name: *Stagecoach South Western Trains Limited*
Address: *Friars Bridge Court, 41-45 Blackfriars Road, London SE1 8NZ*
Facsimile: 020 7620 5177
E-mail: *tshoveller@swtrains.co.uk*⁷¹
Attention: *Managing Director*

6. COMMITTED OBLIGATIONS

The Franchisee shall deliver the Committed Obligations that are set out in Appendix 11 (*List of Committed Obligations and Related Provisions*) in accordance with the terms thereof.

7. SUPPLEMENTAL TERMS

7.1 The provisions of Appendix 12 (*2012 Olympic Games and Paralympic Games*) shall apply.

7.2 The provisions of Appendix 13 (*South Western Specific Provisions*) shall apply.

8. RECALIBRATION OF THE BENCHMARKS

The Benchmarks shall be recalibrated in accordance with the provisions of Appendix 14 (*Recalibration of the Benchmarks*).

9. DOCUMENTS IN THE AGREED TERMS

The parties hereby acknowledge that the list of documents in the agreed terms is set out in Appendix 15 (*List of Documents in the Agreed Terms*).

10. ENTIRE AGREEMENT

10.1 This Agreement, the Conditions Precedent Agreement, the Terms and the Side Letters contain the entire agreement between the parties in relation to the subject matter of this Agreement and supersede all prior agreements and arrangements between the parties other than any confidentiality agreements or undertakings which the Franchisee may have entered into with the Secretary of State in connection with his proposal to secure the provision of the Passenger Services under this Agreement. The rights and obligations owed by the Franchisee to the Secretary of State and by the Secretary of State to the Franchisee are as set out in this Agreement, the Conditions Precedent Agreement, the Terms and the Side Letters.

⁷⁰ Date of Change 30/08/2010

⁷¹ Date of Change 04/01/2012

10.2 The Franchisee hereby acknowledges that it is not entering into this Agreement, the Conditions Precedent Agreement, the Terms and the Side Letters in reliance on any warranties, representations or undertakings however or to whomever made except in so far as such warranties, representations or undertakings are:

- (a) contained in this Agreement the Conditions Precedent Agreement, the Terms and the Side Letters; or
- (b) embodied in any warranties, representations or undertakings contained in the long form reports provided by the Reporting Accountants in respect of South West Trains Limited and Island Lines Limited, dated 15 March 2006.

10.3 The Franchisee hereby acknowledges and agrees with the Secretary of State (for himself and as trustee for each of the other persons referred to therein) to the disclaimer of liability which is contained in the section entitled “Important Notice” contained in any document supplied by or on behalf of the Secretary of State in connection with this Agreement, the process leading to the entering into of this Agreement, or the Franchise Services (including any “Invitation to Tender” issued in connection therewith).

10.4 The Franchisee irrevocably and unconditionally waives any right which it may otherwise have to claim damages in respect of and/or to rescind this Agreement, the Conditions Precedent Agreement and the Terms on the basis of any warranty, representation (whether negligent or otherwise, and whether made prior to and/or in this Agreement, the Conditions Precedent Agreement and the Terms) or undertaking howsoever or to whomsoever made unless and to the extent that such warranty, representation or undertaking was made fraudulently.

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

THE CORPORATE SEAL
OF THE **SECRETARY OF
STATE FOR TRANSPORT**
IS HEREUNTO AFFIXED:



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

SIGNED FOR AND ON
BEHALF OF **STAGECOACH
SOUTH WESTERN TRAINS
LIMITED**

DIRECTOR:



.....

DIRECTOR/SECRETARY:

.....

APPENDIX 1

Secretary of State Risk Assumptions (*Clause 5.1(y)*)⁷²

⁷² **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 2⁷³

Target Revenue (expressed in real terms) (*Clause 5.1(ae)*)

⁷³ **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 3

The Train Fleet (*Clause 5.3*)

1. THE COMPOSITION OF THE TRAIN FLEET

The Train Fleet consists of:

- (a) the rolling stock vehicles specified in Table 1, with the capacity characteristics referred to there, until the lease expiry dates referred to there;
- (b) following any such lease expiry, substitute rolling stock vehicles having:
 - (i) at least the capacity specified in respect of the original rolling stock vehicles being substituted; and
 - (ii) reliability, capability and quality that is at least equal to the reliability, capability and quality of the original rolling stock vehicles being substituted; and
- (c) from the dates specified in Table 2, the additional rolling stock vehicles referred to against those dates, having:
 - (i) in the case of any additional rolling stock vehicles of the same class as any original rolling stock vehicles:
 - (A) at least the capacity specified in respect of such original rolling stock vehicles; and
 - (B) reliability, capability and quality that is at least equal to the reliability, capability and quality of such original rolling stock vehicles; and
 - (ii) in the case of any other additional rolling stock vehicles:
 - (A) at least the capacity specified in respect of any original rolling stock vehicles that are, in the reasonable opinion of the Secretary of State, most similar to such additional rolling stock vehicles; and
 - (B) reliability, capability and quality that is, in the reasonable opinion of the Secretary of State, at least equal to the reliability, capability and quality of any original rolling stock vehicles that are, in the reasonable opinion of the Secretary of State, most similar to such additional rolling stock vehicles.

Table 1⁷⁴ (existing vehicles)

Column 1	Column 2	Column 3				Column 4	Column 5
Class of vehicle	Number of vehicles and unit configuration	Capacity of units				Owner / Lessor	Lease expiry date(s)
		Seats	Standing	Total	Standard Class		
159	66 (3 car)	194	90	284	170 + 2 tip-up	Porterbrook	31 December 2008 (to Table 2)
444	225 (5 car)	334	186	520	299	Angel	Expiry Date
450	508 (4 car)	270	196*	466	233 + 13 tip-up	Angel	Expiry Date (396 vehicles) 30 September 2008 (112 vehicles, to Table 2)
455 Unrefurbished	120 (4 car)	316	240*	556	316	Porterbrook	30 September 2008 (to Table 2)
455 Refurbished	244 (4 car)**	236	380*	616	236	Porterbrook	28 February 2016 (to Table 2)***
458	120 (4 car)	284	231*	515	250 + 11 tip-up	Porterbrook	From 2 April 2013 ⁷⁵
483	12 (2 car)	84	n/a	84	84	Franchise Asset	Expiry Date
73	1 (locomotive)	n/a	n/a	n/a	n/a	Franchise Asset	Expiry Date

*⁷⁶

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⁷⁴ Date of Change 23/12/2011

⁷⁵ 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

⁷⁶ 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.

⁷⁷ 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.

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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 2000.⁷⁸

Table 2⁷⁹ (additional vehicles)

Column 1	Column 2	Column 3	Column 4				Column 5	Column 6
Lease start date(s)	Class of vehicle	Number of vehicles and unit configuration	Capacity of units				Owner / Lessor	Lease expiry date(s)
			Seats	Standing	Total	Standard Class		
Start Date	158	18 (2 car)	127	104	231	114	Porterbrook	Expiry Date
Start Date	158	15 (3 car)	194	90	284	170 + 2 tip-up	Porterbrook	31 December 2008 (see below)
31 December 2008	159 High Capacity Converted from Class 159 units set out in Table 1	66 (3 car)	204	80	284	180	Porterbrook	Expiry Date
31 December 2008(15 vehicles) December 2010 (6 vehicles)	158 High Capacity Converted from Class 158 units set out above	21 (3 car)	204	80	284	180	Porterbrook	Expiry Date
30 September 2008	450 High Capacity Converted from Class 450 units set out in Table 1	112 (4 car)	253	258	511	253	Angel	Expiry Date (72 vehicles) March 2014-July 2014, see below)**
March 2014-July 2014 following acceptance of all Class 458/5s	450/5 with First Class reinstated from Class 450 HC set out above	112 (4 car)	251	217*	468	214 + 13 tip-up	Angel	Expiry Date
From 2 April 2013 to 21 May 2014 following acceptance	458/5	180 (5 car)	270	237**	507	270	Porterbrook	Expiry Date

⁷⁹ Date of Change 23/12/2011

Column 1	Column 2	Column 3	Column 4				Column 5	Column 6
Lease start date(s)	Class of vehicle	Number of vehicles and unit configuration	Capacity of units				Owner / Lessor	Lease expiry date(s)
			Seats	Standing	Total	Standard Class		
as a 458/5								
30 September 2008	455 Refurbished Converted from Class 455 unrefurbished set out Table 1	120 (4 car)	236	380*	616	236	Porterbrook	28 February 2016***
28 February 2016***	455 High Capacity Converted from Class 455 Refurbished units set out in Table 1 and above	364 (4 car)	214	426*	640	214	Porterbrook	Expiry Date

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⁸⁰ 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.

⁸¹ 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.

⁸² 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 4

List of Priced Options (*Clause 5.14*)

Part 1

1. WATERLOO INTERNATIONAL

Description, objective and specification

1.1 This Priced Option relates to:

- (a) the use of the platforms at Waterloo International after the transfer of Eurostar operations to St Pancras in 2007. It is assumed that small-scale infrastructure solutions would be put in place as soon as practical at no cost to the Franchisee; and
- (b) provided that the Franchisee has been granted such access or equivalent rights as are reasonably required in order to enable the Franchisee to efficiently operate the Passenger Services described below without a material adverse effect on the Franchisee's operational performance, the inclusion in the Service Level Commitment of the use of Waterloo International platforms 20-24 (inclusive) by up to four 8-car trains per hour comprising the services specified in SLC2 to be provided at half-hourly intervals between London Waterloo station and Reading (Route 4) and at half-hourly intervals between London Waterloo station and Weybridge (Route 5) or other suitable services as may be agreed by the Secretary of State and the Franchisee.

Price for exercising this Priced Option (in £ base date)

1.2 Where this Priced Option is called in accordance with its terms, the price for this Priced Option, subject to:

- (a) adjustment in accordance with Schedule 9 (*Changes*) to the Terms to reflect any Change that occurs prior to its exercise; and
- (b) paragraph 1.3,

shall be the price set out in Tables 1A and 1B in Part 2 to this Appendix 4 and adjustments to Franchise Payments shall be made accordingly.

1.3 The price of this Priced Option shall be indexed in accordance with the principles set out in Schedule 8.2 (*Annual Franchise Payments*) of the Terms.

Timescale for implementing this Priced Option from the date it is called

1.4 This Priced Option can be implemented 15 months after it is called. The earliest date at which the Priced Option can be implemented is the December 2009 timetable change date.

APPENDIX 4

List of Priced Options (*Clause 5.14*)

Part 1

1. WATERLOO INTERNATIONAL

Description, objective and specification

1.1 This Priced Option relates to:

- (a) the use of the platforms at Waterloo International after the transfer of Eurostar operations to St Pancras in 2007. It is assumed that small-scale infrastructure solutions would be put in place as soon as practical at no cost to the Franchisee; and
- (b) provided that the Franchisee has been granted such access or equivalent rights as are reasonably required in order to enable the Franchisee to efficiently operate the Passenger Services described below without a material adverse effect on the Franchisee's operational performance, the inclusion in the Service Level Commitment of the use of Waterloo International platforms 20-24 (inclusive) by up to four 8-car trains per hour comprising the services specified in SLC2 to be provided at half-hourly intervals between London Waterloo station and Reading (Route 4) and at half-hourly intervals between London Waterloo station and Weybridge (Route 5) or other suitable services as may be agreed by the Secretary of State and the Franchisee.

Price for exercising this Priced Option (in £ base date)

1.2 Where this Priced Option is called in accordance with its terms, the price for this Priced Option, subject to:

- (a) adjustment in accordance with Schedule 9 (*Changes*) to the Terms to reflect any Change that occurs prior to its exercise; and
- (b) paragraph 1.3,

shall be the price set out in Tables 1A and 1B in Part 2 to this Appendix 4 and adjustments to Franchise Payments shall be made accordingly.

1.3 The price of this Priced Option shall be indexed in accordance with the principles set out in Schedule 8.2 (*Annual Franchise Payments*) of the Terms.

Timescale for implementing this Priced Option from the date it is called

1.4 This Priced Option can be implemented 15 months after it is called. The earliest date at which the Priced Option can be implemented is the December 2009 timetable change date.

Other effects on the Franchise Agreement

1.5 The only effects on the Franchise Agreement will be:

- (a) provided that the Franchisee has been granted such access or equivalent rights as are reasonably required in order to enable the Franchisee to efficiently operate the Passenger Services described below without a material adverse effect on the Franchisee's operational performance, the addition of a requirement in the Service Level Commitment for Waterloo International platforms 20-24 (inclusive) to be used

by up to four 8-car trains per hour comprising the services specified in SLC2 to be provided at half-hourly intervals between London Waterloo station and Reading (Route 4) and at half-hourly intervals between London Waterloo station and Weybridge (Route 5) or other suitable services as may be agreed by the Secretary of State and the Franchisee;

- (b) the need to make such other consequential amendments to the rights and obligations of the parties, including to the Service Level Commitment and Train Plan, as are reasonably necessary to give effect to the implementation of this Priced Option;
- (c) the addition of the following Secretary of State Risk Assumptions to Appendix 1 (*Secretary of State Risk Assumptions*).⁸³

Latest date for calling this Priced Option to maintain the price in paragraph 1.2

1.6 The latest date on which the Secretary of State may call this Priced Option in order to maintain the price quoted at paragraph 1.2 is 1 September 2008.

2. WEST OF ENGLAND SERVICES

Description, objective and specification

2.1 This Priced Option:

- (a) relates to the inclusion within the Service Level Commitment of:
 - (i) on Mondays to Saturdays from the December 2009 Passenger Change Date, an enhanced service between London Waterloo station and Exeter such that there is an hourly service between (and including) the 0710 and 2020 departures from London Waterloo station and between (and including) the 0823 and 1930 departures from Exeter St Davids, for which the proposed timetable is shown in Appendix A of the Record of Assumptions;
 - (ii) on Sundays from the December 2009 Passenger Change Date, an enhanced service between London Waterloo station and Exeter such that there is an hourly service between (and including) the 0815 and 2115 departures from London Waterloo station and between (and including) the 0920 and 1930 departures from Exeter St Davids, for which the proposed timetable is shown in Appendix A of the Record of Assumptions;
 - (iii) consequential changes with effect from the December 2009 Passenger Change Date such that the additional services between either Honiton or Axminster and Exeter St Davids referred to in paragraphs 2.5, 2.22, 3.4 and 3.18 of Route C of SLC2 (which are replaced by the enhanced services) are no longer specified;
 - (iv) consequential changes with effect from the December 2009 Passenger Change Date such that the additional services from Exeter St Davids to

⁸³ **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.**

Axminster referred to in paragraphs 2.23 and 3.19 of Route C of SLC2 are no longer specified between Honiton and Axminster;

- (v) on Mondays to Saturdays from the December 2007 Passenger Change Date, two return direct services per day between London Waterloo station and Bristol Temple Meads via Salisbury, and one return service per day between Salisbury and Bristol Temple Meads;
 - (vi) on Sundays from the December 2007 Passenger Change Date, two services per day from London Waterloo station to Bristol Temple Meads, one service per day from Bristol Temple Meads to London Waterloo station and one service per day from Bristol Temple Meads to Salisbury;
 - (vii) on Mondays to Fridays from the December 2007 Passenger Change Date until the December 2009 Passenger Change Date, four return services per day between Exeter St Davids and either Paignton or Plymouth; and
 - (viii) on Saturdays and Sundays from the December 2007 Passenger Change Date until the December 2009 Passenger Change Date, six return services per day between Exeter St Davids and either Paignton or Plymouth; and
- (b) assumes that the additional infrastructure associated with the enhanced services between London Waterloo station and Exeter will be funded by a third party.

Price for exercising this Priced Option (in £ base date)

2.2 Where this Priced Option is called in accordance with its terms, the price for this Priced Option, subject to:

- (a) adjustment in accordance with Schedule 9 (*Changes*) to the Terms to reflect any Change that occurs prior to its exercise; and
- (b) paragraph 2.3,

shall be the price set out in Tables 2A and 2B in Part 2 to this Appendix 4 and adjustments to Franchise Payments shall be made accordingly.

2.3 The price of this Priced Option shall be indexed in accordance with the principles set out in Schedule 8.2 (*Annual Franchise Payments*) of the Terms.

Timescale for implementing this Priced Option from the date it is called

2.4 This option can be implemented at the Passenger Change Date which occurs on or after the first anniversary after the option is called. The earliest date at which the option can be implemented is:

- (i) the December 2007 Passenger Change Date in respect of the Bristol, Paignton and Plymouth services; and
- (ii) the December 2009 Passenger Change Date in respect of the enhanced hourly London Waterloo-Exeter services.

Other effects on the Franchise Agreement

2.5 The only effects on the Franchise Agreement will be:

- (a) the need to make such consequential amendments to the rights and obligations of the parties, including to the Service Level Commitment, Train Plan and Committed Obligations, as are reasonably necessary to give effect to the implementation of this Priced Option;
- (b) the addition of the following Secretary of State Risk Assumptions to Appendix 1 (*Secretary of State Risk Assumptions*):⁸⁴
- (c) the inclusion of the following in Appendix 11 (List of Committed Obligations and Related Provisions):⁸⁵

2.6 ⁸⁶

Latest date for calling this Priced Option to maintain the price in paragraph 2.2

2.7 The latest date on which the Secretary of State may call this Priced Option in order to maintain the Price quoted at paragraph 2.2 is 1 December 2006. If, subject to the other terms of this Agreement, the Secretary of State calls this Priced Option on a later date, the date specified in paragraph 2.5(c)(i) shall be extended pro rata.

Exeter-Axminster local services

2.8 If at the time the Secretary of State calls this Priced Option in accordance with its terms or at such later date (being no later than 1 December 2008), the Secretary of State notifies the Franchisee that he requires this Priced Option to be modified to include the provision of an hourly service between Exeter and Axminster from the December 2009 Passenger Change Date (or any subsequent Passenger Change Date), the Franchisee shall modify this Priced Option accordingly provided that:

- (a) the provisions of paragraphs 2.5(a) and 2.5(b) shall apply to such services between Exeter and Axminster; and
- (b) the Franchisee and the Secretary of State agree, within 20 Weekdays of the date of notification by the Secretary of State referred to in paragraph 2.8, the revisions required to the price quoted at paragraph 2.2, in order to include such services between Exeter and Axminster and the date by which such services shall be implemented by the Franchisee (in which event the terms of this Priced Option shall be deemed to be modified accordingly).

⁸⁴ 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.

⁸⁵ 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.

⁸⁶ 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.

3. NOT USED

4. ISLAND LINE

Description, objective and specification

4.1 This Priced Option relates to the separation of the Island Line (being the services on the Isle of Wight) from the South Western Franchise. It is assumed that the Island Line (being the services on the Isle of Wight) would then be subject to separate negotiations and would be operated by a third party.

Price for exercising this Priced Option (in £ base date)

4.2 Where this Priced Option is called in accordance with its terms, the price for this Priced Option, subject to:

- (a) adjustment in accordance with Schedule 9 (*Changes*) to the Terms to reflect any Change that occurs prior to its exercise; and
- (b) paragraph 4.3,

shall be the price set out in Tables 4A and 4B in Part 2 to this Appendix 4 and adjustments to Franchise Payments shall be made accordingly.

4.3 The price of this Priced Option shall be indexed in accordance with the principles set out in Schedule 8.2 (*Annual Franchise Payments*) of the Terms.

Timescale for implementing this Priced Option from the date it is called

4.4 This Priced Option can be implemented 1 year after it is called. Subject to the Priced Option being called by 1 April 2008, the earliest date at which the option can be implemented is 1 April 2009.

Other effects on the Franchise Agreement

4.5 The only effects on the Franchise Agreement will be:

- (a) the need to make such consequential amendments to the rights and obligations of the parties, including to the Service Level Commitment, Train Plan and Committed Obligations which relate to the Island Line, as are reasonably necessary to give effect to the implementation of this Priced Option; and
- (b) ⁸⁷

Latest date for calling this Priced Option to maintain the price in paragraph 4.2

4.6 Subject to paragraph 4.7, the latest date on which the Secretary of State may call this Priced Option in order to maintain the Price quoted at paragraph 4.2 is 1 April 2008.

⁸⁷ 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.

