

THIS AGREEMENT is dated _____ December, 2005

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) ¹**FIRST CAPITAL CONNECT LIMITED**, whose registered office is at 50 Eastbourne Terrace, Paddington, London, W2 6LX ² (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 issue of a Franchise Commencement Certificate; and

Terms means the National Rail Franchise Terms (First 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 Date of Change 26/05/2006

² Insert new text wef 23/11/06

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) paragraphs 1, 2, 5, 6, 7 and 8 of Schedule 13 (*Information and Industry Initiatives*);
- (k) Schedule 14.3 (*Key Contracts*);
- (l) Schedule 17 (*Confidentiality*); and
- (m) 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 March;
- (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*** means the document marked ***CFD*** to be agreed by the parties on or prior to the Start Date;
- (d) 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;
- (e) the prescribed date for the purpose of:
 - (i) paragraph (b) of the definition of ***Expiry Date*** is 31 March 2012; and
 - (ii) paragraph (c) of that definition is 31 March 2015;
- (f) for the purposes of the definition of ***Franchise***:
 - (i) the prescribed date is 1 June 2005; and
 - (ii) the prescribed places are, amongst others, Bedford, Luton, Gatwick and Brighton, passing through the City of London, around the “Wimbledon Loop” to South London destinations including Herne Hill, Wimbledon and Sutton, and Peterborough, King’s Lynn, Cambridge and London;

- (g) the date for the purposes of the definition of **Franchise Letting Process Agreement** is 2 February 2005;
- (h) each **Franchisee Year** shall, subject to the terms of that definition, begin on 1 April and end on 31 March;
- (i) the **Initial Business Plan** in the agreed terms is attached to this Agreement marked **IBP**;
- (j) the date for the purpose of the definition of **Initial Expiry Date** is 31 March 2010;
- (k) the prescribed stations for the purpose of the definition of **Major Station** are Gatwick Airport, London Bridge and London King's Cross *and (with effect from the commencement of Passenger Services serving that station) St Pancras International (Low Level) Station*;³
- (l) the prescribed amount for the purpose of the definition of **Minor Works' Budget** is £250,000 for each Franchisee Year;
- (m) 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;
- (n) the **Operational Model** in the agreed terms is attached to this Agreement marked **OM**;
- (o) **Parent** means, in the context of:
 - (i) paragraph 7.2(b)(iii) of Part 1 to Appendix 11 (*List of Committed Obligations and Related Provisions*) to the Franchise Agreement, FirstGroup plc;
 - (ii) Schedule 10.3 (*Events of Default and Termination Event*) to the Terms, either FirstGroup plc or First Rail Holdings Limited; and
 - (iii) Schedule 13 (*Information and Industry Initiatives*) to the Terms, both of those persons;
- (p) the **Passenger's Charter** in the agreed terms is attached to this Agreement marked **PC**;
- (q) the **Power of Attorney** in the agreed terms is attached to this Agreement marked **POA**;
- (r) the **Protected Fares Document** means the document marked **PFD** to be agreed by the parties on or prior to the Start Date;
- (s) 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;

³ Date of change 20/3/2009

- (t) the ***Record of Assumptions*** in the agreed terms is attached to this Agreement marked ***ROA***;
- (u) the ***Reporting Accountants*** are Ernst & Young LLP;
- (v) the date for the purpose of paragraph (a) of the definition of ***Review Date*** is 1 March 2006;
- (w) 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*);
- (x) the ***Service Level Commitments*** in the agreed terms are attached to this Agreement marked ***SLC1*** and ***SLC2***;
- (y) ***Service Quality Audit Programme*** in the agreed terms is attached to this Agreement marked ***SQAP***;
- (z) the ***Service Quality Management System*** in the agreed terms is attached to this Agreement marked ***SQMS***;
- (aa) the ***Service Quality Standards*** in the agreed terms are attached to this Agreement marked ***SQS***;
- (ab) ***SLC1*** in the agreed terms is attached to this Agreement marked ***SLC1***;
- (ac) ***SLC2*** in the agreed terms is attached to this Agreement marked ***SLC2***;
- (ad) the time and date for the purpose of paragraph (a) of the definition of ***Start Date*** is 0200 on 1 April 2006;
- (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 Franchisee Year, referred to by the acronym “FAT”,⁴
 - (ii) the prescribed month for the purpose of the definition of “CRPI” is November; and
 - (iii) the prescribed base month and year for the purpose of the definition of “ORPI” are November 2005; and
- (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:

⁴ **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.**

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

“Actual Thameslink KO0 Start Date” means the date and time on which the Franchisee commences the operation of the Thameslink KO0 Services.

“BML RUS has the meaning given to it in paragraph 1.1 of Part 1 to Appendix 4 (*List of Priced Options*) to the Franchise Agreement;

BTP has the meaning given to it in paragraph 5.3(a) of Part 1 (*List of Committed Obligations*) to Appendix 11 (*List of Committed Obligations and Related Provisions*) to the Franchise Agreement;

Committed Obligation Payment Adjustment means a payment adjustment made to Franchise Payments pursuant to Part 3 (*Late/Non Completion of Committed Obligations*) to Appendix 11 (*List of Committed Obligations and Related Provisions*) to the Franchise Agreement;

Control Point Accommodation has the meaning given to it in paragraph 13 of Appendix 9 (*List of Key Contracts*) to the Franchise Agreement;

“Core Thameslink Route” means the railway route connecting Blackfriars and St Pancras International stations.

current Franchisee Year has the meaning given to it in paragraph 9.4 of Appendix 13 (*Thameslink/GN Specific Provisions*) to the Franchise Agreement;

“Electrostar Lot 10A Units” means 12 dual voltage Class 377 four car units ordered by the Southern Franchisee pursuant to a Manufacture and Supply Agreement dated 8th March 2002 as amended by the Electrostar Lease Amendment Agreement No3

“Electrostar Lot 10B Units” means 11 dual voltage Class 377 four car units ordered by the Southern Franchisee pursuant to a Manufacture and Supply Agreement dated 5th

ERTMS has the meaning given to it in paragraph 3 of Appendix 1 (*Secretary of State Risk Assumptions*) to the Franchise Agreement;

Further Continuation Period means, providing no Event of Default has occurred and is continuing, the period commencing on the day after the date prescribed in clause 5.1(g)(i) of the Franchise Agreement and continuing for three years ending on the date prescribed in clause 5.1(g)(ii) of the Franchise Agreement;

Gatwick Express means Gatwick Express Limited;

Great Northern Benchmarks means the Benchmarks set out in each of the Great Northern Cancellations Benchmark Table, the Great Northern Capacity Benchmark Table and the Great Northern Service Delivery Benchmark Table;

Great Northern Cancellations Benchmark Table means the table set out in Part 2 of Appendix 5 (*Cancellations Benchmark Tables*) to the Franchise Agreement;

Great Northern Capacity Benchmark Table means the table set out in Part 2 of Appendix 6 (*Capacity Benchmark Tables*) to the Franchise Agreement;

Great Northern Performance Measurement Period means 1 April 2005 to 31 March 2006 (inclusive of those dates);

Great Northern Service Delivery Benchmark Table means the table set out in Part 2 of Appendix 7 (*Service Delivery Benchmark Tables*) to the Franchise Agreement;

GSM-R has the meaning given to it in paragraph 3 of Appendix 1 (*Secretary of State Risk Assumptions*) to the Franchise Agreement;

Hornsey Depot Report has the meaning given to it in paragraph 2.1 of Appendix 13 (*Thameslink/GN Specific Provisions*) to the Franchise Agreement;

London Terminus means any of the following stations:

City Thameslink, London Blackfriars, London Bridge, London Cannon Street, London Charing Cross, London Victoria, London Waterloo and Vauxhall;

LRIS has the meaning given to it in paragraph 2.5A(a) of Part 1 to Appendix 4 (*List of Priced Options*) to the Franchise Agreement;

“LSER Franchisee” means the franchisee under the franchise agreement dated 29 November 2005 (as amended from time to time) and made between the Secretary of State and London & South Eastern Railway Limited (Company Number 04860660) and where there are references to the successor operator to the LSER Franchisee that reference shall include any successor operator directly or indirectly of all or any part of the franchise services operated by the LSER Franchisee.

LUL means London Underground Limited;

[]⁵;

“Planned Thameslink KO0 Start Date” means 1 March 2009.

Previous Great Northern Passenger Service means any Previous Passenger Service operated on any Great Northern Route;

Previous Passenger Service means any railway passenger service operated under the Previous Franchise Agreements that is equivalent to any Passenger Service in terms of departure and arrival times and stopping patterns;

Previous Thameslink Passenger Service means any Previous Passenger Service operated on any Thameslink Route;

Profit Share Threshold has the meaning given to it in paragraph 9.3 of Appendix 13 (*Thameslink/GN Specific Provisions*) to the Franchise Agreement;

“Reference Timetable” means the timetable in respect of Passenger Services operated between Bedford and London Bridge and Herne Hill respectively (and ignoring any operation of a relevant service to the extent that it commences or finishes its journey south of Herne Hill or London Bridge as the case may be) set out in Schedule 3 of the Deed of Variation to the Franchise Agreement which incorporated this definition into the Franchise Agreement and, in respect of any

⁵ Date of deletion 20/3/2009

new, amended or revised SLC subsequent to the Thameslink KO0 SLC which continues to envisage the operation of any Train Slots partly by the Franchisee and partly by the LSER Franchisee (or any successor operator to the LSER Franchisee) such amendment or replacement of that timetable as is used to agree or determine the financial consequences of any Change associated with that new, amended or revised SLC.

Relevant Franchise Sections Merger Costs means in respect of any Franchise Year (i) the Franchise Sections Merger Costs as annualised over a period of 180 months from the date when they are incurred and then attributable to that Franchise Year, together with (ii) interest accrued in that Franchise Year on any loan made to the Franchise to fund the Franchise Sections Merger Costs, where the Franchise Sections Merger Costs are the costs incurred by the Franchisee in connection with the merger of the Franchise Sections as envisaged in paragraph 1.2 (Franchise Sections) of Schedule 16 (Pensions) which it would not have incurred in the absence of any such merger, with the costs calculated without netting off any amount of those costs off-set against the Profit Share in accordance with paragraph 5 of Appendix 13 to the Franchise Agreement⁶

Relevant Gatwick Fare means a Fare which alone or in combination with any other Fare, the Price for which may be set by the Franchisee or an Affiliate of the Franchisee pursuant to the terms of the Ticketing and Settlement Agreement:

- (a) would be valid for a journey between Gatwick Airport station and any London Terminus in any direction; and
- (b) can or could be purchased for less than the Price or Child Price (as the case may be) of any other equivalent Fare (or any other Fare subject to more restrictions) between Gatwick Airport station and a London Terminus;

Relevant profit has the meaning given to it in paragraph 9.3 of Appendix 13 (Thameslink/GN Specific Provisions) to the Franchise Agreement;

Relevant Station Committed Obligation has the meaning given to it in paragraph 2.6 of Part 3 (Late/Non Completion of Committed Obligations) of Appendix 11 (Last of Committed Obligations and Related Provisions) to the Franchise Agreement;

Short Formation means the operation of a Previous Great Northern Passenger Service or a Previous Thameslink Passenger Service with less rolling stock vehicles than the number of rolling stock vehicles scheduled to be operated by the relevant Train Operator;

SLC1 means the first Service Level Commitment specified and issued by the Secretary of State under this Agreement;

SLC2 means the second Service Level Commitment specified and potentially issued by the Secretary of State under this Agreement;

“SLC (TDR) Amendment” has the meaning given in paragraph 8.7 of Schedule 1.1 (Service Development).

⁶ Insert change text wef 26/05/07

Southern means New Southern Railway Limited or any successor franchisee or franchise operator of railway passenger services substantially the same as those operated by Southern as at the date of this Agreement;

“Southern Franchisee” means the franchise operator under the franchise agreement dated 12th Mar 2003 (as amended from time to time) and made between the Secretary of State, Govia Limited (Company Number 2100855) and South Central Limited (Company Number 03010919) and where there are references to the successor operator to the Southern Franchisee that reference shall include any successor operator directly or indirectly of all or any part of the franchise services operated by the Southern Franchisee.

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

Thameslink means Thameslink Rail Limited;

Thameslink Benchmarks means the Benchmarks set out in each of the Thameslink Cancellations Benchmark Table, the Thameslink Capacity Benchmark Table and the Thameslink Service Delivery Benchmark Table;

Thameslink Cancellations Benchmark Table means the table set out in Part 1 of Appendix 5 (Cancellations Benchmark Tables) to the Franchise Agreement;

Thameslink Capacity Benchmark Table means the table set out in Part 1 of Appendix 6 (Capacity Benchmark Tables) to the Franchise Agreement;

“Thameslink Key Output 0” means the required alterations to the timetable and operation of certain passenger services to permit construction works to be undertaken at Blackfriars and Farringdon stations as more particularly described in the request for proposal issued by the Secretary of State to the Franchisee dated 16th July 2007 and detailed in the Thameslink KO0 SLC.