4.7 If this Priced Option has not been called by 1 April 2008, the Secretary of State may call this Priced Option by 1 April 2009 in which event:

- (a) the option shall be implemented on 1 April 2010;
- (b) the price for this Priced Option shall be as specified in paragraph 4.2 above except that there shall be no increment to Target Revenue or the Annual Franchise Payments in either Year 3 or Year 4 of Tables 4A and 4B in Part 2 to this Appendix 4 as a result of the exercise of this Priced Option; and
- (c) the Secretary of State shall pay to the Franchisee an additional Franchise Payment of £⁸⁸ (indexed in accordance with the principles set out in Schedule 8.2 (*Annual Franchise Payments*) of the Terms) in Year 4.

5. GSM-R

Description, objective and specification

5.1 This option relates to the procurement and installation of GSM-R radio units to the South Western rolling stock fleet and the training of drivers employed by the Franchisee in the use of that equipment where the introduction of GSM-R is a Network Change under the Network Code. The Franchisee has priced this option based on an installation start date of 1 July 2008, being the Franchisee's estimate of the earliest date at which installation could commence. Installation would be completed by⁸⁹.

Price for exercising this Priced Option (in £ base date)

5.2 Where this Priced Option is called in accordance with its terms, the price for this Priced Option, subject to:

- (a) adjustment in accordance with Schedule 9 (*Changes*) to the Terms to reflect any Change that occurs prior to its exercise; and
- (b) paragraph 5.3,

shall be the price set out in Tables 5A and 5B in Part 2 to this Appendix 4 and adjustments to Franchise Payments shall be made accordingly.

5.3 The price of this Priced Option shall be indexed in accordance with the principles set out in Schedule 8.2 (*Annual Franchise Payments*) of the Terms.

Timescale for implementing this Priced Option from the date it is called

5.4 This option can be activated 3 months after it is called with delivery of the installation of GSM-R to the South Western rolling stock fleet being 33 months after this. The earliest date at which the option can be implemented is 31 December 2010.

⁸⁸ 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.

⁸⁹ 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.

Other effects on the Franchise Agreement

5.5 The only effects on the Franchise Agreement will be:

- (a) the need to make such consequential amendments to the rights and obligations of the parties as are reasonably necessary to give effect to the implementation of this Priced Option;
- (b) the inclusion of the following in Appendix 11 (*List of Committed Obligations and Related Provisions*):
 - (i) a new Committed Obligation in Part 1 to Appendix 11 which reads “Without prejudice to its rights and obligations in relation to a Network Change under the Network Code, the Franchisee shall procure and install GSM-R radio equipment to the driving cabs of the Train Fleet and provide training to its train drivers in the use of that equipment, to the extent that such procurement, installation and training is reasonably practicable and consistent with the Franchisee's other obligations under this Franchise Agreement and/or any condition under its Licence;
 - (ii) the addition of a new entry in the Table in Part 3 to Appendix 11 which reads:

Column 1	Column 2	Column 3	Column 4	Column 5
Reference in Part 1 (paragraph)	Summary Description	Deadline	Committed Obligation Payment Adjustment (£ per Reporting Period)	Does paragraph 2.3 or 2.4 apply?
[]	GSM-R introduction	90	91	No

- (c) the addition of the Secretary of State Risk Assumption to Appendix 1 (*Secretary of State Risk Assumptions*):⁹²

Latest date for calling this Priced Option to maintain the price in paragraph 5.2

5.6 The latest date on which the Secretary of State may call this Priced Option in order to maintain the Price quoted at paragraph 5.2 is 1 April 2008.

⁹⁰ 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.

⁹¹ 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.

⁹² 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.

6. SECURE STATION ACCREDITATION

Description, objective and specification

6.1 This option relates to the achievement of secure station accreditation ('SSA') in respect of 95% of station footfall within the Franchise area by 31 March 2013, and to ensuring that the sites meet those identified by BTP as high risk locations. The SSA benchmarks on which this Priced Option is based are those in place as at 1 June 2006.

Price for exercising this Priced Option (in £ base date)

6.2 Where this Priced Option is called in accordance with its terms, the price for this Priced Option, subject to:

- (a) adjustment in accordance with Schedule 9 (*Changes*) to the Terms to reflect any Change that occurs prior to its exercise; and
- (b) paragraph 6.3,

shall be the price set out in Tables 6A and 6B in Part 2 to this Appendix 4 and adjustments to Franchise Payments shall be made accordingly.

6.3 The price of this Priced Option shall be indexed in accordance with the principles set out in Schedule 8.2 (*Annual Franchise Payments*) of the Terms.

Timescale for implementing this Priced Option from the date it is called

6.4 This option can be activated on the day after it is called. The timescale for implementation will depend on a number of factors, but the Franchisee estimates that full implementation could be achieved by⁹³.

Other effects on the Franchise Agreement

6.5 The only effects on the Franchise Agreement will be:

- (a) the need to make such consequential amendments to the rights and obligations of the parties as are reasonably necessary to give effect to the implementation of this Priced Option; and
- (b) the inclusion of the following in Appendix 11 (List of Committed Obligations and Related Provisions):
 - (i) a new Committed Obligation in Part 1 to Appendix 11 which reads "The Franchisee shall achieve 'Secure Station Status' for those Stations with 95% of the Franchise footfall by⁹⁴,";

⁹³ 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.

⁹⁴ 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.

(ii) the addition of a new entry in the Table in Part 3 to Appendix 11 which reads:

Column 1	Column 2	Column 3	Column 4	Column 5
Reference in Part 1 (paragraph)	Summary Description	Deadline	Committed Obligation Payment Adjustment (£ per Reporting Period)	Does paragraph 2.3 or 2.4 apply?
[]	‘Secure Station Scheme’ Status	95	96	2.3

Latest date for calling this Priced Option to maintain the price in paragraph 6.2

6.6 The latest date on which the Secretary of State may call this Priced Option in order to maintain the Price quoted at paragraph 6.2 is 4 February 2007.

7. FINANCIAL MODEL

7.1 For the avoidance of doubt, following the exercise of any of the above Priced Options by the Secretary of State, the corresponding option shall be switched on in the Financial Model so that the outputs of the Financial Model incorporate the agreed cost and revenue amounts for that Priced Option.

⁹⁵ 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.

⁹⁶ 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.

Part 2

1. WATERLOO INTERNATIONAL

Table 1A: Target Revenue (expressed in real terms) (Clause 5.1(ae))

This table sets out the increment to the Target Revenue set out in Appendix 2 (*Target Revenue (expressed in real terms)*) to this Agreement where this Priced Option is to be implemented by the December 2009 Passenger Change Date:

Column 1	Column 2
Franchisee Year	Target Revenue (£k) ⁹⁷
<i>Year 1</i> ⁹⁸	
<i>Year 2</i>	
<i>Year 3</i>	
<i>Year 4</i>	
<i>Year 5</i>	
<i>Year 6</i>	
<i>Year 7</i>	
<i>Year 8 (if the Franchise is not extended in accordance with Schedule 18)</i>	
<i>Year 8 (if the Franchise is extended in accordance with Schedule 18)</i>	
<i>Up to 7 Reporting Period extension</i>	
<i>Year 9</i>	
<i>Year 10</i>	
<i>Year 11</i> ⁹⁹	

⁹⁷ 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.

⁹⁸ Year 1 will run from 4 February 2007 to 31 March 2007.

⁹⁹ Year 11 will run from 1 April 2016 to 4 February 2017.

*Up to 7 Reporting
Period extension*

Table 1B: Figures for Calculation of Annual Franchise Payments (Clause 5.20)¹⁰⁰

This table sets out the increment to the figures for calculation of the Annual Franchise Payments set out in Appendix 8 (*Figures for Calculation of Annual Franchise Payments*) to this Agreement where this Priced Option is to be implemented by the December 2009 Passenger Change Date:

Column 1	Column 2	Column 3	Column 4	Column 5	Column 6
Franchisee Year	FXD (£k)	VCRPI (£k)	VCAEI (£k)	PRPI (£k)	TRRPI (£k)
<i>Year 1¹⁰¹</i>					
<i>Year 2</i>					
<i>Year 3</i>					
<i>Year 4</i>					
<i>Year 5</i>					
<i>Year 6</i>					
<i>Year 7</i>					
<i>Year 8 (if the Franchise is not extended in accordance with Schedule 18)</i>					
<i>Year 8 (if the Franchise is extended in accordance with Schedule 18)</i>					
<i>Up to 7 Reporting Period extension</i>					
<i>Year 9</i>					
<i>Year 10</i>					
<i>Year 11¹⁰²</i>					
<i>Up to 7 Reporting Period extension</i>					

¹⁰⁰ 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.

¹⁰¹ Year 1 will run from 4 February 2007 to 31 March 2007.

¹⁰² Year 11 will run from 1 April 2016 to 4 February 2017.

2. WEST OF ENGLAND ADDITIONAL SERVICES PACKAGE

Table 2A: Target Revenue (expressed in real terms) (Clause 5.1(ae))

This table sets out the increment to the Target Revenue set out in Appendix 2 (*Target Revenue (expressed in real terms)*) to this Agreement where this Priced Option is to be implemented by the December 2007 Passenger Change Date (in respect of the Bristol, Paignton and Plymouth services) and December 2009 Passenger Change Date (in respect of the enhanced hourly London Waterloo-Exeter services):

Column 1	Column 2
Franchisee Year	Target Revenue (£k) ¹⁰³
<i>Year 1</i> ¹⁰⁴	
<i>Year 2</i>	
<i>Year 3</i>	
<i>Year 4</i>	
<i>Year 5</i>	
<i>Year 6</i>	
<i>Year 7</i>	
<i>Year 8 (if the Franchise is not extended in accordance with Schedule 18)</i>	
<i>Year 8 (if the Franchise is extended in accordance with Schedule 18)</i>	
<i>Up to 7 Reporting Period extension</i>	
<i>Year 9</i>	
<i>Year 10</i>	
<i>Year 11</i> ¹⁰⁵	
<i>Up to 7 Reporting Period extension</i>	

¹⁰³ 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.

¹⁰⁴ Year 1 will run from 4 February 2007 to 31 March 2007.

¹⁰⁵ Year 11 will run from 1 April 2016 to 4 February 2017.

Table 2B: Figures for Calculation of Annual Franchise Payments (Clause 5.20)¹⁰⁶

This table sets out the increment to the figures for calculation of the Annual Franchise Payments set out in Appendix 8 (*Figures for Calculation of Annual Franchise Payments*) to this Agreement where this Priced Option is to be implemented by the December 2007 Passenger Change Date (in respect of the Bristol, Paignton and Plymouth services) and December 2009 Passenger Change Date (in respect of the enhanced hourly London Waterloo-Exeter services):

Column 1	Column 2	Column 3	Column 4	Column 5	Column 6
Franchisee Year	FXD (£k)	VCRPI (£k)	VCAEI (£k)	PRPI (£k)	TRRPI (£k)
<i>Year 1¹⁰⁷</i>					
<i>Year 2</i>					
<i>Year 3</i>					
<i>Year 4</i>					
<i>Year 5</i>					
<i>Year 6</i>					
<i>Year 7</i>					
<i>Year 8 (if the Franchise is not extended in accordance with Schedule 18)</i>					
<i>Year 8 (if the Franchise is extended in accordance with Schedule 18)</i>					
<i>Up to 7 Reporting Period extension</i>					
<i>Year 9</i>					
<i>Year 10</i>					
<i>Year 11¹⁰⁸</i>					

¹⁰⁶ 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.

¹⁰⁷ Year 1 will run from 4 February 2007 to 31 March 2007.

¹⁰⁸ Year 11 will run from 1 April 2016 to 4 February 2017.

Column 1	Column 2	Column 3	Column 4	Column 5	Column 6
Franchisee Year	FXD (£k)	VCRPI (£k)	VCAEI (£k)	PRPI (£k)	TRRPI (£k)
<i>Up to 7 Reporting Period extension</i>					

3. NOT USED

4. ISLAND LINE

Table 4A: Target Revenue (expressed in real terms) (Clause 5.1(ae))

This table sets out the increment to the Target Revenue set out in Appendix 2 (*Target Revenue (expressed in real terms)*) to this Agreement where this Priced Option is to be implemented by 1 April 2009:

Column 1	Column 2
Franchisee Year	Target Revenue (£k) ¹⁰⁹
<i>Year 1¹¹⁰</i>	
<i>Year 2</i>	
<i>Year 3</i>	
<i>Year 4</i>	
<i>Year 5</i>	
<i>Year 6</i>	
<i>Year 7</i>	
<i>Year 8 (if the Franchise is not extended in accordance with Schedule 18)</i>	
<i>Year 8 (if the Franchise is extended in accordance with Schedule 18)</i>	
<i>Up to 7 Reporting Period extension</i>	
<i>Year 9</i>	

¹⁰⁹ 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.

¹¹⁰ Year 1 will run from 4 February 2007 to 31 March 2007.

<i>Year 10</i>	
<i>Year 11¹¹¹</i>	
<i>Up to 7 Reporting Period extension</i>	

¹¹¹ Year 11 will run from 1 April 2016 to 4 February 2017.

Table 4B: Figures for Calculation of Annual Franchise Payments (Clause 5.20)¹¹²

This table sets out the increment to the figures for calculation of the Annual Franchise Payments set out in Appendix 8 (*Figures for Calculation of Annual Franchise Payments*) to this Agreement where this Priced Option is to be implemented by 1 April 2009:

Column 1	Column 2	Column 3	Column 4	Column 5	Column 6
Franchisee Year	FXD (£k)	VCRPI (£k)	VCAEI (£k)	PRPI (£k)	TRRPI (£k)
<i>Year 1¹¹³</i>					
<i>Year 2</i>					
<i>Year 3</i>					
<i>Year 4</i>					
<i>Year 5</i>					
<i>Year 6</i>					
<i>Year 7</i>					
<i>Year 8 (if the Franchise is not extended in accordance with Schedule 18)</i>					
<i>Year 8 (if the Franchise is extended in accordance with Schedule 18)</i>					
<i>Up to 7 Reporting Period extension</i>					
<i>Year 9</i>					
<i>Year 10</i>					
<i>Year 11¹¹⁴</i>					
<i>Up to 7 Reporting</i>					

¹¹² 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.

¹¹³ Year 1 will run from 4 February 2007 to 31 March 2007.

¹¹⁴ Year 11 will run from 1 April 2016 to 4 February 2017.

Column 1	Column 2	Column 3	Column 4	Column 5	Column 6
Franchisee Year	FXD (£k)	VCRPI (£k)	VCAEI (£k)	PRPI (£k)	TRRPI (£k)
<i>Period extension</i>					

5. GSM-R

Table 5A: Target Revenue (expressed in real terms) (Clause 5.1(ae))

This table sets out the increment to the Target Revenue set out in Appendix 2 (*Target Revenue (expressed in real terms)*) to this Agreement where this Priced Option is to be implemented by 31 December 2010:

Column 1	Column 2
Franchisee Year	Target Revenue (£k) ¹¹⁵
<i>Year 1</i> ¹¹⁶	
<i>Year 2</i>	
<i>Year 3</i>	
<i>Year 4</i>	
<i>Year 5</i>	
<i>Year 6</i>	
<i>Year 7</i>	
<i>Year 8 (if the Franchise is not extended in accordance with Schedule 18)</i>	
<i>Year 8 (if the Franchise is extended in accordance with Schedule 18)</i>	
<i>Up to 7 Reporting Period extension</i>	
<i>Year 9</i>	
<i>Year 10</i>	
<i>Year 11</i> ¹¹⁷	

¹¹⁵ 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.

¹¹⁶ Year 1 will run from 4 February 2007 to 31 March 2007.

¹¹⁷ Year 11 will run from 1 April 2016 to 4 February 2017.

<i>Up to 7 Reporting Period extension</i>	
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Table 5B: Figures for Calculation of Annual Franchise Payments (Clause 5.20)¹¹⁸

This table sets out the increment to the figures for calculation of the Annual Franchise Payments set out in Appendix 8 (*Figures for Calculation of Annual Franchise Payments*) to this Agreement where this Priced Option is to be implemented by the 31 December 2010:

Column 1	Column 2	Column 3	Column 4	Column 5	Column 6
Franchisee Year	FXD (£k)	VCRPI (£k)	VCAEI (£k)	PRPI (£k)	TRRPI (£k)
<i>Year 1¹¹⁹</i>					
<i>Year 2</i>					
<i>Year 3</i>					
<i>Year 4</i>					
<i>Year 5</i>					
<i>Year 6</i>					
<i>Year 7</i>					
<i>Year 8 (if the Franchise is not extended in accordance with Schedule 18)</i>					
<i>Year 8 (if the Franchise is extended in accordance with Schedule 18)</i>					
<i>Up to 7 Reporting Period extension</i>					
<i>Year 9</i>					
<i>Year 10</i>					
<i>Year 11¹²⁰</i>					
<i>Up to 7 Reporting</i>					

¹¹⁸ 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.

¹¹⁹ Year 1 will run from 4 February 2007 to 31 March 2007.

¹²⁰ Year 11 will run from 1 April 2016 to 4 February 2017.

Column 1	Column 2	Column 3	Column 4	Column 5	Column 6
Franchisee Year	FXD (£k)	VCRPI (£k)	VCAEI (£k)	PRPI (£k)	TRRPI (£k)
<i>Period extension</i>					

6. SECURE STATION ACCREDITATION

Table 6A: Target Revenue (expressed in real terms) (Clause 5.1(ae))

This table sets out the increment to the Target Revenue set out in Appendix 2 (*Target Revenue (expressed in real terms)*) to this Agreement where this Priced Option is to be implemented by 31 March 2013:

Column 1	Column 2
Franchisee Year	Target Revenue (£k) ¹²¹
<i>Year 1</i> ¹²²	
<i>Year 2</i>	
<i>Year 3</i>	
<i>Year 4</i>	
<i>Year 5</i>	
<i>Year 6</i>	
<i>Year 7</i>	
<i>Year 8 (if the Franchise is not extended in accordance with Schedule 18)</i>	
<i>Year 8 (if the Franchise is extended in accordance with Schedule 18)</i>	
<i>Up to 7 Reporting Period extension</i>	
<i>Year 9</i>	
<i>Year 10</i>	
<i>Year 11</i> ¹²³	

¹²¹ 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.

¹²² Year 1 will run from 4 February 2007 to 31 March 2007.

¹²³ Year 11 will run from 1 April 2016 to 4 February 2017.

<i>Up to 7 Reporting Period extension</i>	
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Table 6B: Figures for Calculation of Annual Franchise Payments (Clause 5.20)¹²⁴

This table sets out the increment to the figures for calculation of the Annual Franchise Payments set out in Appendix 8 (*Figures for Calculation of Annual Franchise Payments*) to this Agreement where this Priced Option is to be implemented by 31 March 2013:

Column 1	Column 2	Column 3	Column 4	Column 5	Column 6
Franchisee Year	FXD (£k)	VCRPI (£k)	VCAEI (£k)	PRPI (£k)	TRRPI (£k)
<i>Year 1</i> ¹²⁵					
<i>Year 2</i>					
<i>Year 3</i>					
<i>Year 4</i>					
<i>Year 5</i>					
<i>Year 6</i>					
<i>Year 7</i>					
<i>Year 8 (if the Franchise is not extended in accordance with Schedule 18)</i>					
<i>Year 8 (if the Franchise is extended in accordance with Schedule 18)</i>					
<i>Up to 7 Reporting Period extension</i>					
<i>Year 9</i>					
<i>Year 10</i>					
<i>Year 11</i> ¹²⁶					
<i>Up to 7 Reporting</i>					

¹²⁴ 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.

¹²⁵ Year 1 will run from 4 February 2007 to 31 March 2007.

¹²⁶ Year 11 will run from 1 April 2016 to 4 February 2017.

Column 1	Column 2	Column 3	Column 4	Column 5	Column 6
Franchisee Year	FXD (£k)	VCRPI (£k)	VCAEI (£k)	PRPI (£k)	TRRPI (£k)
<i>Period extension</i>					

APPENDIX 5

Cancellations Benchmark Table (*Clause 5.15*)¹²⁷

Column 1		Column 2	Column 3	Column 4	Column 5
Franchisee Year / Reporting Period		Target Performance Level (%)	Improvement Plan Performance Level (%)	Breach Performance Level (%)	Default Performance Level (%)
[Year 1]	Period 12				
	Period 13				
[Year 2]	Period 1 ¹²⁸				
	Period 2				
	Period 3				
	Period 4				
	Period 5				
	Period 6				
	Period 7				
	Period 8				
	Period 9				
	Period 10				
	Period 11				
	Period 12				
	Period 13				
[Year 3]	Period 1				
	Period 2				
	Period 3				
	Period 4				
	Period 5				
	Period 6				
	Period 7				
	Period 8				
	Period 9				
	Period 10				
	Period 11				
	Period 12				
	Period 13				
[Year 4]	Period 1				
	Period 2				
	Period 3				
	Period 4				
	Period 5				
	Period 6				
	Period 7				
	Period 8				
	Period 9				

¹²⁷ 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.