“Thameslink KOI Deed of Amendment” means the Deed of Amendment dated 2nd December 2011 entitled ‘Deed of Amendment relating to the Thameslink/GN Franchise Agreement dated 12 December 2005 (as subsequently amended) made between the Secretary of State and the Franchisee.’⁷

“Thameslink KO0 Services” means the railway passenger services to be operated by the Franchisee from the Actual Thameslink KO0 Start Date as more particularly described in the Service Level Commitment applicable from that date under the headings “Route F”, “Route G”, “Route H”, “Route I” and “Route J”.

“Thameslink KO0 SLC” means the revised SLC as set out in Schedule 2 of the Deed of Variation to the Franchise Agreement which incorporated this definition into the Franchise Agreement.

“Thameslink Trading Agreement” means any of the rolling stock sub-leases and other trading agreements referred to in paragraph 12⁸ of Appendix 13 (Thameslink/GN Specific Provisions) to the Franchise Agreement.

⁷ Date of Change 02/12/2011

⁸ Date of second change wef 26/08/08

Thameslink Performance Measurement Period means together, 1 April 2004 to 26 June 2004 and 26 June 2005 to 31 March 2006 (inclusive of those dates);

Thameslink Programme means the scheme promoted by Network Rail formerly known as ‘Thameslink 2000’, as described in its 2005 Transport and Works Act 1992 application, 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;

Thameslink Service Delivery Benchmark Table means the table set out in Part 1 of Appendix 7 (*Service Delivery Benchmark Tables*) to the Franchise Agreement;

Total Investment has the meaning given to it in paragraph 8.8(a) of Appendix 13 (*Thameslink/GN Specific Provisions*) to the Franchise Agreement;”;

- (b) the amendment to clause 3.1 thereof of the following definitions:
 - (i) the definition of **Benchmark Table** shall be amended by the insertion of “relevant” before “Cancellations” in paragraph (a), “Capacity” in paragraph (b) and “Service” in paragraph (c);
 - (ii) the definition of **Cancellations Benchmark** shall be amended by replacing “Table” with “Tables”;
 - (iii) the definition of **Cancellations Benchmark Table** shall be deleted and replaced by the following:

“**Cancellations Benchmark Table** means either the Great Northern Cancellations Benchmark Table or the Thameslink Cancellations Benchmark Table;”
 - (iv) the definition of **Capacity Benchmark** shall be amended by replacing “Table” with “Tables”;
 - (v) the definition of **Capacity Benchmark Table** shall be deleted and replaced by the following:

“**Capacity Benchmark Table** means either the Great Northern Capacity Benchmark Table or the Thameslink Capacity Benchmark Table;”
 - (vi) the definition of **Change** shall be amended by:
 - (A) the insertion of a new paragraph (c) as follows:

“(c) the Secretary of State’s proposals referred to in paragraph 4.1 of Appendix 13 (*Thameslink/GN Specific Provisions*) to the Franchise Agreement are implemented and the costs relating to rolling stock vehicle leasing and/or maintenance arrangements payable by the Franchisee under any Rolling Stock Related Contract are reduced as a consequence or a competition authority directs such reduction (in each case subject and having regard to the terms of paragraph 4.4 of Appendix 13);”

- (B) the insertion of a new paragraph (d) as follows:
- “(d) any of the circumstances specified in paragraph 7 of Appendix 13 to the Franchise Agreement regarding the availability, the terms of availability and the condition of the 20 Class 319 units that Southern lease from Porterbrook as at the date of this Agreement occur;”
- (C) the insertion of a new paragraph (e) as follows:
- “(e) any solution to be implemented that satisfies the criteria specified in paragraph 8.7(a) of Appendix 13 to the Franchise Agreement that requires the operation of additional railway passenger services, the provision of additional capacity or the alteration to any Passenger Services;”
- (D) the renumbering of all subsequent paragraphs within that definition accordingly; and
- (E) the deletion of paragraph (h) (old paragraph (e)) thereof and its replacement with the following:
- “(h) a change to the Service Level Commitment previously in force pursuant to the issue of a new Service Level Commitment in accordance with paragraph 9 of Schedule 1.1 (*Service Development*), excluding such a change arising pursuant to the issue of:
- (i) SLC2 for the purposes of securing a Timetable to be operated on and from the Passenger Change Date occurring in December 2006; or
 - (ii) any Service Level Commitment under Appendix 4 (*List of Priced Options*) to the Franchise Agreement;”;
- (vii) the definition of **Charging Review** shall be amended by deleting paragraph (a)(i) and replacing it with the following paragraph:
- “(i) Part 7 of Schedule 7 of any or all of the three Track Access Agreements to which the Franchisee will be a party as at the Start Date (where such agreements are changed after the date of the Franchise Agreement by the exercise of those powers but before, on or after the Start Date) or any Replacement Agreement which is or is deemed to be a Relevant Agreement in accordance with the definition of that Term;”
- (viii) the definition of **Committed Obligations** shall be deleted and replaced by the following:
- “**Committed Obligations** means any of the Franchisee’s obligations listed in Part 1 (*List of Committed Obligations*) to Appendix 11 (*Committed Obligations and Related Provisions*) to the Franchise Agreement;”
- (ix) the definition of **Expiry Date** shall be amended by:

- (A) the insertion of “clause 5.1(g)(i) of” after “the date prescribed as such in” in line one of paragraph (b);
- (B) the deletion of “(subject to paragraph 1.4 of Schedule 18 (*Franchise Continuation Criteria*))” at the end of paragraph (b);
- (C) the deletion of “or” at the end of paragraph (b)(ii);
- (D) the insertion of the following:
 - “(c) the date prescribed as such in clause 5.1(g)(ii) of the Franchise Agreement if the Franchise Agreement continues for the full Further Continuation Period or such earlier date as the Secretary of State may notify the Franchisee of pursuant to paragraph 1.6 of Schedule 18; or”; and
- (E) existing paragraph (c) becoming new paragraph (d) and within that paragraph, “paragraph 1.5” being replaced by “paragraph 1.7”;
- (x) the definition of ***Service Delivery Benchmark*** shall be amended by replacing “Table” with “Tables”;
- (xi) the definition of ***Service Delivery Benchmark Table*** shall be deleted and replaced by the following:

“***Service Delivery Benchmark Table*** means either the Great Northern Service Delivery Benchmark Table or the Thameslink Service Delivery Benchmark Table;”;
- (xii) the definition of ***Service Level Commitment*** shall be amended by inserting “and the second such service level commitment” before “prescribed” in the third line; and
- (xiii) the definition of ***Service Recovery Plan*** shall be amended by the deletion of “passenger carrying capacity than the passenger carrying capacity” in the third and fourth lines and its replacement with “rolling stock vehicles than the rolling stock vehicles”;
- (c) the amendment to Schedule 1.1 (*Service Development*) thereof of the following:
 - (i) the deletion of paragraph 2.4 and its replacement with the following:

“2.4 The Train Plan for the Timetable as at the Start Date is in the agreed terms marked ***TP***, attached to the Franchise Agreement, unless the parties agree that changes are required to that Train Plan prior to the Start Date to reflect the train movements of the Train Operators under the Previous Franchise Agreements prior to the Start Date.”;
 - (ii) the insertion of a new paragraph 6.1(d) as follows and the renumbering of all subsequent sub-paragraphs within paragraph 6.1:

“(d) where:

 - (i) the Franchisee currently delivers any Passenger Service by operating more than one rolling stock unit; and

- (ii) the estimate provided pursuant to paragraph 6.1(a) shows that the Forecast Passenger Demand for that Passenger Service is less than 75 per cent. of the maximum passenger loading for one such rolling stock unit,

then the Franchisee may propose to the Secretary of State that such Passenger Service is delivered by operating one rolling stock unit and the Secretary of State shall consider such proposal;” and

- (iii) the amendment of paragraph 15.3 by the insertion of “(and in the case of any Class 319 rolling stock vehicles specified in those Tables, as close as reasonably practicable to the capacity and other characteristics referred to there)” before “are available for deployment” in the third line;
- (d) the amendment to Schedule 2.4 (*Other Franchise Operations*) thereof by the deletion of the title and its replacement with “Closures” and the insertion of a new paragraph 2.3:

“2.3 The Franchisee shall not object to any proposed Closure relating to the Thameslink Programme.”;
- (e) the amendment to Schedule 3 (*Priced Options*) thereof by the insertion of the following:

“3. TRANSPORT FOR LONDON PRICED OPTIONS

3.1 The Franchisee shall use all reasonable endeavours to agree with Transport for London prior to the Start Date the number and extent of the outputs from the list of outputs specified in any Priced Option specified in paragraph 3 of Part 1 to Appendix 4 (*List of Priced Options*) to the Franchise Agreement.

3.2 The Secretary of State shall be entitled to attend any discussions contemplated by paragraph 3.1 and otherwise the Franchisee shall keep the Secretary of State informed of the outcome of those discussions each Reporting Period for which they are ongoing.

3.3 Following any agreement reached pursuant to paragraph 3.1, the Secretary of State may call any such Priced Option in accordance with paragraph 2.

3.4 The Secretary of State may, prior to the exercise of any such Priced Option, enter into binding arrangements with Transport for London that reflect the adjustments to Franchise Payments that are contemplated by paragraph 3 of Part 2 to Appendix 4 to the Franchise Agreement.

3.5 To the extent:

- (a) the Franchisee and Transport for London reach the agreement pursuant to paragraph 3.1; and
- (b) as a consequence, the Secretary of State calls any such Priced Options on different terms from those listed in paragraph 3 of Part 1 to Appendix 4,

in each case, prior to the Start Date, then:

- (i) any Revised Inputs to be agreed or reasonably determined pursuant to Schedule 9.3 (*Runs of the Financial Model*) in respect of any consequent Change shall be determined by reference to the relevant assumptions contained in the Record of Assumptions that relate to that Priced Option; and
 - (ii) the Threshold Amount shall be zero for the purposes of testing the cost and revenue consequence of calling that Priced Option on those different terms.”;
- (f) the amendment to Schedule 5.4 (*Regulation of Individual Fares*) thereof by the insertion of the following:

“4. GATWICK FARES

4.1 The Franchisee shall notify the Secretary of State at least two weeks before it:

- (a) notifies, or agrees to notify, the RSP in any Fares Setting Round of the Price or Child Price of a Relevant Gatwick Fare;
- (b) materially amends or varies, or agrees to make a material amendment or variation to, in any Fares Setting Round any Price or Child Price of a Relevant Gatwick Fare previously notified to the RSP; or
- (c) creates, varies or sets, or agrees to create, vary or set, the price of any Temporary Fare which is also a Relevant Gatwick Fare,

and shall supply such details of its proposals in relation thereto as the Secretary of State may request.

4.2 If the Secretary of State reasonably considers that any such proposals would, if implemented, have the effect of excluding or limiting competition between the Franchisee and another Train Operator whose railway passenger services directly or indirectly compete with the Passenger Services to the long term detriment of passengers using such services, he may require the Franchisee not to proceed with any such proposals and the Franchisee shall comply with any such requirement.

4.3 The Franchisee may submit revised proposals in respect of any Relevant Gatwick Fare to the Secretary of State where he has required the Franchisee not to proceed with its original proposals in respect thereof. The Franchisee shall not without the prior consent of the Secretary of State take any action in respect of those revised proposals which might result in the Price or Child Price of any such Relevant Gatwick Fare (whether a Temporary Fare or not) being changed or such fare being Created or varied.

4.4 The Secretary of State shall, when deciding pursuant to paragraph 4.2 whether to require the Franchisee not to proceed with any of its proposals, take into consideration the following matters:

- (a) whether the proposals would reasonably result in the Price of the Relevant Gatwick Fare being set at a Price which was materially less than the Price for other similar journeys on the Passenger Services which the Franchisee sets, or is entitled to set, under the Ticketing and Settlement Agreement; and

- (b) whether he is reasonably satisfied that the proposals are a reasonable response to a reduction by any other Train Operator (other than an Affiliate of the Franchisee) in the Price of Fares between Gatwick Airport station and any London Terminus.”;
- (g) the amendment to Schedule 7.1 (*Performance Benchmarks*) thereof of the following:
 - (i) in paragraphs 1.1, 1.2 and 1.3, “tables” and “Tables” shall replace each “table” and “Table” respectively;
 - (ii) in paragraph 1.4, “one Reporting Period” in the first line shall be replaced with “two Reporting Periods”;
 - (iii) in paragraph 2.2:
 - (A) “separate” shall be inserted before “moving” in the first line;
 - (B) “in each Cancellations Benchmark Table” shall be inserted after “Cancellations Benchmark”;
 - (C) “on the relevant Routes” shall be inserted after “Reporting Period” in the second line of the definition of factor “B”; and
 - (D) “on the relevant Routes” shall be inserted after “Reporting Period” in both the second and third lines of the definition of factor “C”;
 - (iv) in paragraph 2.3, the deletion of “than the passenger carrying capacity” in the third and fourth lines and its replacement with “rolling stock vehicles than the number of rolling stock vehicles”;
 - (v) in paragraph 2.4:
 - (A) “separate” shall be inserted before “moving” in the first line;
 - (B) “in each Capacity Benchmark Table” shall be inserted after “Capacity Benchmark”;
 - (C) in the definition of factor “B”, “on the relevant Routes” shall be inserted after “Reporting Period” in the first line and “than the passenger carrying capacity” in the second line shall be deleted and replaced with “rolling stock vehicles than the number of rolling stock vehicles”; and
 - (D) in the definition of factor “C”, “on the relevant Routes” shall be inserted after “Reporting Period” in the second line and after “Passenger Services operated” in the third line and “passenger carrying capacity than the passenger carrying capacity” in the third line shall be deleted and replaced with “rolling stock vehicles than the number of rolling stock vehicles”;
 - (vi) in paragraph 2.8:
 - (A) “separate” shall be inserted before “moving” in the first line;
 - (B) “in each Service Delivery Benchmark Table” shall be inserted after “Service Delivery Benchmark”; and