¹²⁸ The timing of when the Benchmarks change is a question of customisation.

Column 1		Column 2	Column 3	Column 4	Column 5
Franchisee Year / Reporting Period		Target Performance Level (%)	Improvement Plan Performance Level (%)	Breach Performance Level (%)	Default Performance Level (%)
	Period 10				
	Period 11				
	Period 12				
	Period 13				
[Year 5]	Period 1				
	Period 2				
	Period 3				
	Period 4				
	Period 5				
	Period 6				
	Period 7				
	Period 8				
	Period 9				
	Period 10				
	Period 11				
	Period 12				
	Period 13				
[Year 6]	Period 1				
	Period 2				
	Period 3				
	Period 4				
	Period 5				
	Period 6				
	Period 7				
	Period 8				
	Period 9				
	Period 10				
	Period 11				
	Period 12				
	Period 13				
[Year 7]	Period 1				
	Period 2				
	Period 3				
	Period 4				
	Period 5				
	Period 6				
	Period 7				
	Period 8				
	Period 9				
	Period 10				
	Period 11				
	Period 12				
	Period 13				
[Year 8]	Period 1				
	Period 2				
	Period 3				
	Period 4				
	Period 5				

Column 1		Column 2	Column 3	Column 4	Column 5
Franchisee Year / Reporting Period		Target Performance Level (%)	Improvement Plan Performance Level (%)	Breach Performance Level (%)	Default Performance Level (%)
	Period 6				
	Period 7				
	Period 8				
	Period 9				
[Year 8]	Period 10				
	Period 11				
[Up to 7 Reporting period extension]	Period 1				
	Period 2				
	Period 3				
	Period 4				
	Period 5				
	Period 6				
	Period 7				
[Year 8] (if extended by Schedule 18)	Period 12				
	Period 13				
[Year 9]	Period 1				
	Period 2				
	Period 3				
	Period 4				
	Period 5				
	Period 6				
	Period 7				
	Period 8				
	Period 9				
	Period 10				
	Period 11				
	Period 12				
	Period 13				
[Year 10]	Period 1				
	Period 2				
	Period 3				
	Period 4				
	Period 5				
	Period 6				
	Period 7				
	Period 8				
	Period 9				
	Period 10				
	Period 11				
	Period 12				
	Period 13				
[Year 11]	Period 1				
	Period 2				

Column 1		Column 2	Column 3	Column 4	Column 5
Franchisee Year / Reporting Period		Target Performance Level (%)	Improvement Plan Performance Level (%)	Breach Performance Level (%)	Default Performance Level (%)
	Period 3				
	Period 4				
	Period 5				
	Period 6				
<i>[Year 11]</i>	Period 7				
	Period 8				
	Period 9				
	Period 10				
	Period 11				
<i>[Up to 7 Reporting period extension]</i>	Period 1				
	Period 2				
	Period 3				
	Period 4				
	Period 5				
	Period 6				
	Period 7				

1. START OF THE FRANCHISE

The Reporting Period in the cells entitled “Year 1 Period 12” shall be the first Reporting Period of the Franchise Term.

APPENDIX 6

Capacity Benchmark Table (Clause 5.16)¹²⁹

Column 1		Column 2	Column 3	Column 4	Column 5
Franchisee Year / Reporting Period		Target Performance Level (%)	Improvement Plan Performance Level (%)	Breach Performance Level (%)	Default Performance Level (%)
[Year 1]	Period 12				
	Period 13				
[Year 2]	Period 1 ¹³⁰				
	Period 2				
	Period 3				
	Period 4				
	Period 5				
	Period 6				
	Period 7				
	Period 8				
	Period 9				
	Period 10				
	Period 11				
	Period 12				
	Period 13				
[Year 3]	Period 1				
	Period 2				
	Period 3				
	Period 4				
	Period 5				
	Period 6				
	Period 7				
	Period 8				
	Period 9				
	Period 10				
	Period 11				
	Period 12				
	Period 13				
[Year 4]	Period 1				
	Period 2				
	Period 3				
	Period 4				
	Period 5				
	Period 6				
	Period 7				
	Period 8				

¹²⁹ 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.

¹³⁰ The timing of when the Benchmarks change is a question of customisation.

Column 1		Column 2	Column 3	Column 4	Column 5
Franchisee Year / Reporting Period		Target Performance Level (%)	Improvement Plan Performance Level (%)	Breach Performance Level (%)	Default Performance Level (%)
	Period 9				
	Period 10				
	Period 11				
	Period 12				
[Year 4]	Period 13				
[Year 5]	Period 1				
	Period 2				
	Period 3				
	Period 4				
	Period 5				
	Period 6				
	Period 7				
	Period 8				
	Period 9				
	Period 10				
	Period 11				
	Period 12				
	Period 13				
[Year 6]	Period 1				
	Period 2				
	Period 3				
	Period 4				
	Period 5				
	Period 6				
	Period 7				
	Period 8				
	Period 9				
	Period 10				
	Period 11				
	Period 12				
	Period 13				
[Year 7]	Period 1				
	Period 2				
	Period 3				
	Period 4				
	Period 5				
	Period 6				
	Period 7				
	Period 8				
	Period 9				
	Period 10				
	Period 11				
	Period 12				
	Period 13				
[Year 8]	Period 1				
	Period 2				
	Period 3				

Column 1		Column 2	Column 3	Column 4	Column 5
Franchisee Year / Reporting Period		Target Performance Level (%)	Improvement Plan Performance Level (%)	Breach Performance Level (%)	Default Performance Level (%)
	Period 4				
	Period 5				
	Period 6				
	Period 7				
[Year 8]	Period 8				
	Period 9				
	Period 10				
	Period 11				
[Up to 7 Reporting period extension]	Period 1				
	Period 2				
	Period 3				
	Period 4				
	Period 5				
	Period 6				
	Period 7				
[Year 8] (if extended by Schedule 18)	Period 12				
	Period 13				
[Year 9]	Period 1				
	Period 2				
	Period 3				
	Period 4				
	Period 5				
	Period 6				
	Period 7				
	Period 8				
	Period 9				
	Period 10				
	Period 11				
	Period 12				
	Period 13				
[Year 10]	Period 1				
	Period 2				
	Period 3				
	Period 4				
	Period 5				
	Period 6				
	Period 7				
	Period 8				
	Period 9				
	Period 10				
	Period 11				
	Period 12				
	Period 13				

Column 1		Column 2	Column 3	Column 4	Column 5
Franchisee Year / Reporting Period		Target Performance Level (%)	Improvement Plan Performance Level (%)	Breach Performance Level (%)	Default Performance Level (%)
<i>[Year 11]</i>	Period 1				
	Period 2				
	Period 3				
	Period 4				
<i>[Year 11]</i>	Period 5				
	Period 6				
	Period 7				
	Period 8				
	Period 9				
	Period 10				
	Period 11				
<i>[Up to 7 Reporting period extension]</i>	Period 1				
	Period 2				
	Period 3				
	Period 4				
	Period 5				
	Period 6				
	Period 7				

1. START OF THE FRANCHISE

The Reporting Period in the cells entitled “Year 1 Period 12” shall be the first Reporting Period of the Franchise Term.

APPENDIX 7^{131 132 133}

Service Delivery Benchmark Table (Clause 5.17)

Column 1		Column 2	Column 3	Column 4	Column 5
Franchisee Year / Reporting Period		Target Performance Level (%)	Improvement Plan Performance Level (%)	Breach Performance Level (%)	Default Performance Level (%)
[Year 1]	Period 12	23040	24770	26490	27650
	Period 13	23030	24750	26480	27630
[Year 2]	Period 1	23020	24740	26470	27620
	Period 2	23010	24730	26460	27610
	Period 3	23000	24720	26450	27600
	Period 4	22990	24710	26440	27590
	Period 5	22990	24710	26440	27590
	Period 6	22980	24700	26420	27570
	Period 7	22970	24690	26410	27560
	Period 8	22960	24680	26400	27550
	Period 9	22950	24670	26390	27540
	Period 10	22940	24660	26380	27530
	Period 11	23060	24790	26520	27680
	Period 12	23050	24780	26510	27660
	Period 13	23040	24770	26500	27650
[Year 3]	Period 1	23040	24770	26500	27650
	Period 2	23030	24760	26490	27640
	Period 3	22960	24680	26400	27550
	Period 4	22950	24670	26390	27540
	Period 5	22940	24660	26380	27530

¹³¹ Date of change 19/03/2010

¹³² Date of Change 18/08/2010

¹³³ Date of Change 01/09/2011

	Period 6	22930	24650	26370	27520
	Period 7	22920	24640	26360	27500
	Period 8	22910	24630	26350	27490
	Period 9	22900	24620	26340	27480
	Period 10	22900	24620	26340	27480
	Period 11	22740	24450	26160	27290
	Period 12	22730	24440	26140	27280
	Period 13	22720	24430	26130	27270
[Year 4]	Period 1	22710	24420	26120	27260
	Period 2	22700	24410	26110	27250
	Period 3	22690	24400	26100	27230
	Period 4	22680	24390	26090	27220
	Period 5	22670	24370	26080	27210
	Period 6	22670	24370	26080	27210
	Period 7	22660	24360	26060	27200
	Period 8	22650	24350	26050	27190
	Period 9	22640	24340	26040	27170
	Period 10	22110	23770	25430	26530
	Period 11	22100	23760	25420	26520
	Period 12	22090	23750	25410	26510
	Period 13	22080	23740	25400	26500
[Year 5]	Period 1	22070	23730	25380	26490
	Period 2	22070	23730	25380	26490
	Period 3	21950	23600	25240	26340
	Period 4	21950	23600	25240	26340
	Period 5	21940	23590	25230	26330
	Period 6	21930	23580	25220	26320
	Period 7	21920	23570	25210	26310
	Period 8	21910	23560	25200	26290
Period		21900	23540	25190	26280

	9				
	Period 10	21910	23550	25200	26290
	Period 11	21910	23550	25200	26290
	Period 12	21900	23540	25180	26280
	Period 13	21890	23530	25170	26270
[Year 6]	Period 1	21880	23520	25160	26260
	Period 2	21870	23510	25150	26240
	Period 3	21860	23500	25140	26230
	Period 4	21850	23490	25120	26220
	Period 5	21840	23480	25110	26200
	Period 6	21830	23460	25100	26190
	Period 7	21830	23460	25100	26190
	Period 8	21820	23450	25090	26180
	Period 9	21810	23440	25080	26170
	Period 10	21800	23430	25070	26160
	Period 11	21790	23420	25060	26150
	Period 12	21780	23410	25050	26130
	Period 13	21770	23400	25030	26120
[Year 7]	Period 1	21760	23390	25020	26110
	Period 2	21750	23380	25010	26100
	Period 3	21750	23380	25010	26100
	Period 4	21740	23370	25000	26090
	Period 5	21730	23360	24990	26080
	Period 6	21720	23350	24980	26060
	Period 7	21710	23340	24970	26050
	Period 8	21700	23330	24960	26040
	Period 9	21690	23320	24950	26030
	Period 10	21680	23310	24930	26020
	Period 11	21670	23300	24920	26010
	Period 12	21670	23300	24920	26010

	Period 13	21660	23290	24910	25990
[Year 8]	Period 1	21650	23280	24900	25980
	Period 2	21640	23270	24890	25970
	Period 3	21630	23260	24880	25960
	Period 4	21620	23250	24870	25950
	Period 5	21610	23230	24860	25940
	Period 6	21590	23210	24830	25910
	Period 7	21580	23200	24820	25900
	Period 8	21580	23200	24820	25900
	Period 9	21570	23190	24810	25890
	Period 10	21560	23180	24800	25880
	Period 11	21560	23170	24790	25870
[Up to 7 Reporting period extension]	Period 1	21560	23170	24790	25870
	Period 2	21560	23170	24790	25870
	Period 3	21560	23170	24790	25870
	Period 4	21560	23170	24790	25870
	Period 5	21560	23170	24790	25870
	Period 6	21560	23170	24790	25870
	Period 7	21560	23170	24790	25870
[Year 8] (if extended by Schedule 18)	Period 12	21560	23170	24790	25870
	Period 13	21560	23170	24790	25870
[Year 9]	Period 1	21560	23170	24790	25870
	Period 2	21560	23170	24790	25870
	Period 3	21560	23170	24790	25870
	Period 4	21560	23170	24790	25870
	Period 5	21560	23170	24790	25870
	Period 6	21560	23170	24790	25870
	Period 7	21560	23170	24790	25870
	Period	21560	23170	24790	25870

	8				
	Period 9	21560	23170	24790	25870
	Period 10	21560	23170	24790	25870
	Period 11	21560	23170	24790	25870
	Period 12	21560	23170	24790	25870
	Period 13	21560	23170	24790	25870
[Year 10]	Period 1	21560	23170	24790	25870
	Period 2	21560	23170	24790	25870
	Period 3	21560	23170	24790	25870
	Period 4	21560	23170	24790	25870
	Period 5	21560	23170	24790	25870
	Period 6	21560	23170	24790	25870
	Period 7	21560	23170	24790	25870
	Period 8	21560	23170	24790	25870
	Period 9	21560	23170	24790	25870
	Period 10	21560	23170	24790	25870
	Period 11	21560	23170	24790	25870
	Period 12	21560	23170	24790	25870
	Period 13	21560	23170	24790	25870
[Year 11]	Period 1	21560	23170	24790	25870
	Period 2	21560	23170	24790	25870
	Period 3	21560	23170	24790	25870
	Period 4	21560	23170	24790	25870
	Period 5	21560	23170	24790	25870
	Period 6	21560	23170	24790	25870
	Period 7	21560	23170	24790	25870
	Period 8	21560	23170	24790	25870
	Period 9	21560	23170	24790	25870
	Period 10	21560	23170	24790	25870
	Period 11	21560	23170	24790	25870

[Up to 7 Reporting Period extension]	Period 1	21560	23170	24790	25870
	Period 2	21560	23170	24790	25870
	Period 3	21560	23170	24790	25870
	Period 4	21560	23170	24790	25870
	Period 5	21560	23170	24790	25870
	Period 6	21560	23170	24790	25870
	Period 7	21560	23170	24790	25870

1. START OF THE FRANCHISE

The Reporting Period in the cells entitled “Year 1 Period 12” shall be the first Reporting Period of the Franchise Term.

APPENDIX 8

Figures for Calculation of Annual Franchise Payments (*Clause 5.20*)¹³⁴

¹³⁴ 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 9

List of Key Contracts (*Clause 5.24*)

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 including the Property Leases listed in paragraph 4 of Appendix 2 (*List of Conditions Precedent Documents*) to the Conditions Precedent Agreement.
3. Any Rolling Stock Related Contract including the Rolling Stock Leases listed in Table 1 and Table 2 of Appendix 3 (*The Train Fleet*), but excluding any Rolling Stock Related Contract relating only to rolling stock vehicles funded by Additional Rolling Stock Investment.
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.

APPENDIX 10

List of Primary Franchise Assets (*Clause 5.25*)

1. The rights and liabilities of the Franchisee under the Universal Licence Agreement between the Board and the Franchisee dated 26 October 1995.
2. The rights and liabilities of the Franchisee under the Sub-licence Deed between the Board and the Franchisee dated 26 October 1995.
3. The rights and liabilities of the Franchisee under the Master Software Licence between the Board and the Franchisee dated 26 October 1995.
4. Driver training simulator equipment owned or leased by the Franchisee immediately prior to the Franchise Commencement Date, including:

Description	Z-Number
Cabin 1	AS135-100000.000.0
Cabin 2	AS135-100000.000.0
Cabin 3	AS135-100000.000.0
Cabin 4	AS135-100000.000.0
Instructor Station 1	AS135-301000.000.0
Instructor Station 2	AS135-301000.000.0
Main Power Supply	AS135-063000.000.0
Technical Rack	AS135-066000.000.0
Offline Station	AS135-303000.000.0
Projection 1	AS135-150000.000.0
Projection 2	AS135-150000.000.0
Projection 3	AS135-150000.000.0
Projection 4	AS135-150000.000.0

APPENDIX 11

Committed Obligations and HLOS Committed Obligations (*Clause 6*)¹³⁵

Part 1 to Appendix 11

List of Committed Obligations

The dates by which each Committed Obligation must be performed and, where relevant, the liquidated damages that apply for failure to perform each Committed Obligation (the Committed Obligation Payment Adjustment) are set out in the table in paragraph 2.6 to Part 3 of Appendix 11.

1. SECURITY AND SAFETY

1.1 Station Security

1.1.1 The Franchisee shall achieve 'Secure Station Scheme' status (in accordance with the requirements in force as at 1 June 2006) for those Stations with 80% of the Franchise footfall. These Stations will include all of those 49 Stations with that status on the Start Date and the Franchisee expects to add the following 13 Stations:

Portsmouth and Southsea;
Staines;
Weybridge
Wokingham;
New Malden;
Walton on Thames;
Worcester Park;
Barnes;
Egham;
Mortlake;
Aldershot;
Poole;
Windsor and Eton Riverside

Provided that the Franchisee may with the prior consent of the Secretary of State (such consent not to be unreasonably withheld) substitute any of the Stations listed above with any of the following Stations: Motspur Park; West Byfleet; Stoneleigh; Cosham; Hounslow; Hampton; Queenstown Road; Hampton Wick; Ewell West; Thames Ditton; Ashford Middlesex; Brookwood; Weymouth; Farncombe; Sunningdale; Martins Heron; New Milton; Chiswick; Hersham; Virginia Water; Ash Vale; Hook; Chessington South; Swanwick; Chessington North; Claygate; Liphook; Syon Lane; Barnes Bridge; Earley; Sunbury; Oxshott; Isleworth; Chertsey; Kew Bridge; Fulwell; Gillingham Dorset; Christchurch; Malden Manor; Camberley; London Road Guildford; Shepperton; North Sheen; Tolworth.

1.1.2 The Franchisee shall ensure that all 45 Stations where it is the SFO (other than those on the Isle of Wight) that do not as of the Start Date have CCTV facilities or do not have free-standing and locally monitored CCTV shall have CCTV installed and linked to a central monitoring facility by 31 December 2009.

¹³⁵ Date of Change 23/12/2011

1.1.3 The Franchisee shall for the duration of the Franchise Term maintain an establishment of no less than 37 Travel Safe Officers (TSO); and train each serving TSO to a standard where that officer can enforce railway bye-laws on the network through fixed penalties notices.

1.1.4 The Franchisee shall procure six British Transport Police (BTP) officers to provide policing on the South Western Franchise network from April 2008 for the duration of the Franchise Term.¹³⁶

1.1.5 The Franchisee shall undertake a joint review with BTP by 1 April 2010 and by agreement shall convert these officers, referred to in paragraph 1.1.4, into uniform officers should this provide a more effective security force.

1.1.6 The Franchisee shall work with BTP to support the delivery of the Franchisee's security strategy.

1.1.7 The Franchisee shall appoint a Head of Security and Crime Prevention by 31 August 2007.

1.1.8 The Franchisee shall operate a 24-hour, 7 day a week security centre facility for Franchise Term.

2. STATIONS

2.1 Major Investment at Stations

2.1.1 In addition to the improvements specified in the other provisions in this Appendix 11, the Franchisee shall invest no less than £¹³⁷ (including project management, procurement and design) on refurbishing the following stations:

Kingston
Putney
Winchester
Ascot
Bracknell
Southampton Airport Parkway
Basingstoke
Bournemouth
Clapham Junction
Guildford
Richmond
Salisbury
Southampton Central
Woking

2.1.2 The Franchisee shall carry out upgrade of facilities at Stations selected by it to the value of £¹³⁸ (excluding project management, procurement and design). Such investment shall

¹³⁶ Insert change text wef 07/11/07

¹³⁷ **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.**

include improvements to booking offices, waiting areas, seating, signage, lighting (on all mainland stations to the lighting standard for Network Rail's new stations as in force as at 1 June 2006), toilets, security, platform and circulation areas and to interchanges and any such other reasonable improvements as the Franchisee wishes to make.

2.1.3 The Franchisee shall extend canopies and/or provide additional waiting shelters for the purpose of improving passenger circulation along platforms and thereby performance at the following stations:

Clapham Junction (platforms 9/10)

Putney

Earlsfield

Richmond

Barnes

Ash Vale

Guildford

Wimbledon

By 28th February 2010

2.2 Maintenance and Decoration

2.2.1 The Franchisee shall repaint each Station at least once during the Franchise Term. This shall comprise some or all of the following areas at each station:

Waiting rooms;

Platform areas;

Station buildings;

Booking halls;

Ticket offices;

Shelters; and lighting columns and stanchions

The Franchisee shall repaint no less than 75% of all Stations by February 2014.

2.3 The Committed Obligations in paragraphs 2.1.1, 2.1.2, 2.1.3 and 2.2.1 are distinct, independent commitments, and performance of any one of them shall not be taken into account in order to achieve any other one or more of them.

3. FLEET

3.1 The Franchisee shall complete the current refurbishment of 91 Class 455 units by ¹³⁹

3.2 The Franchisee shall convert 91 Class 455 units into high capacity layout by¹⁴⁰, subject to passenger demand demonstrating that this is the appropriate solution and appropriate timing.

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 2000.¹³⁸

¹³⁹ **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.**

- 3.3 The Franchisee shall convert 28 Class 450 units into high capacity layout by ¹⁴¹
- 3.4 The Franchisee shall invest the equivalent of £¹⁴² capital (including project management, procurement and design) on refurbishing the 158/9 fleet, electrical overhaul and CCTV/PIS installation. The Franchisee shall pay for this through increased lease charges to the relevant ROSCO as long as it continues to be the Franchisee. The Franchisee shall complete the refurbishment of 30 of the 36 units by¹⁴³.
- 3.5 The Franchisee shall complete an external and internal refreshment of Class 483 units by:
- (a) ¹⁴⁴ if it receives notice from the Secretary of State to do so by 4 February 2007; or
- (b) ¹⁴⁵ if it receives notice from the Secretary of State to do so by 4 February 2008.
- 3.6 ^{i 146} *The Franchisee shall undertake an acceleration feasibility study for the Class 455 units by 28th February 2008 and modify thirty Class 455 units with brake supply relay coils by 30th June 2009.*
- 3.7 Subject to successful trial of the acceleration improvement test train, the Franchisee shall deliver the acceleration improvement modification on all 91 Class 455 units by¹⁴⁷, subject to agreement from Network Rail without the requirement for enhanced power supply.
- 3.8 The Franchisee shall fit passenger counting equipment to the following number of units by¹⁴⁸: Class 455, 23 units; Class 159, 6 units; Class 158, 3 units; Class 458, 8 units.

¹⁴⁰ 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.

¹⁴¹ 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.

¹⁴² 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.

¹⁴³ 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.

¹⁴⁴ 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.

¹⁴⁵ 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.

¹⁴⁶ Date of change 19/8/2008

¹⁴⁷ 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.

3.9 The Franchisee shall install "Controlled Emission Toilet" discharge facilities at Poole sidings. For the purposes of this Committed Obligation 3.9, "Controlled Emission Toilet" means a toilet where the waste is not discharged straight onto the tracks but stored in tanks and routinely emptied at servicing facilities.

3.10 The Franchisee shall install staff accommodation at Poole sidings.

3.11 The Franchisee shall install CCTV at Poole sidings.

3.12 The Franchisee shall install a carriage washing machine at Weymouth sidings.

3.13 The Franchisee shall install CCTV at Weymouth sidings.

3.14 The Franchisee shall electrify a siding at Bournemouth Station.

3.15 The Franchisee shall install staff accommodation (including a room, showers and toilets) at Bournemouth Station.

3.16 The Franchisee shall develop Branksome sidings with the provision of fencing, CCTV and trackwork to provide buffers.

3.16A The parties agree that in respect of the Committed Obligations in paragraphs 3.9 to 3.16, the obligations are contingent upon the closure of Bournemouth depot, and the Franchisee reserves the right to provide an alternative operationally equivalent solution in light of discussions with Network Rail.

3.17 The Franchisee shall carry out a mid franchise internal refreshment with an aggregate expenditure of £¹⁴⁹ in respect of all fleets (other than the Classes 421 and 483) by¹⁵⁰.

3.18 The Franchisee shall produce revised maintenance manuals, fault finding guides and an asset management plan by¹⁵¹ in relation to the Class 455, Class 158, Class 159 and Class 458 units of its fleet.

3.19ⁱⁱ The Franchisee shall purchase a new engineering IT support package, introduce the package by¹⁵² and shall train staff, and maintain the IT support package throughout the Franchise Term.

¹⁴⁸ 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.

¹⁴⁹ 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.

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¹⁵¹ 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.

3.20 The Franchisee shall carry out joint performance development plans with Siemens and shall invest no less than £¹⁵³ over the Franchise Term on performance enhancement programmes. The Franchisee shall invest no less than £¹⁵⁴ by¹⁵⁵.

3.21 The Franchisee shall carry out operational performance modifications, to include door control modifications for Class 455 and 450 fleets to a total cost of £¹⁵⁶. by¹⁵⁷.

3.22 The Franchisee shall carry out minor depot investments aggregating to a total spend of £¹⁵⁸ by¹⁵⁹.

3.23 The Franchisee shall install flood protection infrastructure at Ryde Depot to a total cost of £¹⁶⁰ by¹⁶¹.

3.24 The Franchisee shall install bar codes that can be read by a carriage washing machine to all remaining units and shall upgrade the carriage washing machine at Salisbury to read such bar codes to a cost total of £¹⁶² by¹⁶³.

¹⁵² 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.

¹⁵³ 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.

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¹⁶¹ 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.

3.25 The Franchisee shall install lighting, fencing and CCTV at Salisbury East Sidings to a cost of £¹⁶⁴.

3.26 The Franchisee shall install 25kV test equipment in respect of rolling stock at Wimbledon Depot in the event that the Franchisee wins third party heavy maintenance contracts that require this testing.

3.27 The Franchisee shall motorise points 34 and 35 at Wimbledon Depot by¹⁶⁵.

3.28^{iii 166} *Not Used.*

3.29 The Franchisee shall install sanders to all Class 458 units by¹⁶⁷.

3.30 The Franchisee shall fit CCTV to all Class 458 units by¹⁶⁸.

3.31 The Franchisee shall undertake a review of the business case for improving the performance of carriage washing machines in the first 6 months of the Franchise Term. The Franchisee shall deliver its report to the Secretary of State within 28 days; and shall implement the report if the business case is positive.

3.32 The Franchisee shall increase the inventory of interior fittings held at its depots and by Railpart by £¹⁶⁹ in value and shall maintain this inventory throughout the Franchise Term.

3.33 The Franchisee shall combine train presentation manuals with the aesthetic condition standard and reissue the new combined manual called the train interiors standard manual by¹⁷⁰.

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¹⁶³ 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.

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¹⁶⁶ Date of Change 14/09/2011

¹⁶⁷ 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.

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¹⁶⁹ 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.

3.34 The Franchisee shall purchase paint repair equipment to a value of £¹⁷¹ and spend £¹⁷² per annum on paint repairs.

3.35 The Franchisee shall appoint a Major Project Director from the Start Date and shall maintain such position until at least¹⁷³.

3.36 Without prejudice to its rights and obligations in relation to Network Change and/or Vehicle Change, the Franchisee shall use reasonable endeavours to consider, with Network Rail, the implications of introducing regenerative braking on electrically operated services within the Franchise to reduce energy consumption and reduce costs, to the extent reasonably practicable and consistent with the Franchisee's other obligations under this Franchise Agreement and/or any condition in its Licence and provided (in the Franchisee's reasonable opinion) that it is likely that there would be a positive business case.

4. CAR PARKS

4.1 The Franchisee shall increase the capacity of selected Station car parks by an aggregate of 2000 car parking spaces by 31 May 2011 and shall use reasonable endeavours, subject to the availability of appropriate sites and planning and other relevant consents and to there being demonstrable net financial benefit to the Franchisee over the Franchise Term, to increase the capacity of selected Station car parks by an aggregate of further 1000 car parking spaces by 31 May 2014.

4.2 The Franchisee shall use all reasonable endeavours to achieve the 'Association of Chief Police Officers' 'Park Mark Safer Car Parking' accreditation at 25 car parks within four years of the Start Date. These 25 car parks shall be selected by the Franchisee, giving priority to larger Station car parks (by reference to the number of all car parking spaces).

4.3 The Franchisee shall install 132 new Pay & Display machines at car parks by 31 May 2011.

5. INFORMATION

5.1 ¹⁷⁴*5.1 The Franchisee shall provide, for the purposes of people seeking to interchange with rail, ten real-time customer information screens at Station car parks to be selected by the Franchisee by 31 May 2009 and five by 31 December 2009.*

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¹⁷³ 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.

¹⁷⁴ Date of change 22/12/2009

5.2 The Franchisee shall use all reasonable endeavours to provide, for the purposes of people seeking to interchange with rail, one real-time customer information screen within Southampton Airport terminal. The Franchisee will, if unable so to provide at Southampton Airport, provide the screen at an alternative location by 31 December 2008.

5.3¹⁷⁵ *The Franchisee shall provide 850 Personal Digital Assistant devices for use by on-train and other front-line staff for the purposes of providing improved customer information;*

- *434 of these to be in operational use by staff by¹⁷⁶; and*
- *the remaining 416 to be in operational use by staff by¹⁷⁷.*

6. TICKETING AND REVENUE PROTECTION

6.1 The Franchisee shall invest £¹⁷⁸ by ¹⁷⁹, with a view to installing 13 new ticket gateline schemes at the following stations:

- (i) *Aldershot*
- (ii) *Bournemouth*
- (iii) *Fareham*
- (iv) *Haslemere*
- (v) *Raynes Park*
- (vi) *Salisbury*
- (vii) *Winchester*
- (viii) *New Maldon*
- (ix) *Norbiton*
- (x) *Queenstown Road*
- (xi) *Staines*
- (xii) *Walton on Thames*
- (xiii) *Wandsworth Town*¹⁸⁰

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¹⁷⁵ Date of Change 14/09/2011

¹⁷⁶ 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.

¹⁷⁷ 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.

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¹⁷⁹ 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.

¹⁸⁰ Insert change text wef 04/09/07

6.2 The Franchisee shall carry out as soon as reasonably practicable a policy of communication with customers through standard communications media, highlighting the implications of ticketless travel generally and the application of the National Rail Conditions of Carriage specifically in order to ensure the correct application of the National Rail Conditions of Carriage.

6.3 The Franchisee shall carry out as soon as reasonably practicable training of staff to acquire appropriate skills and techniques for dealing with ticketless travel and incorporation of the National Rail Conditions of Carriage (including in relation to the charging of penalty fares).

6.4 ¹⁸²***6.4 The Franchisee shall provide that (with the exception of Millbrook, Redbridge, Holton Heath, Beaulieu Road and Longcross) all mainland stations where it is the SFO and Ryde Esplanade have at least one new style Ticket Vending Machine by 30 September 2008 (mainland stations) and upon completion of the ‘interchange scheme’ (RYDE Esplanade).***

6.5 Not used.

6.6 The Franchisee shall appoint a Smart Card Project Manager from the Start Date and shall maintain such position until at least ¹⁸³.

6.7 The Franchisee shall provide the Secretary of State with a Smart Card Implementation update at least once every Reporting Period.

7. ACCESS FOR ALL

7.1 The Franchisee shall maintain awareness of the Secretary of State’s ‘Access For All’ fund (or its successor) through liaison with Network Rail, ATOC and DiPTAC and co-operate in the implementation of works at Stations designated for access improvements under the fund.

7.2 The Franchisee confirms that, if the Access for All fund permits enhancements in the level of staffing at particular Stations, it will co-operate with the Secretary of State in implementing any associated Variation.

7.3 The Franchisee shall implement a programme for the carrying out of Minor Works.

7.4 The Franchisee shall appoint an Access Manager to facilitate, inter alia, the prioritisation and expenditure of Access for All funds.

¹⁸¹ **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.**

¹⁸² Date of Change 23/10/2008

¹⁸³ **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. INTEGRATION

8.1 The Franchisee shall procure a bus link between Waterloo and Petersfield from December 2007 until December 2010. During this period, the Franchisee shall produce a business case of the service and shall disclose a summary of such business case to the Secretary of State. Where a positive business case exists so to do the Franchisee shall continue to provide this service for the remainder of the Franchise Term.

8.2 The Franchisee shall (subject to the provisions of competition law) promote other transport integration measures to customers which may include:

- (a) the display, advertising and promotion of integrated tickets;
- (b) liaison with local bus and coach operators;
- (c) the leveraging of Transport for London or any 'Local Transport Plan' funding;
- (d) the promotion of park and ride facilities;
- (e) staff training to ensure the Franchisee has informed and helpful staff to assist customers with their onward journey; and
- (f) access integration, working closely with disability groups and organisations.

8.3 The Franchisee shall install an additional 700 bicycle spaces by 4 February 2013 (over and above any bicycle spaces installed and funded by the investment detailed in the Committed Obligations in paragraph 2 above).

8.4 The Franchisee shall establish two new Plus Bus Schemes and maintain them for the Franchise Term, or replace them with alternative schemes of a similar nature.

9. PASSENGERS AND STAKEHOLDERS

9.1 Passengers Charter

The Franchisee shall use all reasonable endeavours to introduce a new Passenger's Charter from the Start Date that offers 100% refund on the value of the journey for all journeys over 1 hour late which are the reasonable responsibility of the rail industry (excluding force majeure, suicide, gross vandalism and extreme weather).

9.2 Passengers Panel

The Franchisee shall throughout the Franchise Term operate a Passenger's Panel comprising no fewer than 8 customers and chaired by an independent Chairman. Should the Franchisee – in consultation with Passenger Focus and other stakeholders – find an alternative and more suitable structure for understanding the detailed views of customers on policy matters then it may implement it subject to the Secretary of State's approval.

9.3 Liaison

9.3.1 The Franchisee shall, throughout the Franchise Term operate a Meet the Manager session every month at Waterloo Station and at one other Station on the network.

9.3.2^{iv} Through its website, the Franchisee shall hold 6-monthly online ‘webchats’ with either the Managing Director or Customer Service Director and customers in order for customers to ask questions and give feedback on the services provided by the Franchisee.

9.3.3 The Franchisee shall hold a Stakeholder Conference twice yearly throughout the Franchise Term at which the Franchisee shall hold a public discussion on its National Passenger Survey results and how customer service is being delivered.

9.3.4 The Franchisee shall liaise and cooperate with BTP and Passenger Focus/ London Travel Watch to conduct joint visual audits of stations and facilities across the Franchise (‘Station Pride Award’).

9.3.5 The Franchisee shall work with London Travel Watch and Passenger Focus to produce a queuing standard that can be monitored and audited by them for some/ all stations by 4 February 2008.

10. HR AND TRAINING

10.1 The Franchisee shall use all reasonable endeavours to retain accreditation of the Investors in People standard throughout the Franchise Term.

10.2 The Franchisee shall run an annual employee attitude survey to assess staff perceptions, commitment, motivation, morale and to gain employee feedback and shall discuss the results from these staff surveys at Franchisee board level and devise action plans based on the results and discussions.

10.3 The Franchisee shall undertake a biennial talent management programme commencing in year two of the franchise. This programme will identify talent, provide development advice and support to talent and aim to ensure retention of talented individuals.

10.4 The Franchisee shall run an annual corporate recognition programme to identify and reward individuals and teams contributing to excellent customer service and operational performance, referring where appropriate to the latest National Passenger Survey Results, other customer feedback and operational performance statistics.

10.5 The Franchisee shall invest £¹⁸⁴ per annum in Customer Service Skills Training.

10.6 The Franchisee shall invest no less than £¹⁸⁵ per annum in Management Skills Training. This will cover procedural competency, management skills, individual development requirements, and management effectiveness training.

10.7 The Franchisee shall undertake Time With Your Manager sessions for all non-management staff on a biannual basis.

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¹⁸⁵ **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.**

10.8 The Franchisee shall develop a Training Strategy to identify and meet the training and development requirements of the business and provide a copy of that strategy to the Secretary of State.

10.9 The Franchisee will distribute a 'Welcome to SSW' pack to all employees by 28 February 2007.

10.10 The Franchisee will require all new staff to attend corporate welcome training within one month of their start date to introduce staff to SSW's vision, values and behaviours, and franchise objectives and obligations.

10.11 The Franchisee shall train existing and new station and revenue protection staff to improve customer focus and efficiency.

10.12 The Franchisee shall maintain a centre for open learning for employees throughout the Franchise Term to facilitate professional and personal learning opportunities including acquisition of external qualifications.

11. QUALITY

11.1 The Franchisee shall use reasonable endeavours by 28 February 2010 to achieve ISO 14001 environmental quality accreditation at maintenance depots.

11.2 The Franchisee shall produce an annual environmental plan, and annual progress statement, which it will share with the Secretary of State. These will set out its approach to managing its business in accordance with then current and anticipated legislation

11.3 The Franchisee shall establish an annual Environmental Awareness Week raising awareness to all staff through workshops, campaigns and pledges. The Franchisee shall involve its partners The Carbon Trust and the Environment Agency in a 'roadshow' at major South Western network locations.

11.4 The Franchisee shall achieve EFQM Recognised for Excellence accreditation by 28 February 2009.

11.5 The Franchisee shall undertake a full EFQM self assessment that is externally assessed every two years, which will be shared with the Secretary of State.

11.6 The Franchisee shall use reasonable endeavours to establish a 'Charter mark' for mainland operations.

11.7 The Franchisee shall use reasonable endeavours to retain a 'Charter mark' for operations on the Isle of Wight.

11.8 The Franchisee shall produce an annual business plan publication to be distributed to all managers which it will share with the Secretary of State.

11.9 The Franchisee shall produce four-weekly KPI packs.

11.10 The Franchisee shall, from the Start Date, ensure that suitable safety management systems are deployed in accordance with maintaining a valid safety certificate and Railway licences during the Franchise Term.

11.11 The Franchisee shall appoint a Head of Business Excellence from the Start Date to lead continuous improvement, business planning and franchise compliance.

11.12 The Franchisee shall appoint an Environmental Manager from the Start Date to oversee energy consumption, recycling and carbon reductions.

12. DEMAND MANAGEMENT

12.1 The Franchisee shall procure 'Davis Web' software (or an equivalent information system) for the purpose of monitoring the passenger loadings information referred to in paragraph 1.2 of Schedule 1.5 (*Information about Passengers*) of the Terms within 18 months of the Start Date.

12.2 The Franchisee shall (to the extent it is not prevented from doing so by its other obligations under this Agreement) include in its Train Plan the following Additional Passenger Services from the Passenger Change Date in December 2007:

- (a) one additional service from London Waterloo station to Windsor departing after 2245 (Mondays-Saturdays)
- (b) one service from Staines to London Waterloo station departing before 0545 (Mondays-Saturdays)
- (c) one additional service from London Waterloo station to Reading departing after 2315 (Mondays-Saturdays)
- (d) one service from London Waterloo station to Surbiton departing after 0015 (Tuesdays-Sundays)
- (e) additional services to provide a 15 minute frequency from London Waterloo station to Epsom between 1930 and 2200 (Mondays-Saturdays)
- (f) additional services to provide a 15 minute frequency from Epsom to London Waterloo station between 1930 and 2200 (Mondays-Saturdays)
- (g) additional services to provide two trains an hour between London Waterloo and Kingston via Richmond between 1300 and 2300 on Sundays
- (h) additional services to provide two trains an hour between London Waterloo station and Reading between 0800 and 1200 on Sundays
- (i) services specified in Route 9 of the Service Level Commitment between London Waterloo station and Epsom between 0800 and 2300 (from London Waterloo station) and between 0830 and 2300 (to London Waterloo station) shall be extended to either Dorking or Guildford on Sundays
- (j) services specified in Route B3 of the Service Level Commitment between London Waterloo station and Bournemouth between 0745 and 1945 (from London Waterloo station) and 0845 and 2145 (to London Waterloo station) shall be extended to Poole on Sundays
- (k) one additional service from Basingstoke to Portsmouth & Southsea departing between 1615 and 1645 (Mondays-Fridays)

- (l) one additional service from Basingstoke to Fareham departing between 1915 and 1945 (Mondays-Fridays)
- (m) one additional service from Portsmouth & Southsea to Fareham departing between 1645 and 1730 (Mondays-Fridays)

provided that the Franchisee shall not be liable for any failure secure a Timetable that enables the Franchisee to operate the above services to the extent that such failure is caused by the reasons listed in paragraph 10.4 (a) to 10.4(d) of Schedule 1.1 (*Service Development*) of the Terms mutatis mutandis.