- (C) “on the relevant Routes” shall be inserted after “to the Franchisee” in the fourth line;
- (vii) in paragraph 2.9, “calculations” shall replace “calculation” in the first line;
- (viii) in paragraph 2.10:
 - (A) “on the relevant Routes” shall be inserted after “Minutes Delay” in the first line;
 - (B) “calculations” shall replace “calculation” in the third line;
 - (C) “relating to those Routes” shall be inserted after “Minutes Delay” in the definition of factor “A”; and
 - (D) “relating to those Routes” shall be inserted after “Minutes Delay” in the definition of factor “B”;
- (ix) in paragraph 3.1:
 - (A) “to be operated on the relevant Routes” shall be inserted after “Passenger Services” in the definition of factor “NM”; and
 - (B) “to be operated on the relevant Routes” shall be inserted after “Passenger Services” in the definition of factor “OM”;
- (x) in paragraphs 4.1(a), (b) and (c), “Levels”, “cells” and “Tables” shall replace “Level”, “cell” and “Table” respectively;
- (xi) in paragraph 4.1(b), “passenger carrying capacity than the passenger carrying capacity” in the first and second lines shall be deleted and replaced with “rolling stock vehicles than the number of rolling stock vehicles”; and
- (xii) in paragraph 4.4:
 - (A) “averages” shall replace “average” in the third line;
 - (B) “Tables” shall replace “Table” in the last lines of each of paragraphs (a), (b) and (c); and
 - (C) in paragraph (b) thereof, “passenger carrying capacity than the passenger carrying capacity” in the first and second lines shall be deleted and replaced with “rolling stock vehicles than the number of rolling stock vehicles”;
- (h) the deletion of “no later than 28 days thereafter” in paragraph 2.9(b) of Schedule 7.2 (*Service Quality Management*) thereof and its replacement with “no less than 28 days and no more than 90 days thereafter (having regard to the scope of the amendment notified by the Secretary of State)”;
- (i) the amendment to Schedule 8.1 (*Franchise Payments*) thereof of the following:
 - (i) the deletion of the formula in paragraph 1.1 and its replacement with the following:

$$\text{£FP} = \text{PFP} - \text{RS}_{\text{hA}} - \text{RS}_{\text{hRA}} + \text{RS}_{\text{uA}} + \text{RS}_{\text{uRA}} + \text{TAA} + \text{SCA} + \text{COPA}$$

- (ii) the deletion of “and” at the end of the factor explaining “TAA” in that paragraph;
- (iii) the deletion of the full stop at the end of the factor explaining “SCA” in that paragraph and its replacement with “; and”; and
- (iv) the insertion of the following after the factor explaining “SCA” in that paragraph:

“COPA means any Committed Obligation Payment Adjustment to be made on that Reporting Period’s Payment Date.”;
- (j) the amendment of the table in Appendix 3 (*Operational Information*) to Schedule 13 (*Information and Industry Initiatives*) thereof by the deletion of “passenger carrying capacity” in the three rows immediately below the heading “Capacity” in the table and, in each case, its replacement with “number of rolling stock vehicles”; and
- (k) the amendment to Schedule 18 (*Franchise Continuation Criteria*) thereof of the following:
 - (i) in paragraph 1.2(a):
 - (A) “in both the Thameslink Capacity Benchmark Table and the Great Northern Capacity Benchmark Table” shall be inserted after “Capacity Benchmarks”; and
 - (B) “in both the Thameslink Service Delivery Benchmark Table and the Great Northern Service Delivery Benchmark Table” shall be inserted after “Service Delivery Benchmarks”;
 - (ii) in paragraph 1.2(b) “in both the Thameslink Cancellations Benchmark Table and the Great Northern Cancellations Benchmark Table” shall be inserted after “Cancellations Benchmarks”;
 - (iii) in the paragraph following paragraph 1.2 “, subject to paragraph 1.4,” shall be deleted;
 - (iv) in paragraph 1.3:
 - (A) “(including where the Franchisee has satisfied that criteria in respect of the Thameslink Benchmarks but not some or all of that criteria in respect of the Great Northern Benchmarks, or vice versa)” shall be inserted after “paragraphs 1.2(a) and 1.2(b)” in the second line; and
 - (B) “, subject to paragraph 1.4,” shall be deleted;
 - (v) paragraph 1.4 shall be deleted;
 - (vi) “this paragraph 1.5” in paragraph 1.5 shall be replaced with “this paragraph 1.7” and paragraphs 1.5 and 1.6 shall be re-numbered paragraphs 1.7 and 1.8 respectively;
 - (vii) new paragraphs 1.4, 1.5 and 1.6 shall be inserted:

“1.4 Provided the Franchise Agreement has continued pursuant to either paragraph 1.2 or 1.3, the Franchise Agreement shall, subject to paragraphs 1.5 and 1.6, also continue for the full duration of the Further Continuation Period on the terms set out in the Franchise Agreement.

1.5 The Secretary of State may, in his sole discretion and without prejudice to his other rights under the Franchise Agreement no later than the fifth anniversary of the Start Date, notify the Franchisee that he does not require the Franchise Agreement to continue for the Further Continuation Period. If the Secretary of State serves a notice on the Franchisee in accordance with this paragraph 1.5, the Franchise Agreement shall terminate on the date referred to in clause 5.29 of the Franchise Agreement.