12.3 The Franchisee shall (to the extent it is not prevented from doing so by its other obligations under this Agreement) include in its Train Plan from the Passenger Change Date in December 2008:

- (a) an Additional Passenger Service from Basingstoke to London Waterloo station departing before 0645 (Mondays-Fridays)
- (b) one Peak Passenger Service between Salisbury and London Waterloo station formed of a 10-car diesel multiple unit formation

provided that the Franchisee shall not be liable for any failure secure a Timetable that enables the Franchisee to operate the above services to the extent that such failure is caused by the reasons listed in paragraph 10.4 (a) to 10.4(d) of Schedule 1.1 of the Terms mutatis mutandis.

12.4 ¹⁸⁶

13. FARES AND PROMOTION

13.1 The Franchisee shall re-brand Island Line and re-livery Island Line trains by:

- (a) 31 August 2009 if it receives notice from the Secretary of State to do so by 4 February 2007;
- (b) 31 August 2010 if it receives notice from the Secretary of State to do so by 4 February 2008.

13.2 The Franchisee shall issue a new design of uniforms to all customer-facing staff within twelve months of the Start Date.

13.3 The Franchisee shall progressively update the functionality of the website specified in paragraph 10.1 of Schedule 1.4 (*Passenger Facing Obligations*) of the Terms so as to provide customers with a range of information, including about ticket retailing, Stations and station location maps, travel information, engineering works and service disruptions, timetables, the Passenger's Charter, the Franchisee's business and performance, contact details, policies, email bulletins, and links to third party sites. The Franchisee shall include the functionality in the website to allow customers to register for personalised timetable information by 31 January 2008.

¹⁸⁶ **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.**

13.4 The Franchisee shall introduce 'route mark' signage for customers on South Western metro routes by 31 December 2011.

¹⁸⁷13.5 *The Franchisee shall develop a database of selected leisure, business and annual season ticket customers by 31 December 2008. The Franchisee shall extend this database to include selected users of ITSO-certified smartcards within 6 months of the implementation of ITSO on Prestige.*

13.6 The Franchisee shall, subject to and in accordance with the Ticketing and Settlement Agreement, introduce 'megatrain.com' Fares on the following Flows by 31 December 2007:

- (a) Poole-London
- (b) Honiton-London
- (c) Axminster-London
- (d) Havant-London

The Franchisee may substitute 'megatrain.com' fares on these Flows for equivalent fares on other flows subject to the Secretary of State's prior consent (not to be unreasonably withheld) and provided such substitution does not result in a breach of the Ticketing and Settlement Agreement.

13.7 The Franchisee shall maintain 'megatrain.com' or an equivalent yield-managed low-cost fares product on selected Flows for the Franchise Term, subject to the Secretary of State's prior consent (not to be unreasonably withheld) and provided such maintenance does not result in a breach of the Ticketing and Settlement Agreement.

13.8 The Franchisee shall introduce a Fare on selected Flows in order to increase revenue through increasing the use of First Class capacity at off-peak times by 31 December 2008. The Franchisee shall provide a report which evaluates the results of introducing such Fare, including any recommendations, to the Secretary of State within 12 months of introducing the Fare. The Franchisee shall implement those recommendations, provided there is a positive business case and such recommendations are consistent with the performance by the Franchisee of its obligations under the Franchise Agreement.

13.9 The Franchisee shall introduce one or more Fares on selected Flows in order to incentivise travel in the shoulder peaks by 31 December 2009¹⁸⁸.

14. CRANBROOK STATION

14.1 The Franchisee shall use reasonable endeavours to co-operate with Devon County Council in relation to its initiative to open Cranbrook station by December 2008.

14.2 Subject to the Secretary of State making the necessary adjustments to Maximum Journey Times or the "Limited Stops" commitment to call at neighbouring stations in the

¹⁸⁷ Date of change 22/7/2009

¹⁸⁸ **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.**

Service Level Commitment, the Franchisee shall include limited stops at Cranbrook in its Timetable provided that the Franchisee shall not be obliged to call more than:

- (a) 13 services each way on Mondays to Saturdays; and
- (b) 7 services each way on Sundays.

15. PURBECK RAIL PARTNERSHIP

15.1 The Franchisee shall use reasonable endeavours to engage with the Purbeck Rail Partnership on the scheme to re-instate passenger rail services between Swanage and Wareham.

16. PERFORMANCE MANAGEMENT

16.1 *The Franchisee shall procure the electrification of the Up Goods Siding at Basingstoke by 31 March 2009¹⁸⁹*

16.2 The Franchisee shall carry out a series of special drivers briefing on driving technique during leaf-fall prior to 30 September 2008.

16.3 The Franchisee shall review the timings of critical empty stock movements from depots to form Morning Peak services and shall implement revised timings designed to improve right time departures from originating station during the leaf-fall period commencing in Autumn 2008.

16.4 In conjunction with Network Rail, the Franchisee shall undertake a joint monitoring exercise of train running during the 2007 leaf-fall period. Within three months of the completion of such exercise, the Franchisee shall provide a report which evaluates the results of the monitoring exercise, including recommendations with respect to subsequent leaf-fall timetables, to the Secretary of State. The Franchisee shall (to the extent it is not prevented from doing so by its other obligations under this Agreement) implement those recommendations, provided they do not require an increase in either traincrew headcount or fleet size above the level of such resources assumed in the Financial Model as at the date of this Agreement.

16.5 In conjunction with Network Rail, the Franchisee shall undertake a review of signal overlaps on the sections of line between:

- (a) New Malden and London Waterloo station; and
- (b) Richmond and London Waterloo station

(such sections of line being termed “Red Routes”) and shall identify whether there are any opportunities to reduce them.

16.6 The Franchisee shall review the position of station stop markers at stations on Red Routes and identify any opportunities to move them in a way which would reduce the signal clearance time.

¹⁸⁹ Date of change 20/5/2009

16.7 ¹⁹⁰ ***16.7 The Franchisee shall use reasonable endeavours to agree with Network Rail a scheme to raise the line-speed from 5mph to 10mph at the entrance to Wimbledon Depot by 31 March 2009.***

16.8 At locations on Red Routes where there is a significant risk of delay from boarding/alighting, the Franchisee shall use reasonable endeavours to make public address announcements at Peak times:

- (a) on trains to ask passengers to move down inside the train; and
- (b) at stations to ask passengers to allow people to get off the train before boarding.

within twelve months of the Start Date.

16.9 The Franchisee shall undertake a trial of painting zones on selected platforms at the busiest stations on Red Routes with the objective of improving the flow of boarding and alighting passengers, by 31 December 2009. If this trial is successful, the Franchisee shall extend this to selected platforms at all stations on Red Routes.

16.10 The Franchisee shall use reasonable endeavours to agree with Network Rail a scheme for an additional signal at the country side of Clapham Junction on the Up Slow line and shall invest up to £¹⁹¹ capital equivalent value subject to Network Rail providing funding on the basis of a long-term charge over the asset life.

16.11 The Franchisee shall re-locate the vending machines from the bottom of the footbridge on platform 5 at Wimbledon by 30 September 2008.

16.12 Within six months of the Start Date, the Franchisee shall include information in all or some company briefings regarding:

- (a) right time punctuality
- (b) station dwell times on Red Routes
- (c) autumn operational performance
- (d) performance league tables
- (e) most improved fleet and traincrew depots
- (f) worst performing trains
- (g) examples of best practise

16.13 The Franchisee shall institute a “Best Teamwork” award for performance within 12 months of the Start Date.

¹⁹⁰ Date of change 12/12/2009

¹⁹¹ **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.**

16.14 The Franchisee shall issue digital radio-controlled watches to all station, depot and traincrew employees within 12 months of the Start Date.

16.15 The Franchisee shall provide digital clocks at the exit roads of SSW Depots by 31 December 2007. ^v

16.16 Subject to the agreement of Network Rail, the Franchisee shall provide a CCTV link so that the relevant Network Rail signaller can view the depot departure roads at Northam and Wimbledon depots.

16.17 By the end of 2007, the Franchisee shall institute a process to identify the worst performing trains every four months, and shall put a remedial action plan in place within 3 months of that review.

16.18 The Franchisee shall work with Network Rail to combine service recovery plans and special timetables into a combined “Contingency Handbook” for SSW by 29 February 2008.

16.19 The Franchisee shall work with Network Rail to update the “Contingency Handbook” for each timetable change and upon the completion of the Portsmouth, Basingstoke and Farnham re-signalling schemes.

16.20 The Franchisee shall prepare an “alternative transport arrangements handbook” by 31 December 2007.

16.21 In respect of Committed Obligations that relate to staff or posts, the Secretary of State shall not unreasonably withhold his consent to proposals by the Franchisee to reallocate staff or posts the subject of Committed Obligations, where the reallocation is to take account of changing circumstances or to improve efficiency and such reallocation does not result in an overall reduction in the number of Franchisee posts or a reduction in the Franchisee’s total payroll costs.

Part 2¹⁹²

Miscellaneous Provisions relating to Committed Obligations and HLOS Committed Obligations

1. APPLICATION

This Part 2 sets out further terms which apply to the Committed Obligations set out in Part 1 (List of Committed Obligations) and the HLOS Committed Obligations set out in Part 4 (List of HLOS Committed Obligations) of Appendix 11 (Committed Obligations and HLOS Committed Obligations). The references to Committed Obligations in this Part 2 are to the Committed Obligations in Part 1 (List of Committed Obligations) and the references to HLOS Committed Obligations in this Part 2 are to the HLOS Committed Obligations in Part 4 (List of HLOS Committed Obligations) of Appendix 11 (Committed Obligations and HLOS Committed Obligations).

2. CONTINUATION OF AVAILABILITY

2.1 Save as expressly provided in this Appendix 11 (Committed Obligations and HLOS Committed Obligations), the Franchisee shall maintain facilities established in accordance with its Committed Obligations and HLOS Committed Obligations throughout the remainder of the Franchise Term.

2.2 The Franchisee shall be treated as maintaining Committed Obligations and HLOS 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) and/or Part 4 (List of HLOS Committed Obligations) of Appendix 11 (Committed Obligations and HLOS Committed Obligations) includes a commitment regarding staffing or particular appointments it 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

¹⁹² Date of Change 23/12/2011

- (b) the Franchisee's rights and obligations in relation to the numbers or deployment of its other staff remain unaffected; and

(c) except where this paragraph 2.3(c) is disapplied by the Secretary of State in writing, the Secretary of State shall not unreasonably withhold its consent to proposals by the Franchisee to reallocate staff or posts the subject of HLOS Committed Obligations, where the reallocation is to take account of changing circumstances or improve efficiency and such reallocation does not result in an overall reduction in the number of Franchisee posts or a reduction in the Franchisee's total payroll costs.

3. EXPENDITURE COMMITMENTS

Annual Expenditure

3.1 Where Part 1 (List of Committed Obligations) and/or Part 4 (List of HLOS Committed Obligations) of Appendix 11 (Committed Obligations and HLOS Committed Obligations) provide 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 Where Part 1 (List of Committed Obligations) and/or Part 4 (List of HLOS Committed Obligations) of Appendix 11 (Committed Obligations and HLOS Committed Obligations), to the extent they have not already been incurred by the Franchisee, shall (unless expressly provided in Part 4) be indexed by the Retail Prices Index in the same way as variable costs represented by the expression VCRPI are indexed in Schedule 8.2 (*Annual Franchise Payments*) of the Terms.

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) and/or Part 4 (List of HLOS Committed Obligations) of Appendix 11 (Committed Obligations and HLOS Committed Obligations), 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.

4. LIAISON AND CO-OPERATION

Where the Franchisee is committed to liaison and co-operation under Part 1 (List of Committed Obligations) and/or Part 4 (List of HLOS Committed Obligations) of Appendix 11 (Committed Obligations and HLOS Committed Obligations), 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) and/or Part 4 (List of HLOS Committed Obligations) of Appendix 11 (Committed Obligations and HLOS Committed Obligations), shall be in addition to any obligation of the Franchisee elsewhere in this Agreement and nothing in this Appendix 11 shall limit or restrict an obligation imposed on the Franchisee elsewhere in this Agreement.

5.2 Where in Part 1 (List of Committed Obligations) and/or Part 4 (List of HLOS Committed Obligations) of Appendix 11 (Committed Obligations and HLOS Committed Obligations), references are made to particular manufacturers or suppliers of equipment or services, the Franchisee may fulfil its relevant commitment by using reasonable equivalents.

5.3 Each commitment under Part 1 (List of Committed Obligations) and/or Part 4 (List of HLOS Committed Obligations) of Appendix 11 (Committed Obligations and HLOS Committed Obligations) shall come to an end on expiry of the Franchise Term for whatever reason, save in respect of any accrued payments owed pursuant to Part 3 (*Late/Non-Completion of Committed Obligations*) or Part 5 (Late/Non Completion of HLOS Committed Obligations) of Appendix 11 (Committed obligations and HLOS Committed Obligations) but not yet paid.

6. REVIEW OF COMPLIANCE

6.1 Progress with Committed Obligations and HLOS 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 and/or HLOS Committed Obligation as the Secretary of State may reasonably request.

7. TRANSFER OF FRANCHISE ASSETS ARISING FROM HLOS COMMITTED OBLIGATIONS

7.1 Notwithstanding any provision to the contrary in any Supplemental Agreement, the Franchisee shall transfer to a Successor Operator for nil value the Franchise Assets specified below which arise from the delivery by the Franchisee of its HLOS Committed Obligations and which are made the subject of a Transfer Scheme and continue as a Franchise Asset at the point when the Transfer Scheme takes effect. The Franchise Assets referred to above are as follows:

(a) Ticket vending machines at Waterloo station (as specified in paragraph 10.4 of Part 4 of Appendix 11); and

(b) station equipment (as specified in paragraph 11 of Part 4 of Appendix 11).

7.2 It is acknowledged that the obligation in paragraph 7.1 does not affect the obligations of a successor operator to assume with effect from the date of transfer liabilities in respect of Franchise Assets which comprise leases, hire agreements or other contractual arrangements to the extent that such liabilities are transferred to the successor operator pursuant to a Transfer

Scheme. Such liabilities shall be valued in accordance with the terms of the Supplemental Agreement. The Supplemental Agreement shall be amended to the extent required to give effect to this paragraph 7.

Part 3 to Appendix 11

Late/Non Completion of Committed Obligations

1. 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 Appendix 11, such late, partial or non-delivery shall constitute a contravention of this Agreement.

2. COMMITTED OBLIGATION PAYMENT ADJUSTMENT

2.1 In addition to being a contravention of this Agreement, if any of the Committed Obligations referred to in the Table is not delivered in full by the date specified for that Committed Obligation in column 3 of the Table, the Franchisee shall pay to the Secretary of State:

- (a) in respect of each Reporting Period or part thereof for which that Committed Obligation remains undelivered in full; and
- (b) until the Committed Obligation is delivered in full,

a Committed Obligation Payment Adjustment, being the amount set out in column 4 of the Table, as adjusted in accordance with paragraph 2.3 or 2.4 (as appropriate).

2.2 Column 5 of the Table shall specify which of paragraphs 2.3 or 2.4 shall apply to each Committed Obligation specified therein, should any such Committed Obligation be partially delivered by the date specified for that Committed Obligation in column 3 of the Table.

Pro-rating of Committed Obligation Payment Adjustment where partial delivery

2.3 Where:

- (a) in relation to any Committed Obligation referred to in column 5 of the Table to be subject to the terms of this paragraph 2.3 that is expressed in terms of a requirement to deliver or carry out activities in respect of a specified number of facilities; and
- (b) the Franchisee has delivered or carried out the relevant activity in respect of one or more but less than the number of facilities specified in that Committed Obligation by the relevant delivery date,

then the relevant Committed Obligation Payment Adjustment shall be reduced pro rata by reference to the number of facilities so delivered or by reference to the number of those activities that have been carried out (as appropriate).

Adjustment to Committed Obligation Payment Adjustment where partial spend

2.4 Where:

- (a) in relation to any Committed Obligation referred to in column 5 of the Table to be subject to the terms of this paragraph 2.4 that is expressed in terms of a requirement to spend a specified sum in fulfilling its stated objective; and
- (b) the Franchisee has spent less than the sum specified in that Committed Obligation in fulfilling its stated objectives by the relevant delivery date,

then the relevant Committed Obligation Payment Adjustment shall be reduced pro rata by reference to the amount actually spent by that delivery date.

- 2.5(a) Where in relation to any Committed Obligation that is expressed in terms of a requirement to spend a specified sum in fulfilling its stated objective, the Franchisee is able to achieve that stated objective within the timeframe specified for its delivery without investing the full amount referred to in that Committed Obligation, whether because of cost savings or securing additional investment from third parties, the Franchisee may apply to the Secretary of State for the consent referred to in paragraph 2.5(b).
- (b) The Secretary of State's consent for the purposes of paragraph 2.5(a) is his consent for the Franchisee to invest any unspent amount towards the fulfilment of such other commitments as the Franchisee proposes at that time. That consent may not be unreasonably withheld.
- (c) If the Secretary of State consents to an application pursuant to paragraph 2.5(a) in respect of any Committed Obligation, then:
- (i) Part 1 to Appendix 11 and this Part 3 shall be amended to reflect the terms of any new commitments; and
 - (ii) no Committed Obligation Payment Adjustment shall be payable in respect of the unspent amount that relates to that Committed Obligation.

2.6 The Committed Obligation Payment Adjustment shall be payable in accordance with Schedule 8.1 (*Franchise Payments*) of the Terms.

Table : Committed Obligations where a Committed Obligation Payment Adjustment applies

Column 1	Column 2	Column 3	Column 4	Column 5
Reference in Part 1 (paragraph)	Summary Description	Deadline ¹⁹³	Committed Obligation Payment Adjustment (£ per Reporting Period) ¹⁹⁴	Does paragraph 2.3 or 2.4 apply?
1.1.1	Secure Station Scheme Status			2.3
1.1.2	CCTV at Stations			2.3
1.1.3	Travel Safe Officers			2.3
1.1.4	BTP plain clothes officers			2.3
1.1.5	Joint review			No

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¹⁹⁴ 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.

Column 1	Column 2	Column 3	Column 4	Column 5
1.1.7	Head of Security and Crime Prevention			No
1.1.8	Security Centre Facility			No
2.1.1	Refurbishment of Stations			2.4
2.1.2	Upgrade of facilities at Stations			2.4
2.1.3	Extension of canopies/ additional waiting shelters			2.3
2.2.1	Painting of Stations			2.3
3.1	Refurbishment of Class 455			2.3
3.2	Conversion of Class 455 to high capacity			2.3
3.3	Conversion of Class 450 to high capacity			2.3
3.4	Refurbishment of 158/159 fleet			2.4
3.5	Refreshment of Class 483 units			2.3
3.6	Acceleration improvement test train			No
3.7	Acceleration improvement modification			2.3
3.8	Installation of load weighing equipment			2.3
3.9	CET discharge facilities at Poole sidings			2.3 for 3.9-3.16
3.10	Staff accommodation at Poole sidings			
3.11	CCTV at Poole sidings			
3.12	Carriage washing machine at Weymouth sidings			
3.13	CCTV at Weymouth sidings			
3.14	Electrify siding at Bournemouth Station			

Column 1	Column 2	Column 3	Column 4	Column 5
3.15	Staff accommodation at Bournemouth Station			
3.16	Development of Branksome sidings			
3.17	Mid franchise internal refreshment			2.4
3.18	Revised maintenance manuals etc			2.3
3.19	Engineering IT support package			No
3.20	Investment in performance enhancement programmes			2.4
3.21	Operational performance modifications			2.4
3.22	Minor depot investments			2.4
3.23	Flood protection at Ryde depot			2.4
3.24	Carriage washing machines			2.4
3.25	Installations at Salisbury East Sidings			2.4
3.26	Test equipment at Wimbledon depot			No
¹⁹⁵ 3.27	Wimbledon Various	31 March 2009	100	2.3
3.28	Additional seats in Class 444			2.3
3.29	Sanders installed on Class 458			2.3
3.30	CCTVs on Class 158/159 and 458			2.3
3.31	Business case for carriage washing machine			No
3.32	Inventory of interior fittings			2.4
3.33	Train presentation manuals			No
3.34	Paint repair equipment			2.4

¹⁹⁵ Date of Change 22/12/2009

Column 1	Column 2	Column 3	Column 4	Column 5
3.35	Major Project Director			No
4.1	Station car park capacity			
4.2	Park Mark Safer Car Parking			2.3
4.3	Pay & Display			2.3
5.1	CIS at car parks			2.3
5.2	Southampton Airport CIS			No
6.1	New gateline schemes			2.3
6.2	Customer communication on ticketless travel			No
6.3	Staff training on ticketless travel			No
6.4	New style TVM			2.3
6.5	Not used			N/A
6.6	Smart Card Project Manager			No
6.7	Smart Card Implementation updates			No
7.1	Access for All awareness			No
7.2	Cooperation for Variations			No
7.3	Minor Works Programme			No
7.4	Access Manager			No
8.1	Waterlooville-Petersfield bus link			No
8.2	Promotion of transport integration measures			No
8.3	Bicycle spaces			2.3
8.4	Plus Bus Schemes			2.3
9.1	Passengers Charter			No
9.2	Passengers Panel			No
9.3.1	Meet the Manager Session			No
9.3.2	Online webchats			No
9.3.3	Stakeholder conference			No
9.3.4	Station Pride Award			No
9.3.5	Queuing standard			No
10.1	liP accreditation			No
10.2	Employee attitude survey			No

Column 1	Column 2	Column 3	Column 4	Column 5
10.3	Talent Management Programme			No
10.4	Corporate recognition programme			No
10.5	Customer Service Skills			2.4
10.6	Management skills training			2.4
10.7	Time with your Manager			2.3
10.8	Training strategy			No
10.9	Welcome to SSW			No
10.10	Corporate training			No
10.11	Training on customer focus			No
10.12	Open Learning Centre			No
11.1	ISO			No
11.2	Annual Environmental Plan			No
11.3	Environmental Awareness Week			No
11.4	EFQM accreditation			No
11.5	EFQM external assessment			No
11.6	Charter Mark for Mainland operations			No
11.7	Charter Mark for Isle of Wight operations			No
11.8	Annual business plan			No
11.9	KPI packs			No
11.11	Head of Business Excellence			No
11.12	Environmental Manager			No
12.1	Davis Web software			No
12.2	Additional Passenger Services			2.3
12.3	Additional Passenger Services			2.3
12.4	5-car Class 450 units			No
13.1	Rebrand Island Line			2.3
13.2	New uniform			2.3

Column 1	Column 2	Column 3	Column 4	Column 5
	design			
13.3	Updating of website and personalised timetable information			No
13.4	Route Mark Signage			No
13.5	Database of customers			No
13.6	Introduction of megatrain.com fares on selected routes			2.3
13.7	Maintain Megatrain or equivalent			No
13.8	First Class off-peak Fare Introduction			No
13.9	Introduction of shoulder-peak fares			No
14.1	Co-operate with Devon County Council regarding Cranbrook Station opening			No
14.2	Include stops at Cranbrook Station			No
15.1	Purbeck Rail Partnership			No
¹⁹⁶ 16.1	<i>Electrification of Up Goods Siding</i>	<i>31 March 2009</i>	<i>500</i>	<i>No</i>
16.2	Leaf-fall driving technique			2.3
16.3	Review of empty stock movements			No
16.4	Review of train running in leaf fall			No
16.4	Report results			No
16.4	Implement recommendations			2.3
16.5	Review of signal overlaps			No
16.6	Review of station stop markers			No
¹⁹⁷ 16.7	<i>Raise line speed on approach to</i>	<i>31 March 2009</i>	<i>500</i>	<i>2.3</i>

¹⁹⁶ Date of change 20/5/2009

Column 1	Column 2	Column 3	Column 4	Column 5
	Wimbledon			
16.8	Public address announcements at peak times			No
16.9	Painting zones on platforms			No
16.10	Additional signal at Clapham Junction			2.4
16.11	Vending machines at Wimbledon			2.3
16.12	Information briefings			2.3
16.13	Best Teamwork Award			No
16.14	Digital radio controlled watches			2.3
16.15	Digital clocks			2.3
16.16	CCTV link: Northam and Wimbledon			2.3
16.17	Identify poorly performing trains			2.3
16.18	Contingency Handbook			2.3
16.19	Update contingency handbook			No
16.20	Alternative Transport Arrangements Handbook			2.3

Note: in respect of Committed Obligations 2.1.1; 2.1.2; 3.4; 3.17; 3.20; 6.1; and 16.1, where the Committed Obligation relates to a sum of money to be spent, the aggregate of any money spent in connection with that Committed Obligation and any COPA paid in respect of that Committed Obligation shall not exceed the sum of money relating to the Committed Obligation plus 4%.

Note: Column two (*Summary Description*) in the Table should be read in conjunction with the relevant Committed Obligation in Part 1 to this Appendix 11 set out at the paragraph specified in column 1 (*Reference*).

3. WAIVER OF PAYMENTS UNDER THIS PART 3

3.1 The Secretary of State may at its reasonable discretion decide to waive its rights to receive any payments payable in respect of a late, partial or non-delivery of any Committed Obligations.

3.2 In deciding whether to waive such rights the Secretary of State may, but shall not be obliged to, take into consideration the circumstances under which the late, partial or non-delivery arose.

¹⁹⁷ Date of change 12/12/2009

List of HLOS Committed Obligations

1. Acquisition of Phase 1 Rolling Stock

Phase 1 Rolling Stock

- 1.1 For the purposes of paragraph 15.1 of Schedule 1.1 and paragraph 2.1 of Schedule 2.2 to the Terms, the Secretary of State consents to the Franchisee entering into the Modification Agreement and the Phase 1 Rolling Stock Lease (which are Rolling Stock Related Contracts), in each case in the agreed form. The Franchisee shall enter into the Modification Agreement and the Phase 1 Rolling Stock Lease as soon as reasonably practicable after the date of the HLOS Deed of Amendment.
- 1.2 The Secretary of State acknowledges and agrees that pursuant to the terms of the Modification Agreement the Franchisee shall procure the formation of 36 five-car Class 458/5 units ("**Phase 1 Rolling Stock**") through:
- (a) the modification of 30 four car Class 458 units (which form part of the Train Fleet as at the date of the HLOS Deed of Amendment) through the addition of a vehicle previously formed within a Class 460 unit (which does not form part of the Train Fleet at the date of the HLOS Deed of Amendment) and modified to form 30 five car Class 458/5 units; and
 - (b) the creation of 6 further Class 458/5 units from vehicles previously formed within Class 460 units (which do not form part of the Train Fleet as at the date of the HLOS Deed of Amendment).
- 1.3 The Franchisee shall take delivery of each unit of Phase 1 Rolling Stock in accordance with the terms of the Modification Agreement. As at the date of the HLOS Deed of Amendment the anticipated delivery dates of each unit of Phase 1 Rolling Stock are set out in the table below:

Class 458/5 Unit	Anticipated Delivery Date (being the start of a Reporting Period)¹⁹⁹
1 (to be formed entirely from former Class 460 vehicles)	
2 (to be formed entirely from	

¹⁹⁸ Date of new insertion 23/12/2011

¹⁹⁹ **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**

former Class 460 vehicles)	
3 (to be formed entirely from former Class 460 vehicles)	
4 (to be formed entirely from former Class 460 vehicles)	
5	
6	
7	
8	
9	
10	
11	
12	
13 (to be formed entirely from former Class 460 vehicles)	
14 (to be formed entirely from former Class 460 vehicles)	
15	
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- 1.4 The Franchisee shall use all reasonable endeavours to ensure that the actual delivery date of each unit of Phase 1 Rolling Stock is the same as the anticipated delivery date as described in paragraph 1.3. The Franchisee shall, as soon as reasonably practicable, notify the Secretary of State of any change to the anticipated delivery date of any unit of Phase 1 Rolling Stock.
- 1.5 For the purposes of paragraph 2.1 of Schedule 2.2 of the Terms the Secretary of State acknowledges that where the Franchisee accepts delivery of a unit of Phase 1 Rolling Stock that unit will, from the date of such delivery, become subject to the terms of the Phase 1 Rolling Stock Lease and where such unit was previously formed principally as a 4-car Class 458 unit the existing lease for such unit will cease at that time.

1.6 The Secretary of State acknowledges that under the Modification Agreement the Franchisee has the right to decline to take delivery of a unit of Phase 1 Rolling Stock which does not satisfy the requirements set out in the Modification Agreement. The Secretary of State agrees to the Franchisee exercising such right subject to it acting reasonably in the circumstances as a skilled and experienced train operator.²⁰⁰:

(a)²⁰¹

(b)²⁰²

(c)²⁰³

1.7²⁰⁴

1.8²⁰⁵

1.9²⁰⁶

2. CLASS 458/5 ROLLING STOCK WORKS

2.1 The Franchisee shall procure that the Phase 1 Rolling Stock is reformed and refreshed in accordance with the outline specification in the table below:

Class 458/5 Units Outline Specification
--

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²⁰¹ 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

²⁰² 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

²⁰³ 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

²⁰⁴ 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

²⁰⁵ 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

²⁰⁶ 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

The interiors will be converted to high capacity layout. The number of seats per vehicle is detailed below: -

Vehicle	Seats	Comment
458 DMOS	58	1 st class declassified on original class 458
458 TOSL(W)	42	Universal toilet
458 TOS	58	
458 MOSL	54	
458 DMOS	58	Standard toilet
TOTAL	270	1 st class declassified on original class 458
10 Car	540	

- All vehicles will be re-liveried in the SWT 'Blue' livery as applied to Class 450 units.

- The Train Management System (TMS) software and hardware will be revised to make provision for the fifth vehicle.

- Remote communications and download facilities for the TMS will be provided.

- New 'Dellner type' couplers will be installed on all units which will be mechanically compatible with a Desiro Class 450 (retaining existing electrical box). Trace heating shall be provided on moving parts subject to freezing and this will be controlled by a switch in the driver's cab.

- A new faceplate gangway will be fitted which is mechanically compatible with the Desiro fleet. This requires modification of the existing 60 cabs and construction of 12 new cabs to the new design.

- The new gangwayed cab shall be suitable for use by traincrew and passengers.

- Timed automatic door closure will be installed.

- A vehicle by vehicle ASDO system shall be fitted. The ASDO system shall be free-standing and not interface with the TMS system.

- A CCTV system will be fitted to the class 460 vehicles, compatible with the system currently fitted on class 458.

- Forward Facing CCTV will be fitted to all class 458/5.

- In total one third of the total 5 car fleet will have passenger counting equipment. Such passenger counting equipment shall be that referred to in paragraph 5.4 of the Franchise Agreement (being a Dilax infra red system

including detectors above each passenger body side door, a central processing unit and mobile phone link for data download – the data being automatically processed on a Franchisee server and accessed remotely using specified software). The Franchisee may seek prior approval to use a different system or supplier and in such circumstances the Secretary of State shall not unreasonably withhold approval.
<ul style="list-style-type: none"> The ex-Class 460 vehicles will have various modifications to make them fully compliant to the RVAR legislation, the class 458s are already deemed compliant. For Ex-Class 460 vehicles the following is required:- <ol style="list-style-type: none"> Fit RVAR compliant LED step lights at all doorways Fit RVAR compliant external door sounders. Handrails and seat back handles shall be changed for orange. Apply “visualisations” to interior door glass to extend existing to compliant height. The force required to open the interior doors is too high. This is to be rectified by fitting standard EAO buttons beside the doors and blanking off the buttons in the doors. To avoid passengers being trapped in the gangway the opening time is to be extended to 22 seconds. This has already been done on the existing Class 458 vehicles.
<ul style="list-style-type: none"> The units formed entirely of vehicles formerly included within Class 460 units shall be fitted with sanding equipment in the same way that Class 458/5 units formed from a mixture of Class 458 and former Class 460 vehicles are so fitted.
<ul style="list-style-type: none"> The completed units shall be compliant to all standards for operation on the 3rd. rail dc electrified network. There is no requirement to preserve compatibility with AC conversion.

2.2

(a) Franchise Payments were revised by the HLOS Deed of Amendment on the basis that ten car train formations of Phase 1 Rolling Stock comprising two units used to provide the Windsor and Eton Services and some Waterloo Mainline Services (as shown in Annex 5 to this Part 4) will not be reduced outside of the Peak by detaching one unit to save costs at a time when passenger demand may not require 10 car train formations (“Off Peak Splitting and Joining”) to a greater extent than specified in Annex 5 to this Part 4. If the Franchisee did start to engage in further Off Peak Splitting and Joining it would make a cost saving in consequence.

(b) If the Franchisee has engaged in Off Peak Splitting and Joining to a greater extent than specified in Annex 5 to this Part 4 (“Additional Off Peak Splitting and Joining”) in any Franchisee Year it shall within four weeks of the end of such Franchisee Year prepare and deliver to the Secretary of State a true and accurate report setting out the amount of the net cost saving attributable to the Additional Off Peak Splitting and Joining in that Franchisee Year taking into account any revenue impacts and any additional costs arising directly from

it (the “Net Incremental Splitting and Joining Cost Saving”). The Secretary of State shall have the right to require the Franchisee to provide such further information as he shall reasonably require for the purposes of verifying the amount of the Net Incremental Splitting and Joining Cost Saving. If the Secretary of State reasonably considers that the report submitted by the Franchisee is inaccurate he shall have the right to reasonably determine the amount of the Net Incremental Splitting and Joining Cost Saving. If the Net Incremental Splitting and Joining Cost Saving is greater than £²⁰⁷ (which shall be indexed by the Retail Prices Index in the same way as variable costs are indexed in Schedule 8.2 (Annual Franchise Payments) of the Terms) the Franchisee shall pay to the Secretary of State a HLOS Franchise Payment Adjustment equal to ²⁰⁸% of the Net Incremental Splitting and Joining Cost Saving by way (subject to paragraph 6.3 of Part 5 of Appendix 11 (*Committed Obligations and HLOS Committed Obligations*)) of adjustment to Franchise Payments due in relation to the Reporting Period after the Secretary of State notifies the Franchisee that it accepts the Franchisee’s proposed figure for Net Incremental Splitting and Joining Saving or reasonably determines a different amount.

3. INTRODUCTION INTO PASSENGER SERVICE OF PHASE 1 ROLLING STOCK

3.1 Subject to paragraph 3.2 and paragraph 5 the Franchisee shall:

- (a) use all reasonable endeavours to introduce all of the Phase 1 Rolling Stock into passenger service by ²⁰⁹ and in any event shall do so by ²¹⁰ (without prejudice to the obligations of the Franchisee pursuant to sub paragraph (b) below);
- (b) use all reasonable endeavours to introduce each unit of Phase 1 Rolling Stock into passenger service as soon as reasonably practicable after delivery has been taken by the Franchisee (subject to any reasonable maintenance and operational requirements); and
- (c) use all reasonable endeavours to introduce train services departing from or arriving at platform 20 at Waterloo International as soon as reasonably practicable following the delivery into service of such platform as described in paragraph 3.2(b)(iv).

3.2²¹¹

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3.3²¹²

3.4 Where the Franchisee has failed to introduce any unit of Phase 1 Rolling Stock into passenger service by the date specified for anticipated delivery in the table in paragraph 1.3:

(a)²¹³

(b)²¹⁴

3.5 No later than the third business day prior to each Franchise Performance Meeting, the Franchisee shall provide to the Secretary of State, in accordance with any reasonable guidance the Secretary of State may issue to the Franchisee from time to time and reasonably in advance of the next Franchise Performance Meeting, a report detailing the Franchisee's progress with respect to the use of the Phase 1 Rolling Stock in services serving Waterloo during the Peak as required by paragraphs 4.3 and 4.4.

4. ADDITIONAL PHASE 1 CAPACITY

4.1 The Secretary of State and the Franchisee acknowledge that as at the date of this Deed of Amendment the parties anticipate that the best use of the Phase 1 Rolling Stock is the provision of additional passenger carrying capacity on the Windsor & Eton Services and some Waterloo Mainline Services as set out in Section B of Annex 1 to this Part 4 in the column headed "HLOS Strengthened Services (1)" and highlighted in "bold yellow" (the "**Initial Windsor & Eton and Waterloo Mainline Strengthened Services**").

4.2 It is acknowledged that the strengthening anticipated in the Initial Windsor & Eton and Waterloo Mainline Strengthened Services involves the deployment of more capacity than the Windsor & Eton Base Capacity and the Waterloo Mainline Base Capacity. The amount of that capacity (the "**Additional Phase 1 Capacity**") is set out in Section A of Annex 1 to this Part 4 in the columns headed "Additional Phase 1 Capacity (4)" in the Section A summary tables.

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- 4.3 Where the Franchisee has taken delivery of and accepted the first two units of Phase 1 Rolling Stock (and on each subsequent occasion where the Franchisee has taken delivery of two units of Phase 1 Rolling Stock) the Franchisee shall use all reasonable endeavours to allocate the applicable two units of Phase 1 Rolling Stock to one of the Passenger Services identified as suitable for 10 car operation as set out in Annex 1 to this Part 4 in “bold yellow” in the tables relating to Service Group 6710 and Service Group 6730.
- 4.4 (a) The Franchisee shall use all reasonable endeavours to operate the Passenger Services so that the Additional Phase 1 Capacity as stated in Annex 1 to this Part 4 is actually provided for the purposes of strengthening the Windsor & Eton Passenger Services and Waterloo Mainline Services from ²¹⁵ and shall in any event, and to the extent that it is not otherwise directed by the Secretary of State pursuant to paragraph 4.4(b) operate the Passenger Services in such manner by ²¹⁶.
- (i) provided that the Franchisee shall not be in contravention of the obligation to operate the Passenger Services in such manner by ²¹⁷ pursuant to paragraph 4.4(a) where this is caused by any failure to secure a Timetable that enables the Franchisee to operate the Passenger Services so that the Additional Phase 1 Capacity is actually provided to the extent that such failure is caused by the reasons listed in paragraph 10.4(a) to 10.4(d) of Schedule 1.1 of the Terms; and
 - (ii) further provided that the Franchisee shall not be in contravention of the obligation to operate the Passenger Services in such manner by ²¹⁸ pursuant to this paragraph 4.4(a) in relation to the non operation of any Passenger Services included in the Timetable and Train Plan where the non operation of those Passenger Services would not constitute a contravention of the Franchise Agreement were such Passenger Services not required to deliver Additional Phase 1 Capacity but were otherwise delivered pursuant to the terms of the Franchise Agreement.
- (b) If the Franchisee reasonably considers that performance of another of its obligations under this Franchise Agreement ("**Franchise Operating Requirement**") would be inconsistent with the performance of its obligation under paragraph 4.4(a) to operate the Passenger Services in such manner by ²¹⁹ it shall, as soon as reasonably practicable, give written notice to the Secretary of State describing the inconsistency

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between the relevant obligations. The Franchisee shall provide such further information as the Secretary of State may reasonably request. The Secretary of State shall promptly provide the Franchisee with written directions as to whether the said obligation in paragraph 4.4(a) or the relevant Franchise Operating Requirement should take precedence. The Franchisee shall be obliged to comply with the obligation which the Secretary of State determines should take precedence and shall be relieved from the other obligation to the extent to which it is inconsistent.

- (c) The Franchisee shall not be in breach of its obligation under this paragraph 4.4(a) (and accordingly there shall not be a contravention of the Franchise Agreement) if and to the extent that it is not able to introduce one or more units of Phase 1 Rolling Stock into passenger service in circumstances where it is not in breach of its obligation to do so in consequence of the operation of paragraph 3.2 and/or paragraph 5.
- (d) The Franchisee shall indicate in its Train Plan which of the Windsor & Eton Passenger Services and Waterloo Mainline Services have been strengthened by the utilisation of the Additional Phase 1 Capacity.