1.6 The Secretary of State may, in his sole discretion and without prejudice to his other rights under the Franchise Agreement, no later than the eighth anniversary of the Start Date, notify the Franchisee that he requires the Further Continuation Period to be less than three years in duration. Any such notice shall be given to the Franchisee no less than 12 months prior to the date on which the Secretary of State requires the Franchise Agreement to terminate. If the Secretary of State serves a notice on the Franchisee in accordance with this paragraph 1.6, the Franchise Agreement shall terminate on the date specified in that notice.”; and

(viii) old paragraph 1.5(b), now paragraph 1.7(b) shall be replaced by the following:

“(b) If the Secretary of States gives notice to the Franchisee not less than three months before any of the following:

- (i) the Initial Expiry Date;
- (ii) if the Franchise Agreement continues beyond the Initial Expiry Date in accordance with paragraph 1.2 or 1.3, the date prescribed in paragraph (b) of the definition of Expiry Date; or
- (iii) if the Franchise Agreement continues beyond the date prescribed in paragraph (b) of the definition of Expiry Date in accordance with paragraph 1.4:
 - (A) the date prescribed in paragraph (c) of the definition of Expiry Date; or
 - (B) if the Secretary of State gives notice to the Franchisee in accordance with paragraph 1.6, such earlier date as is specified in that notice,

then, in each case, the Franchise Agreement shall continue after the relevant date on the terms set out in the Franchise Agreement for not less than one and not more than seven Reporting Periods, as the Secretary of State may stipulate.”.

Schedule 1.1 (Service Development)

- 5.3 *Schedule 1.1 of the Terms shall be deleted and replaced with Schedule 1.1 set out in Schedule 5 of the Deed of Variation to the Franchise Agreement which made this amendment to the Franchise Agreement.*

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 is:

- (a) prior to the fitment of the equipment specified in clause 5.4(b):
 - (i) in respect of the Passenger Services to be operated on the Routes on which Thameslink operated under the relevant Previous Franchise Agreement prior to the Start Date, the passenger load determination equipment fitted to eight Class 319 units comprising the Train Fleet as at that date; and
 - (ii) in respect of the Passenger Services to be operated on all other Routes, manual passenger counts carried out each Autumn that determine:
 - (A) passenger loadings for such key Passenger Services to be operated in the Peak as are agreed by the Secretary of State (such agreement not to be unreasonably withheld), disaggregated by class of travel; and
 - (B) average Off-Peak passenger loadings; and
- (b) *the load determination equipment:*
 - (i) *developed by AEA Technology plc known as the “Passenger Load Determination System”, which is fitted to the eight Class 319 units referred to in Clause 5.4(a)(i); and*
 - (ii) *using infra red technology developed by Petards Joyce-Loebl (or such substitute system as the Franchisee may propose and the Secretary of State approve (such approval not to be unreasonably withheld)), which is to be fitted by December 2007:*
 - (aa) *four class 313 units;*
 - (bb) *two class 317 units; and*
 - (cc) *four class 365 units.^{9 i}*

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) one per cent.; and
- (b) one per cent.

⁹ Insert change text wef 21/02/07

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

- (a) Bedford Cauldwell Depot;
- (b) Bedford Midland Road Depot; and
- (c) Hornsey Depot.

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

- (a) any buildings for the purposes of carrying out the Franchisee's head office functions; and
- (b) the driver training facility at Bromham Road, Bedford.

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:

INTENTIONALLY LEFT BLANK

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) the Bedford Schools Season Tickets Scheme;
- (b) the Bedfordshire Senior Citizens Bedford to Elstree & Borehamwood Discount Fare Scheme;
- (c) the Hertfordshire Student Traincard Scheme;
- (d) the Luton Borough Council Employees' Discount Season Ticket Scheme; and
- (e) the Surrey County Council's Student Transport Partnership Scheme,

provided that any such scheme is revenue generative as at the Start Date.

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:

- (a) the following PlusBus schemes:
 - (i) the Estree & Borehamwood Scheme;
 - (ii) the Harpendon Scheme;
 - (iii) the Hatfield zone Scheme;
 - (iv) Hitchin & Stevenage zones Scheme;
 - (v) the Leagrave Scheme;
 - (vi) the Letchworth Garden City Scheme;
 - (vii) the Luton Scheme;
 - (viii) the Luton Airport Parkway Scheme;
 - (ix) the St Albans Scheme; and
 - (j) the Welwyn Garden City zone Scheme; and
- (b) the following other schemes:
 - (i) the Brighton Area Bus Scheme;
 - (ii) the Crawley and Gatwick Area Bus Scheme;
 - (iii) the Flitwick Bus and Harlington Bus Scheme;
 - (iv) the Hitchin Station to Luton Airport Station Scheme;
 - (v) the Hunstanton Scheme;
 - (vi) the Huntingdon-Godmanchester/St Ives commuter link Scheme; and
 - (vii) the Sandy-Potton-Biggleswade Scheme.

5.14 The prescribed Discount Fare Schemes for the purpose of paragraph 4.1 of Schedule 2.5 of the Terms are as follows:

- (a) ATOC Disabled Persons Railcard Scheme dated 23 July 1995 between the participants named therein;
- (b) ATOC Young Persons Railcard Scheme dated 23 July 1995 between the participants named therein; and
- (c) ATOC Senior Railcard Scheme dated 23 July 1995 between the participants named therein.

5.15 The prescribed Inter-Operator Schemes for the purpose of paragraph 5.1 of Schedule 2.5 of the Terms are as follows:

- (a) ATOC Staff Travel Scheme dated 23 July 1995 between the participants named therein;
- (b) Ticketing and Settlement Agreement;
- (c) ATOC LRT Scheme dated 23 July 1995 between the participants named therein;
- (d) Travelcard Agreement dated 15 October 1995 between London Regional Transport and the parties named therein;
- (e) Through Ticketing (Non-Travelcard) Agreement dated 15 October 1995 between London Regional Transport and the parties named therein; and
- (f) National Rail Enquiry Scheme dated 11 June 1996 between the participants named therein.

Schedule 3 (*Priced Options*)

5.16 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 7.1 (*Performance Benchmarks*)

5.17 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 Tables*).

5.18 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 Tables*).

5.19 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 Tables*).

Schedule 8.1 (*Franchise Payments*)

5.20A *In paragraph 1.1:*

- (a) *insert in the opening formula after “NRR06/7” the entry “+ MRSP”, and*
- (b) *after the definition of the entry “NRR06/7” insert a new definition as follows:*

“MRSEAP” means an amount in respect of St Pancras International (Low Level) Station calculated in accordance with paragraph 17.3 of Appendix 13 to the Franchise Agreement.¹⁰

¹⁰ Date of new text 20/3/2009

¹¹**5.20B**

(a)

(b)

5.20 The prescribed percentage for the purpose of paragraph 3.1 of Schedule 8.1 (*Franchise Payments*) of the Terms is two per cent.

¹²5.21 The prescribed percentages to be applied to the formula set out in paragraph 3.2(c) of Schedule 8.1 of the Terms are, respectively: ¹³

(a)

(b)

(c)

(d)

(e)

Schedule 8.2 (*Annual Franchise Payments*)

5.22 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*).

5.23 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, November and 2005.

Schedule 9.3 (*Runs of the Financial Model*)

¹⁴5.24 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 is as follows:

¹¹ 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.

¹² 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 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	Profit Margin Percentage (on Revenue) (%)
1	
2	
3	
4	
Up to 7 Reporting Period Extension	
5	
6	
Up to 7 Reporting Period Extension	
7	
Up to 7 Reporting Period Extension	
8	
Up to 7 Reporting Period Extension	
9	
Up to 7 Reporting Period Extension	

¹⁴Where 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*)

¹⁵5.25 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) X¹⁶. of the aggregate forecast operating costs of the Franchisee for the period from the Start Date to the first anniversary of the Start Date referred to in sub-paragraph (a), as forecast in the Initial Business Plan;
- (b) X¹⁷. 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) X¹⁸. of the aggregate forecast operating costs of the Franchisee for the third year referred to in sub-paragraph (c) and 5.5 per 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 available Business Plan.

Schedule 14.3 (*Key Contracts*)

5.26 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*)

5.27 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*)

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

- (a) Thameslink Rail Shared Cost Section; and
- (b) West Anglia Great Northern Railway Shared Cost Section.

¹⁵ 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 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 2000.¹⁸

Schedule 18 (*Franchise Continuation Criteria*)

5.29 The relevant date for the purpose of paragraph 1.2 of Schedule 18 of the Terms is the date prescribed in paragraph (b) of the definition of Expiry Date.

Schedule 19 (*Other Provisions*)

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

Name: *The Department for Transport*
Address: *33 Horseferry Road, London SW1P 4DR*²⁰
Facsimile: *020 7944 2446*
E-mail: *Franchise.notices@dft.gsi.gov.uk*
Attention: *Director, Rail Commercial Contracts*

Name: *First* ²¹*Capital Connect Limited*
Address: *Hertford House, 1 Cranwood Street, London EC1V9QS*
Facsimile: *020 7427 2074*
E-mail: *Neal.lawson@firstgroup.com*
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*) shall apply.

7.2 The provisions of Appendix 13 (*Thameslink/GN Specific Provisions*) shall apply.

¹⁹ Date of change 17/5/2010

²⁰ Date of Change 01/10/2011

²¹ Franchisee name changed from First GNTL Limited by Agreement dated 26th May 2006.

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, a letter from the Secretary of State to the Franchisee in respect of pensions contributions and a letter between the parties in respect of the recalibration data for the purposes of Appendix 14 (*Recalibration of the Benchmarks*) to this Agreement, each such letter dated the date of this Agreement, 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.

10.2 The Franchisee hereby acknowledges that it is not entering into this Agreement, and the other relevant documents referred to in clause 10.1 in reliance on any warranties, representations or undertakings howsoever or to whomsoever made except in so far as such warranties, representations or undertakings are:

- (a) contained in this Agreement; or
- (b) embodied in any warranties, representations or undertakings contained in the long form reports provided by the Reporting Accountants in respect of Thameslink Limited and the Great Northern route operated by West Anglia Great Northern Railway Limited, dated 18 April 2005.

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, and the other documents referred to in clause 10.1 that it is capable of claiming damages in respect of and/or rescinding, on the basis of any warranty, representation (whether negligent or otherwise, and whether made prior to and/or in this Agreement and the other documents referred to in clause 10.1) 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 **FIRST GNTL LIMITED**

DIRECTOR:



.....

APPENDIX 1

Secretary of State Risk Assumptions (*Clause 5.1(x)*)

A Change shall occur if and whenever any of the events set out in any of the following risk assumptions (*Secretary of State Risk Assumptions*) occur during the Franchise Term:

1. FARES

The Franchisee is required pursuant to any Transport for London initiative to:

- (a) structure its Prices or Child Prices for Fares by reference to zones within which a station falls, rather than by reference to Flows between individual stations; and/or
- (b) issue, validate or accept tickets in a dematerialised form (for example, ‘Oyster Cards’),

in each case, affecting any area where Travelcards (as defined under the Travelcard Agreement) apply. Provided that, no Secretary of State Risk Assumption is made to the extent that the Secretary of State uses his powers pursuant to paragraph 5 of Schedule 5.7 (*Changes to Fares and Fares Regulation*) of the Terms to alter the obligations of and restrictions on the Franchisee under Schedules 5.2 (*Franchisee’s Obligations to Create Fares*) to 5.8 (*Fares Regulation Information Monitoring*) (inclusive) of the Terms as a result of any such initiative.

2. INFRASTRUCTURE ENHANCEMENT SCHEMES²²

There is a requirement on the Franchisee to be involved in the implementation of the scheme known as “Crossrail” which is the subject of the Crossrail Bill before Parliament as at a date of this Agreement Provided that no Secretary of State Risk Assumption is made to the extent that the Franchisee is capable of being compensated for the effects of the implementation and operation of such scheme on the basis that the scheme is a Network Change under the Network Code (including Condition G2.2 of that Code).

3. GSM-R AND ERTMS

There is a requirement on the Franchisee to implement or be involved in the implementation of:

- (a) the radio communication system known as the Global Standard for Mobile Communications – Radio (*GSM-R*); and/or
- (b) the national automatic train protection and signalling project known as the European Rail Traffic Management System (*ERTMS*).

Provided that, no Secretary of State Risk Assumption is made to the extent that the Franchisee is capable of being compensated for the effects of the implementation or involvement in the implementation of GSM-R or ERTMS (as the case may be) on the basis that GSM-R or ERTMS (as the case may be) is a Network Change under the Network Code (including Condition G2.2 of that code).

²² Date of change 14/7/2008

4. RAILWAY SAFETY CHARGE

With effect from 1 April 2006, the Franchisee is responsible for paying:

- (a) the Railway Safety Charge (as defined under the Track Access Agreement) to Network Rail; and
- (b) any apportionment of the safety levy charged to it by the Rail Safety and Standards Board Limited.

5. SLC2

5.1 By no later than one week before the first day of the annual timetable conference specified under the Network Code to be held in February 2006, the Secretary of State has neither:

- (a) issued SLC2 to the Franchisee; nor
- (b) called Priced Option 6 (*Continuation of SLC1*),

each with effect on and from the Passenger Change Date occurring in December 2006.