5. TOTAL LOSS OF A UNIT

5.1 Where a Class 458/5 unit is damaged, to the extent that a skilled and experienced train operator acting reasonably would not permit such unit to operate passenger services, prior to the Franchisee achieving Milestone 4 in accordance with paragraph 2 of Part 5 of this Appendix 11, then this paragraph 5 shall apply.

5.2 For the purposes of this paragraph 5:

- (A) a "Total Loss of a Unit" shall occur where one or more class 458/5 units have been damaged to the extent that a skilled and experienced train operator acting reasonably would not permit such units to operate passenger services and such units would not be able to be repaired (in accordance with standard industry repair and maintenance arrangements) to a condition which would enable the Franchisee to use such units in passenger service;
- (B) "Decision Period" means, in relation to any relevant unit, the period of time between the date when the damage to the affected Phase 1 Rolling Stock unit occurred and the date on which the Franchisee agrees with Porterbrook and any relevant insurer as to whether the relevant unit should be repaired or should be regarded as a Total Loss of a Unit;
- (C) "Repair Period" means the period of time between the date on which the Franchisee agrees with Porterbrook and any relevant insurer that the affected Phase 1 Rolling Stock unit should be repaired and the date on which the relevant unit has been repaired to a condition where a skilled and experienced train operator acting reasonably would permit such unit to operate passenger services.

5.3 The Franchisee shall notify the Secretary of State in writing as soon as reasonably practicable following any incident which might result in a potential Total Loss of a Unit.

5.4 Where the Franchisee has agreed with Porterbrook and any relevant insurer that the relevant Phase 1 Rolling Stock unit should be repaired or should be regarded as a Total Loss of a Unit the Franchisee shall promptly give written notice to the Secretary of State of such fact together with supporting information demonstrating such agreement.

5.5 Where the Franchisee agrees with Porterbrook and any relevant insurer that the affected Phase 1 Rolling Stock unit should be repaired, the Franchisee shall use all reasonable endeavours to procure that such repairs are carried out as soon as reasonably practicable.

5.6 During the Decision Period and, where relevant, the Repair Period:

(a) the Train Fleet tables in Appendix 3 and the Table in Annex 1 to this Part 4 to Appendix 11 shall be deemed to be amended to the extent necessary to reflect the unavailability of the affected units of Phase 1 Rolling Stock;

(b)²²⁰

(c) the Franchisee shall not be liable for any HLOS Committed Obligation Payment Adjustments, and there shall not be a contravention of the Franchise Agreement, to the extent that the Franchisee is unable to perform its HLOS Committed Obligations under paragraphs 3 or 4 of this Part 4 as a result of the non-availability of the affected units of Phase 1 Rolling Stock for passenger services;

(d) paragraph 1.6 and/or paragraph 3.3 shall, where applicable in accordance with their terms, operate to extend each Milestone Deadline in accordance with paragraph 2.9 of Part 5 of Appendix 11;

(e)²²¹

5.7 Where a Total Loss of a Unit occurs:

(A) the Train Fleet tables in Appendix 3 and the Table in Annex 1 to this Part 4 to Appendix 11 shall be deemed to be amended to the extent necessary to reflect the unavailability of the affected units of Phase 1 Rolling Stock arising from the Total Loss of a Unit;

(B)²²²

(C)²²³

(D) the Franchisee and the Secretary of State shall discuss in good faith options for reasonably mitigating the impact on passengers of the adjustment to the

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Franchisee's HLOS Committed Obligations under paragraphs 3 and 4 of this Part 4 as referred to in paragraph 5.7(c) above, ²²⁴;

(E) ²²⁵

(F) ²²⁶

5.8²²⁷

6 BASE CAPACITY

6.1 The Secretary of State acknowledges and agrees that the Base Capacity may change as a consequence of changes to the Timetable prepared in accordance with the Network Code and/or the Train Plan prepared by the Franchisee in accordance with the terms of this Franchise Agreement.

6.2 With effect from the Train Plan commencing from the Passenger Change Date in ²²⁸ and thereafter for the remainder of the Franchise Term, in submitting the proposed Train Plan to the Secretary of State in accordance with paragraph 13 of Schedule 1.1 of the Terms, the Franchisee shall notify the Secretary of State of the amount of the Base Capacity proposed in the Train Plan and any consequential adjustments to the amount of Base Capacity described in Annex 1 to this Part 4 together with supporting information. The Franchisee shall provide any further information reasonably requested by the Secretary of State in respect of the adjustment to the amount of Base Capacity. Without prejudice to the rights of the Secretary of State pursuant to paragraph 13.2 of Schedule 1.1, the amount of Base Capacity shall be adjusted to reflect the Base Capacity set out in the Train Plan.

7 ENHANCED DEPOT AND STABLING FACILITIES

7.1 The Franchisee shall procure, implement and bring into operational use the

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- (a) Wimbledon Light Maintenance Depot Enhancements; and
- (b) Farnham Light Maintenance Depot Enhancements.

in accordance with the specification contained in Annex 3 to this Part 4 (“the Depot and Stabling Improvements”) by no later than the dates specified in Annex 3 to this Part 4.

7.2 ²²⁹

7.3 ²³⁰

7.4 The Franchisee shall liaise and cooperate with Network Rail in the implementation and bringing into operational use by Network Rail of two additional sidings at Guildford yard electrified on the third rail system and each capable of berthing one ten vehicle train with associated facilities being raised walkways, secure fencing, lighting and access by footbridge. This duty of liaison and cooperation shall not restrict the Franchisee in the exercise of its existing rights.

7.5 (a) ²³¹

- (b) The Franchisee shall inform the Secretary of State as soon as reasonably practicable if it appears likely that Network Rail will not deliver the additional berthing capacity and associated facilities at Guildford referred to at paragraph 6.4 above by ²³². The Franchisee shall as soon as reasonably practicable after such notification in such circumstances provide a mitigation plan (“the Guildford Mitigation Plan”) setting out how it proposes to stable rolling stock planned to be stabled at the new Guildford facility in the absence of such facility. The Guildford Mitigation Plan shall also include the opinion of the Franchisee of the net financial cost or benefit to the Franchisee of delivering the Guildford Mitigation Plan and not using the enhanced Guildford yard facilities when they are not available (“Guildford Mitigation Net Financial Outcome”) calculated on a Reporting Period basis. ²³³. The Franchisee shall act diligently as a skilled and experienced Train Operator in producing the Guildford

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Mitigation Plan and shall meet with the Secretary of State to discuss the Guildford Mitigation Plan and provide further information and analysis and additional iterations of the Guildford Mitigation Plan in both cases as the Secretary of State shall reasonably require.²³⁴.

(c)²³⁵

8 PLATFORM EXTENSION WORKS

The Franchisee shall liaise and cooperate with Network Rail in the implementation and bringing into operational use by Network Rail of the station platform extensions (including in each case associated works including track, dispatch, electrification infrastructure alterations and signal sighting resolution plus platform furniture) to accommodate trains of up to 10-car formation which Network Rail is required to deliver during Regulatory Control Period 4 at stations at which the Passenger Services delivering the Additional Phase 1 Capacity call (other than in respect of platform 20 at Waterloo International). This duty of liaison and cooperation shall not restrict the Franchisee in the exercise of its existing rights.

9 WATERLOO STATION

- 9.1 The Franchisee shall liaise and cooperate with Network Rail in relation to the bringing into service of platform 20 at Waterloo International station and the installation of an operational ticket gateline, Customer Information System, Passenger Information System and water supply at platform 20.

The Franchisee shall be permitted to exercise relevant rights under Access Agreements and the Network Code (including Network Change under Part G) in relation to such works provided that the Franchisee shall not exercise or refrain from exercising rights in a manner different to that in which a skilled and experienced Train Operator acting properly in all of the circumstances including the importance of timely delivery of Additional Phase 1 Capacity would exercise such rights.

- 9.2²³⁶

10 HLOS ENHANCED FACILITIES

The Franchisee shall procure, implement and bring into full operational use the works and rolling stock enhancements specified at paragraphs 10.1 to 10.5 below

- 10.1 **CET at Clapham & Wimbledon**
-

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On or before ²³⁷ the Franchisee shall upgrade one manual CET road at both Clapham and Wimbledon to operate semi automatically.

10.2 **Security Enhancements for berthing locations**

On or before ²³⁸ the Franchisee shall install CCTV, fencing and improved lighting at Windsor and Eton Riverside Station, and fencing of the Eurostar sidings at Clapham Depot.

10.3 **Closed Circuit Television**

On or before ²³⁹ the Franchisee shall install closed circuit television at the following locations: Virginia Water, Staines, Richmond, Mortlake, Putney, Wandsworth Town, Clapham, Vauxhall, Kew Bridge, Barnes Bridge and Windsor.

10.4 **Waterloo Station**

On or before ²⁴⁰ the Franchisee shall install three additional ticket vending machines at Waterloo Station.

10.5 **First Class Seating in Class 450s**

Following the introduction of all of the Phase 1 Rolling Stock into passenger service (save for any unit(s) in relation to which a Total Loss of a Unit has occurred in accordance with paragraph 5 of this Part 4) the Franchisee shall modify twenty eight Class 450 units so that all Class 450 units contain twenty four first class seats in 2+2 formation.

²⁴¹

The Franchisee shall ensure that all works completed and facilities and equipment provided pursuant to paragraphs 10.1, 10.2 and 10.3 are completed or provided in accordance with all relevant standards (including without limitation Group Standards and Network Rail Standards) required by Network Rail and shall be transferred to Network Rail in an

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operational state in such manner as Network Rail shall require on or before the end of the Franchise Period without cost to Network Rail. The Franchisee shall supply to Network Rail on or before such date of transfer a reasonable and appropriate set of drawings and maintenance and operations manuals in relation to relevant works and facilities. The Franchisee shall use reasonable endeavours to procure that the guarantees or warranties (if any) in relation to such works are novated without cost to Network Rail as Network Rail may reasonably require.

11 STATION EQUIPMENT

On or before ²⁴² the Franchisee shall spend £²⁴³ (which shall be indexed by the Retail Prices Index in the same way as variable costs are indexed in Schedule 8.2 (Annual Franchise Payments) of the Terms) installing new station equipment and shall as soon as reasonably practicable after such date provide a schedule to the Secretary of State detailing the equipment installed at each relevant station and its cost.

12 ²⁴⁴

13 SIEMENS CLASS 450 MAINTENANCE AGREEMENT

The Franchisee expects that under the terms of the Services Agreement dated 2nd February 2007 and made between the Franchisee and Siemens plc relating, inter alia, to maintenance of Class 450 units (“Class 450 Maintenance Contract”) the cost of maintaining Class 450 units shall increase following the introduction into service of all Phase 1 Rolling Stock because they will be operating an increased mileage to meet the obligations of the Franchisee under the Franchise Agreement and will accordingly fall into a higher cost band under the Class 450 Maintenance Contract. Franchise Payments are adjusted accordingly under the provisions of the HLOS Deed of Amendment. The Franchisee shall promptly notify the Secretary of State if the Class 450 units do not in fact fall into such higher cost band, specify the cost band they do fall into and state why ²⁴⁵.

14 FUTURE SERVICE LEVEL COMMITMENT CHANGES

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²⁴⁵

If at any time after the HLOS Deed of Amendment the Secretary of State amends the then current Service Level Commitment, then:-

- 14.1 for the purpose of determining whether there is a Qualifying Change; and/or
- 14.2 if there is a Qualifying Change, for the purpose of determining the appropriate Revised Inputs in respect of the Change

and for the avoidance of doubt, regard shall be had to the extent to which such amendments made by the Secretary of State reflect changes to the Passenger Services and the way in which they are operated, which are a result of the amendments to the Franchise Agreement made by the HLOS Deed of Amendment and in consequence reflected in the revisions to the Franchise Payments and Target Revenue effected by the HLOS Deed of Amendment. For the avoidance of doubt there shall be no Change or Qualifying Change consequent upon the amendment of the Service Level Commitment pursuant to clause 5 of the HLOS Deed of Amendment.

15 ASSIGNMENT OF THE MODIFICATION AGREEMENT

At the end of the Franchise Period the Franchisee shall, if so directed by the Secretary of State, exercise its rights under the Modification Agreement to assign, transfer or novate the Modification Agreement in such manner (consistent with such rights) as the Secretary of State shall require.

ANNEX 1 TO PART 4²⁴⁶

SECTION A – SUMMARY TABLES

Waterloo Mainline Services				
Vehicles into Waterloo		Base Capacity - Dec 08	HLOS Strengthened Services	Additional Phase 1 Capacity (4)
	Total AM Peak	444	452	8
	Total AM High Peak	209	211	2
	Total PM Peak	421	433	12

Windsor & Eton Services				
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²⁴⁶ Date of new insertion 23/12/2011

Vehicles into Waterloo		Base Capacity - Dec 08	HLOS Strengthened Services	Additional Phase 1 Capacity (4)
	Total AM Peak	820	886	66
	Total AM High Peak	344	366	22
	Total PM Peak	792	852	60

Total Additional Phase 1 Capacity (vehicles)				
Vehicles into Waterloo		Base Capacity - Dec 08	HLOS Strengthened Services	Additional Phase 1 Capacity (4)
	Total AM Peak	1264	1338	74
	Total AM High Peak	553	577	24
	Total PM Peak	1213	1285	72

NOTES

Additional Capacity Services shown in **BOLD Yellow**

New Services shown in **BOLD Orange**.

High peak hour services shaded in Grey

SECTION B ²⁴⁷

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ANNEX 2 TO PART 4²⁴⁸

Not Used

²⁴⁸ Date of new insertion 23/12/2011

ANNEX 3 TO PART 4²⁴⁹

Depot and Stabling Improvements

1. Wimbledon Light Maintenance Depot

The Franchisee shall install and commission into use the following enhancements at Wimbledon Light Maintenance Depot by ²⁵⁰ ("**Wimbledon Light Maintenance Depot Enhancements**"):

- (a) a side pit on Road 7 capable of being used by one ten car unit;
- (b) a bogie drop facility and an overhead crane;
- (c) a new store facility; and
- (c) additional staff lockers.

2. FARNHAM LIGHT MAINTENANCE DEPOT

The Franchisee shall install and commission into use an additional siding at Farnham Light Maintenance Depot capable of berthing one ten vehicle train by ²⁵¹ ("**Farnham Light Maintenance Depot Enhancements**").

²⁴⁹ Date of new insertion 23/12/2011

²⁵⁰ 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

²⁵¹ 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

ANNEX 4 TO PART 4^{252 253}

²⁵² Date of new insertion 23/12/2011

²⁵³ **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**

ANNEX 5 TO PART 4^{254 255}

²⁵⁴ Date of new insertion 23/12/2011

²⁵⁵ **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**

²⁵⁶ Date of new insertion 23/12/2011

²⁵⁷ **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 12

2012 Olympic Games and Paralympic Games (*Clause 7.1*)

1. ACKNOWLEDGEMENT

The parties acknowledge that:

- (a) London will host the Games in 2012;
- (b) as a key provider of public transport services into and out of London, the surrounding area and other areas serving as venues for the Games, the Franchisee will have an important role to play during the Franchise Term in helping to make the staging of the Games successful; and
- (c) the Olympic Delivery Authority must prepare and keep under review the Olympic Transport Plan for addressing transport matters relating to the Games.

2. FRANCHISEE CO-OPERATION

The Franchisee:

- (a) shall at its own cost, co-operate and consult as reasonably required by and with the Olympic Delivery Authority, the LOCOG, the Secretary of State, Transport for London, Network Rail, the British Transport Police and any other relevant party in connection with any arrangements directly or indirectly connected with the Games, including:
 - (i) the provision of additional and/or specific railway passenger services;
 - (ii) the carrying out of necessary works to the network;
 - (iii) the provision of additional and/or specific security arrangements at stations at which the Passenger Services call and on the Passenger Services;
 - (iv) the provision of specific integrated ticketing in relation to the Passenger Services; and
 - (v) advertising and marketing of the Games in relation to the Franchise Services; and
- (b) shall not for the purposes of publicity, advertising, marketing or any other reason, without the prior written consent of LOCOG, represent that any product or service provided by the Franchisee under this Agreement:
 - (i) has been endorsed or approved by LOCOG, the Olympic Delivery Authority or any other Olympic body; or
 - (ii) is in any way associated with those organisations or the Games,including by publishing or issuing any statement (factual or otherwise) about the Franchisee's products or services under this Agreement.

3. ENTRY INTO THE OLYMPIC SERVICES DELIVERY PLAN

- 3.1 The Secretary of State may require the Franchisee to enter into a plan with him:

- (a) to facilitate, in particular, the implementation of the railway aspects of the Olympic Transport Plan;
- (b) to the extent not already provided for under paragraph 3.1(a), to:
 - (i) implement any or all of the matters referred to in paragraph 2; and
 - (ii) any other matter relevant to the planning or staging of the Games,

(the *Olympic Services Delivery Plan*).

3.2 The Secretary of State shall give the Franchisee reasonable notice of the terms of the Olympic Services Delivery Plan he wishes to enter into and the date on which he wishes to enter into the Olympic Services Delivery Plan.

3.3 The Franchisee may make representations to the Secretary of State in respect of the Secretary of State's proposed terms of the Olympic Services Delivery Plan.

3.4 If the Secretary of State and the Franchisee cannot agree on the terms of the Olympic Services Delivery Plan, then the Secretary of State shall reasonably determine such terms.

3.5 On the date notified to the Franchisee by the Secretary of State pursuant to paragraph 3.2, the Secretary of State and the Franchisee shall enter into the Olympic Services Delivery Plan.

4. FINANCIAL EFFECTS OF THE OLYMPIC SERVICES DELIVERY PLAN

For the purpose of paragraph (j) of the definition of *Change*, the Franchisee's implementation of the Olympic Services Delivery Plan shall be a Change, insofar as such implementation results in the imposition of costs on and receipt of revenue by the Franchisee.

5. IMPLEMENTATION OF THE OLYMPIC SERVICES DELIVERY PLAN

The Franchisee shall implement the Olympic Services Delivery Plan in accordance with its terms.

APPENDIX 13

South Western Specific Provisions (*Clause 7.2*)

1. CROSSRAIL

1.1 Without prejudice to the Franchisee's obligations under Schedule 1.7 (*Extended Restrictions of Use*) to the Terms, the Franchisee shall co-operate with Network Rail, the Secretary of State and/or any other relevant third party in the development and implementation of the Crossrail Scheme with a view to achieving the best overall solution for that scheme, and in so doing, the Franchisee shall use all reasonable endeavours to optimise the Secretary of State's potentially competing needs to:

- (a) minimise disruption to the Passenger Services during the implementation of associated works;
- (b) secure the best service level output for passengers from that programme; and
- (c) maximise value for money for the taxpayer from that programme.

1.2 In fulfilling its obligation to co-operate pursuant to paragraph 1.1, the Franchisee shall, amongst other things seek to (i) participate in a positive and constructive manner and in a way which offers full transparency of information available to the Franchisee to the Secretary of State; and (ii) identify solutions that minimise overall rail industry costs.

2. THAMESLINK PROGRAMME

2.1 Without prejudice to the Franchisee's obligations under Schedule 1.7 (*Extended Restrictions of Use*) to the Terms, the Franchisee shall co-operate with Network Rail, the Secretary of State and/or any other third party relevant to that programme, including, in particular being proactive in partnering Network Rail as a member of Network Rail's Thameslink Programme project team, or otherwise in developing the best overall solution for the associated construction works, and in so doing, the Franchisee shall use all reasonable endeavours to optimise the Secretary of State's potentially competing needs to:

- (a) minimise disruption to the Passenger Services during the implementation of associated works;
- (b) secure the best service level output for passengers from that programme; and
- (c) maximise value for money for the taxpayer from that programme.

2.2 In fulfilling its obligation to co-operate pursuant to paragraph 2.1, the Franchisee shall, amongst other things seek to (i) participate in a positive and constructive manner and in a way which offers full transparency of information available to the Franchisee to the Secretary of State; and (ii) identify solutions that minimise overall rail industry costs.

3. WATERLOO GATELINE

3.1 Without prejudice to the Franchisee's obligations under Schedule 1.7 (*Extended Restrictions of Use*) to the Terms and subject to paragraphs 3.3 and 3.4, the Franchisee shall co-operate with Network Rail, the Secretary of State and/or any other relevant third party in the development and implementation of the Waterloo Gateline Project with a view to

achieving the best overall solution for that scheme, and in so doing, the Franchisee shall use all reasonable endeavours to optimise the Secretary of State's potentially competing needs to:

- (a) minimise disruption to the Passenger Services during the implementation of associated works;
- (b) secure the best service level output for fare-paying passengers from that programme; and
- (c) maximise value for money for the taxpayer from that programme.

3.2 In fulfilling its obligation to co-operate pursuant to paragraph 3.1, the Franchisee shall, to the extent required by the Secretary of State and subject to paragraphs 3.3 and 3.4, amongst other things:

- (a) seek to:
 - (i) participate in a positive and constructive manner and in a way which offers full transparency of information available to the Franchisee to the Secretary of State; and
 - (ii) identify solutions that minimise overall rail industry net costs.
- (b) upon reasonable notice make its relevant personnel available to attend meetings with, and sit on any steering groups of, Network Rail, the Secretary of State and/or any other relevant third party in relation to the Waterloo Gateline Project;
- (c) upon reasonable notice actively participate in such meetings or steering groups; and
- (d) co-operate with Network Rail in developing a management, maintenance and operation agreement in respect of the automatic ticket gates, which shall, amongst other things, provide for the Franchisee to be responsible for the day-to-day operation and staffing of the automatic ticket gates but, for the avoidance of doubt, excluding the repair and/or maintenance of those automatic ticket gates (subject to agreement with Network Rail).

3.3 The Franchisee shall not, in complying with its obligations under paragraph(s) 3.1 and/or 3.2 be obliged to take or omit to take any action where to do so would be prejudicial to and/or inconsistent with the provision by the Franchisee of the Passenger Services in a reliable, punctual and efficient manner.

3.4 ²⁵⁸

4. AIRTRACK

4.1 Without prejudice to the Franchisee's rights under any Access Agreement and/or the Network Code, the Franchisee shall co-operate with the Secretary of State, Network Rail and/or any other relevant third party in relation to the development of the Airtrack Project

²⁵⁸ **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.**

except where to do so would be inconsistent with the Franchisee's obligations under this Franchise Agreement and/or any condition in any of its Licences and/or would be prejudicial to and/or inconsistent with the provision by the Franchisee of the Passenger Services in a reliable, punctual and efficient manner.

4.2 ²⁵⁹

5. OTHER INFRASTRUCTURE PROJECTS

The Franchisee shall co-operate with the Secretary of State and/or any other relevant third party in the development of any other infrastructure project that will have an impact on the Franchise (including, without limitation, the redevelopment of Clapham Junction Station) on a consistent basis with the manner and extent of co-operation required pursuant to paragraph 2 in respect of the Thameslink Programme.

6. ROLLING STOCK COSTS²⁶⁰

7. ITSO/OYSTERCARD²⁶¹

8. REPORTING TO TRANSPORT FOR LONDON

8.1 Subject to paragraph 8.3 the Franchisee shall, on a periodic basis throughout the Franchise Term, to the extent directed by the Secretary of State, provide to TfL such information as it reports to the Secretary of State for each London Regional Inner Suburban (LRIS) service group.

8.2 Subject to paragraph 8.3 the Franchisee shall provide the information with supporting commentary.

8.3 The obligations of the Franchisee under paragraphs 8.1 and 8.2 shall be conditional upon the Franchisee and TfL agreeing appropriate terms regarding the confidentiality of such information and the use and/or disclosure of such information by TfL (including, without limitation disclosure by TfL following a request under the Freedom of Information Act 2000).

²⁵⁹ 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.

²⁶⁰ 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.

²⁶¹ 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.

9. SECRETARY OF STATE RISK ASSUMPTIONS RELATING TO COMPLETION OF A THING OR THINGS²⁶²

10. DEMAND MANAGEMENT REGULATION

Purpose of Demand Management Regulation and Agreement of Principles

- 10.1 The Franchisee and the Secretary of State acknowledge:
- (a) their mutual desire to regulate certain Fares differently (***Demand Management Regulation***) from the way in which those Fares are regulated under Schedule 5 (*Fares*) of the Terms as at the Start Date;
 - (b) that the intended purpose of Demand Management Regulation is to enable the Franchisee to:
 - (i) address overcrowding on certain Passenger Services at peak times of the day; and
 - (ii) be innovative in its approach to Fares pricing to reflect changes in working practices, and therefore London commuting practices; and
 - (c) that it is intended that Demand Management Regulation will provide for such overcrowding and innovation to be addressed through the setting by the Franchisee of certain Fares in relation to those peak periods under such terms and conditions and at such prices as would not be permitted under Schedule 5 of the Terms as at the date of this Agreement.

*10.2 Subject to paragraph 10.3, the Franchisee and the Secretary of State shall use all reasonable endeavours to discuss and to seek to reach agreement, by no later than 30 September 2008, on the methodology, terms and conditions and implementation of Demand Management Regulation in accordance with the principles (the Demand Management Principles) set out in the Demand Management Principles Document. The Demand Management Principles are not intended to be legally binding on the parties and shall not give rise to any legal rights or obligations between them, save insofar as incorporated in any amendments to this Agreement which are agreed between the parties as set out in paragraph 10.3.*²⁶³

Amendments to this Agreement

10.3 Where the Franchisee and the Secretary of State are able to reach agreement in relation to the methodology, terms and conditions and implementation of Demand Management Regulation as set out in paragraph 10.2, they shall as soon as reasonably practicable thereafter seek to agree appropriate amendments to this Agreement to effect such agreement.

²⁶² **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.**

²⁶³ Insert change text wef 07/11/07

Failure to agree Demand Management Regulation

10.4 *Where the Franchisee and the Secretary of State have not reached agreement on each of the methodology, terms and conditions and implementation of Demand Management Regulation, as set out in paragraph 10.2, and the appropriate amendments to this Agreement to reflect them, as set out in paragraph 10.3, by 30 September 2008 then:*

- (a) the Target Revenue set out in Appendix 2 (Target Revenue (expressed in real terms)) shall be amended in accordance with Table 1 and adjustments to Franchise Payments shall be made accordingly; and*
- (b) the figures for calculation of the Annual Franchise Payments set out in Appendix 8 (Figures for Calculation of Annual Franchise Payments) shall be amended in accordance with Table 2 and adjustments to Franchise Payments shall be made accordingly,*

in each case subject to:

- (i) adjustment in accordance with Schedule 9 (Changes) to the Terms to reflect any Change that occurs prior to 30 September 2008; and*
- (ii) indexation in accordance with the principles set out in Schedule 8.2 (Annual Franchise Payments) of the Terms²⁶⁴.*

10.5 No amendments may be made to this Agreement to implement Demand Management Regulation (whether in accordance with the Demand Management Principles or otherwise) without the express agreement of both the Franchisee and the Secretary of State (which each party may withhold in its absolute discretion) and in particular it is not the parties' intention that amendments should be determined by a third party (whether pursuant to paragraph 4 of Schedule 19 (*Other Provisions*) of the Terms or otherwise).

²⁶⁵**10.6** *In the event that the Franchisee and the Secretary of State do not reach agreement by the 30 September 2008, as set out in paragraph 10.2, the Franchisee and the Secretary of State shall use all reasonable endeavours to discuss and to seek to reach agreement, by no later than 31 December 2010, on the methodology, terms and conditions and implementation of Demand Management Regulation in accordance with the principles (the Demand Management Principles) set out in the Demand Management Principles Document. The Demand Management Principles are not intended to be legally binding on the parties and shall not give rise to any legal rights or obligations between them, save in so far as incorporated in any amendments to this Agreement which are agreed between the parties as set out in paragraph 10.3.*

²⁶⁴ Insert change text wef 07/11/07

²⁶⁵ date of new text 3.10.2008

Table 1: Target Revenue (expressed in real terms)

Column 1	Column 2
Franchisee Year	Target Revenue (£k) ²⁶⁶
<i>Year 1</i> ²⁶⁷	
<i>Year 2</i>	
<i>Year 3</i>	
<i>Year 4</i>	
<i>Year 5</i>	
<i>Year 6</i>	
<i>Year 7</i>	
<i>Year 8 (if the Franchise is not extended in accordance with Schedule 18)</i>	
<i>Year 8 (if the Franchise is extended in accordance with Schedule 18)</i>	
<i>Up to 7 Reporting Period extension</i>	
<i>Year 9</i>	
<i>Year 10</i>	
<i>Year 11</i> ²⁶⁸	
<i>Up to 7 Reporting Period extension</i>	

²⁶⁶ 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.

²⁶⁷ Year 1 will run from 4 February 2007 to 31 March 2007.

²⁶⁸ Year 11 will run from 1 April 2016 to 4 February 2017.

Table 2: Figures for Calculation of Annual Franchise Payments (*Clause 5.20*)²⁶⁹

Column 1	Column 2	Column 3	Column 4	Column 5	Column 6
Franchisee Year	FXD (£k)	VCRPI (£k)	VCAEI (£k)	PRPI (£k)	TRRPI (£k)
<i>Year 1</i>					
<i>Year 2</i>					
<i>Year 3</i>					
<i>Year 4</i>					
<i>Year 5</i>					
<i>Year 6</i>					
<i>Year 7</i>					
<i>Year 8 (if the Franchise is not extended in accordance with Schedule 18)</i>					
<i>Year 8 (if the Franchise is extended in accordance with Schedule 18)</i>					
<i>Up to 7 Reporting Period extension</i>					
<i>Year 9</i>					
<i>Year 10</i>					

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Column 1	Column 2	Column 3	Column 4	Column 5	Column 6
Franchisee Year	FXD (£k)	VCRPI (£k)	VCAEI (£k)	PRPI (£k)	TRRPI (£k)
<i>Year 11²⁷⁰</i>					
<i>Up to 7 Reporting Period extension</i>					

²⁷⁰ Year 11 will run from 1 April 2016 to 4 February 2017.

APPENDIX 14

Recalibration of the Benchmarks (*Clause 8*)

1. CANCELLATIONS TARGET PERFORMANCE LEVEL FOR FIRST REPORTING PERIOD

In respect of the Cancellations Benchmark Table, the Target Performance Level specified therein for the first Reporting Period of the Franchise Term shall be recalibrated by:

- (a) taking the number of instances where a Previous Passenger Service was cancelled during the Performance Measurement Period, where a cancellation satisfying the requirements equivalent to those specified in the definition of Cancellation shall count as 1 and a cancellation satisfying the requirements equivalent to those specified in the definition of Partial Cancellation shall count as 0.5;
- (b) dividing the sum of that number by 13; and
- (c) calculating a percentage in respect of that total in accordance with the following:

$$\frac{A}{B} \times 100$$

where:

A equals the number determined in accordance with paragraph 1(a), as divided in accordance with paragraph 1(b); and

B equals the number determined by dividing the total number of Previous Passenger Services that were scheduled to be operated during the Performance Measurement Period by 13.

2. CAPACITY TARGET PERFORMANCE LEVEL FOR FIRST REPORTING PERIOD

In respect of the Capacity Benchmark Table, the Target Performance Level specified therein for the first Reporting Period of the Franchise Term shall be recalibrated by:

- (a) taking the number of instances where a Previous Passenger Service operated in the period equivalent to the Peak was short formed in accordance with the definition of Short Formation during the Performance Measurement Period; and
- (b) dividing the sum of that number by 13; and
- (c) calculating a percentage in respect of that number in accordance with the following:

$$\frac{A}{B} \times 100$$

where:

A equals the number determined in accordance with paragraph 2(a), as divided in accordance with paragraph 2 (b); and

- B equals the number determined by dividing the total number of Previous Passenger Services that were scheduled to be operated in the period equivalent to the Peak during the Performance Measurement Period by 13.

3. MINUTES DELAY TARGET PERFORMANCE LEVEL FOR FIRST REPORTING PERIOD

In respect of the Service Delivery Benchmark Table, the Target Performance Level specified therein for the first Reporting Period of the Franchise Term shall be recalibrated by:

- (a) taking the minutes of delay attributed to the Train Operator that provided the Previous Passenger Services under its track access agreement with Network Rail in respect of the Performance Measurement Period; and
- (b) dividing the sum of that number by 13.

4. TARGET PERFORMANCE LEVELS FOR EACH BENCHMARK FOR SUBSEQUENT REPORTING PERIODS

4.1 In respect of the Cancellations Benchmark Table, the Target Performance Level specified therein for each Reporting Period during the remainder of the Franchise Term shall, subject to paragraph 4.4, be determined by calculating:

- (a) the Target Performance Level for the eleventh Reporting Period in Franchisee Year 8 of the Franchise Term in accordance with the following formula:

$$\frac{80}{100} \times \text{TPL}$$

where:

TPL equals the Target Performance Level in respect of the Cancellations Benchmark Table for the first Reporting Period of the Franchise Term as determined pursuant to paragraph 1; and

- (b) the Target Performance Levels for each intervening Reporting Period in the Franchise Term, by decreasing each such level on a straight-line basis from the level set for the first Reporting Period of the Franchise Term to the level set for the eleventh Reporting Period in Franchisee Year 8 of the Franchise Term.

4.2 In respect of the Capacity Benchmark Table, the Target Performance Level specified therein for each Reporting Period during the remainder of the Franchise Term shall, subject to paragraphs 4.4 and 8, be determined by calculating:

- (a) the Target Performance Level for the eleventh Reporting Period in Franchisee Year 8 of the Franchise Term in accordance with the following formula:

$$\frac{(100 - (0.5 \times 7))}{100} \times \text{TPL}$$

where:

TPL equals the Target Performance Level in respect of the Capacity Benchmark Table for the first Reporting Period of the Franchise Term as determined pursuant to paragraph 2; and

- (b) the Target Performance Levels for each intervening Reporting Period in the Franchise Term, by decreasing each such level on a straight-line basis from the level set for the first Reporting Period of the Franchise Term to the level set for the eleventh Reporting Period in Franchisee Year 8 of the Franchise Term.

4.3 In respect of the Service Delivery Benchmark Table, the Target Performance Level specified therein for each Reporting Period during the remainder of the Franchise Term shall, subject to paragraph 4.4, be determined by calculating:

- (a) the Target Performance Level for the eleventh Reporting Period in Franchisee Year 8 of the Franchise Term in accordance with the following formula:

$$\frac{(100 - (0.5 \times 7))}{100} \times \text{TPL}$$

where:

TPL equals the Target Performance Level in respect of the Service Delivery Benchmark Table for the first Reporting Period of the Franchise Term as determined pursuant to paragraph 3; and

- (b) the Target Performance Levels for each intervening Reporting Period in the Franchise Term, by decreasing each such level on a straight-line basis from the level set for the first Reporting Period of the Franchise Term to the level set for the eleventh Reporting Period in Franchisee Year 8 of the Franchise Term.

4.4 In respect of each Benchmark Table the relevant Target Performance Level in respect of each Reporting Period after the eleventh Reporting Period in Franchisee Year 8 shall be the same as for the eleventh Reporting Period in Franchisee Year 8.

5. IMPROVEMENT PLAN PERFORMANCE LEVELS FOR EACH BENCHMARK FOR ALL REPORTING PERIODS

The Target Performance Levels for each Benchmark (as calculated in accordance with this Appendix 14) shall then be used to determine the relevant Improvement Plan Performance Level for each Reporting Period of the Franchise Term. The Improvement Plan Performance Level for each Reporting Period shall be calculated in accordance with the following formula:

$$\frac{(100 + 7.5)}{100} \times \text{TPL}$$

where:

TPL equals the Target Performance Level for that Reporting Period as determined pursuant to this Appendix 14.

6. BREACH PERFORMANCE LEVELS FOR EACH BENCHMARK FOR ALL REPORTING PERIODS

The Target Performance Levels for each Benchmark (as calculated in accordance with this Appendix 14) shall then be used to determine the relevant Breach Performance Level for each Reporting Period of the Franchise Term. The Breach Performance Level for each Reporting Period shall be calculated in accordance with the following formula:

$$\frac{(100 + 15)}{100} \times \text{TPL}$$

where:

TPL equals the Target Performance Level for that Reporting Period as determined pursuant to this Appendix 14.

7. DEFAULT PERFORMANCE LEVELS FOR EACH BENCHMARK FOR ALL REPORTING PERIODS-*Reporting Period shall be calculated in accordance with the following formula:

$$\frac{(100 + 20)}{100} \times \text{TPL}$$

where:

TPL equals the Target Performance Level for that Reporting Period as determined pursuant to this Appendix 14.

8. ROUNDINGS

8.1 The:

- (a) Cancellations Benchmark percentages recalibrated pursuant to paragraphs 1 and 4 to 7 (inclusive); and
- (b) Capacity Benchmarks percentages recalibrated pursuant to paragraphs 2 and 4 to 7 (inclusive),

shall be rounded to two decimal places, with the midpoint (that is, 2.835) rounded upwards (that is, 2.84).

8.2 The Service Delivery Benchmarks recalibrated pursuant to paragraphs 3 to 7 (inclusive) shall be rounded to the nearest ten minutes of delay, with the midpoint (that is, 5,005) rounded upwards (that is, 5,010).

APPENDIX 15

List of Documents in the Agreed Terms (*Clause 9*)

<i>CFD</i>	Commuter Fares Document
<i>DAA</i>	Depot Access Agreement
<i>DL</i>	Depot Lease
<i>DMPD</i>	Demand Management Principles Document
<i>FM</i>	Financial Model
<i>IBP</i>	Initial Business Plan
<i>LSHR</i>	Lambert Smith Hampton Report (extract)
<i>OM</i>	Operational Model
<i>OOA</i>	Olympic Option Agreement
<i>PC</i>	Passenger's Charter
<i>PFD</i>	Protected Fares Document
<i>POA</i>	Power of Attorney
<i>ROA</i>	Record of Assumptions
<i>SAA</i>	Station Access Agreement
<i>SATRT</i>	Seasonally Adjusted Target Revenue Table
<i>SLC 1</i>	Service Level Commitment 1
<i>SLC 2</i>	Service Level Commitment 2
<i>SL</i>	Station Lease
<i>SQAP</i>	Service Quality Audit Programme
<i>SQMS</i>	Service Quality Management System
<i>SQS</i>	Service Quality Standards
<i>TP</i>	Train Plan

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_____ September 2006

THE SECRETARY OF STATE FOR TRANSPORT

and

STAGECOACH SOUTH WESTERN TRAINS LIMITED

**SOUTH WESTERN
FRANCHISE AGREEMENT**

**incorporating by reference the
National Rail Franchise Terms**

(Second Edition)



FRESHFIELDS BRUCKHAUS DERINGER

Derogation Page

~~ⁱ By virtue of a derogation the Secretary of State has granted the Franchise Operator the following; that the Franchisee shall undertake an acceleration feasibility study for the Class 455 units by 28th February 2008 and modify thirty Class 455 units with brake supply relay coils by 30th June 2009 this derogation will expire on 30 September 2009.~~

~~Start Date 30/6/2009 End Date 30/09/2009~~

~~ⁱⁱ By virtue of a derogation the Secretary of State has granted the Franchise Operator the following; that the Franchisee shall purchase a new engineering IT support package, introduce the package by 28th February 2009 and shall train staff, and maintain the IT support package throughout the Franchise Term.~~

~~Start Date 14/7/2009 End Date 31/10/2009~~

~~ⁱⁱⁱ By virtue of a derogation the Secretary of State has granted the Franchise Operator the following; An extension to the deadline to install eight additional seats per unit in the Class 444 fleet by 31 December 2011 to 30th April 2012~~

~~Start Date 31/12/2011 End Date 30/04/2012~~

~~^{iv} By virtue of a derogation the Secretary of State has granted the Franchise Operator the following; An extension to the frequency between the webchats to seven months on one occasion enabling the cycle to change from February and August to March and September.~~

~~Start Date 28/12/2011 End Date 31/03/2011~~

~~^v By virtue of a derogation, the Secretary of State has granted the Franchise Operator the following; further time to complete the installation of digital clocks at the exit roads of SSW Depots.~~

~~Start Date 01/01/08 End Date 30/05/08~~

~~^v By virtue of a derogation the Secretary of State has granted the Franchise Operator the following; "The Franchisee shall purchase a new engineering IT support package, introduce the package by 28th February 2009 and shall train staff, and maintain the IT support package throughout the Franchise Term."~~

~~Start Date 26/2/2009 End Date 31/07/2009~~