5.2 The Secretary of State has called Priced Option 6, but not issued SLC2 to the Franchisee to have effect on any Passenger Change Date occurring up to and including in December 2009.

6. HORNSEY DEPOT

Either of the following does not occur:

- (a) the employment contracts of all employees of the Train Operator under the Previous Franchise Agreement employed at Hornsey Depot transfer to the Franchisee on the Start Date by operation of law; or
- (b) all work currently carried out at that Depot for franchisees or franchise operators owned by National Express Group plc will have been discontinued by the Start Date.

7. BEDFORD CAULDWELL DEPOT

Prior to the Start Date, the Franchisee has not agreed with Southern that all plant and equipment and heavy maintenance spares:

- (a) belonging to Southern in respect of its operation of the Bedford Cauldwell Depot will (to the extent not then used up, lost or damaged beyond reasonable repair in the normal course of operation of that Depot) be available for transfer to the Franchisee on the basis of a willing vendor and purchaser and ongoing usage within the railway industry; and
- (b) funded by the Secretary of State for use at that Depot will (to the extent not then used up, lost or damaged beyond reasonable repair in the normal course of operation of that Depot) be made available to the Franchisee,

in each case, on the expiry of the sub-lease of the Depot to Southern.

8. SUB-CONTRACT OF PASSENGER SERVICES

The Secretary of State includes in the Start Date Transfer Scheme, the agreement between Thameslink and Southern dated 11 April 1996 relating to the operation of services by Southern to fulfil passenger services requirement obligations on Thameslink.

9^{23 24}

10.1²⁵ ²⁶

11. ADDITIONAL CLASS 321 UNITS²⁷

The five Class 321 units to be leased by the Franchisee in connection with the implementation of the Peterborough and Cambridge Capacity Study are not taken on lease by the Franchisee in accordance with the dates for those units being taken on lease set out in the Financial Model. Any Change under this paragraph 11 shall automatically be Qualifying Change, regardless of whether it meets the requirements for the definition of Qualifying Change.

12. Long Term Change

The aggregate additional Long Term Charge payable by the Franchisee in respect of the Stations listed in paragraph 7 of Part 4 to Appendix 11 (Committed Obligations and HLOS Committed Obligations) as a direct result of the implementation of the platform extension works described in that paragraph, in relation to which the Franchisee shall provide such evidence as the Secretary of State may reasonably require, is other than £nil. Any Change pursuant to this paragraph 12 shall automatically be a Qualifying Change irrespective of whether it meets the requirements of the definition Qualifying Change.²⁸

²⁹13

³⁰14

²³ Date of Change 14/7/2008

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.

²⁵ Date of Change 14/7/2008

²⁶ 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.

²⁷ Date of new text 20/3/2009

²⁸ Insert new text wef 15/03/10

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

APPENDIX 2

³¹Target Revenue (expressed in real terms) (*Clause 5.1(ac)*)

<i>Column 1</i>	<i>Column 2</i>
<i>Franchisee Year</i>	<i>Target Revenue (£k)</i>
<i>Year 1</i>	
<i>Year 2</i>	
<i>Year 3</i>	
<i>Year 4</i>	
<i>Up to 7 Reporting Period extension</i>	
<i>Year 5</i>	
<i>Year 6</i>	
<i>Up to 7 Reporting Period extension</i>	
<i>Year 7</i>	
<i>Up to 7 Reporting Period extension</i>	
<i>Year 8</i>	
<i>Up to 7 Reporting Period extension</i>	
<i>Year 9</i>	
<i>Up to 7 Reporting Period extension</i>	

³¹ [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 1 (existing vehicles)³²

<i>Column 1</i>	<i>Column 2</i>	<i>Column 3</i>				<i>Column 4</i>	<i>Column 5</i>
<i>Class of vehicle</i>	<i>Number of vehicles and unit configuration</i>	<i>Capacity of units</i>				<i>Owner / Lessor</i>	<i>Lease expiry date(s)</i>
		<i>Seats</i>	<i>Standing</i>	<i>Total</i>	<i>Standard Class</i>		
<i>313/0</i>	<i>41(123)</i>	<i>232</i>	<i>88</i>	<i>320</i>	<i>232</i>	<i>HSBC</i>	<i>Expiry Date Note 1</i>
<i>317/1</i>	<i>12(48)</i>	<i>269</i>	<i>101</i>	<i>370</i>	<i>247</i>	<i>Angel</i>	<i>Expiry Date Note 1</i>
<i>365/5</i>	<i>40(160)</i>	<i>243</i>	<i>118</i>	<i>361</i>	<i>219</i>	<i>HSBC</i>	<i>Expiry Date Note 1</i>
<i>319/0 Note 2</i>	<i>13(52)</i>	<i>316</i>	<i>106</i>	<i>422</i>	<i>315</i>	<i>Porterbrook</i>	<i>Expiry Date Note 1</i>
<i>319/2 Note 2</i>	<i>7(28)</i>	<i>241</i>	<i>158</i>	<i>399</i>	<i>222</i>	<i>Porterbrook</i>	<i>Expiry Date Note 1</i>
<i>319/3</i>	<i>26(104)</i>	<i>303</i>	<i>109</i>	<i>412</i>	<i>303</i>	<i>Porterbrook</i>	<i>Expiry Date Note 1</i>
<i>319/4</i>	<i>40(160)</i>	<i>275</i>	<i>117</i>	<i>392</i>	<i>263</i>	<i>Porterbrook</i>	<i>Expiry Date Note 1</i>
<i>321 Note 3</i>	<i>5(20)</i>	<i>299</i>	<i>100</i>	<i>399</i>	<i>271</i>	<i>HSBC</i>	<i>Expiry Date Note 1</i>

Notes to Table 1

General Note: *In addition, there shall be treated as included in the Train Fleet with effect from the Planned Thameslink KO0 Start Date (or such later date as the relevant units are handed over and enter operational service) for the duration of the relevant sub-leases such additional Class 377 vehicles (comprising up to and including 23 four car Class 377 units) as may be handed over to the Franchisee and have entered operational service as is contemplated by the Class 377 sub-leases to be entered into by the Franchisee in accordance with paragraph 16.1 of Appendix 13 (Thameslink/GN Specific Provisions) of the Franchise Agreement.*

³³*In addition, there shall be treated as included in the Train Fleet with effect from the Passenger Change Date in December 2011 (or such later date as the relevant units are handed over and enter operational service with the Franchisee) three four car Class 377 units, each for the duration of the relevant sub-hire of such vehicles, as is contemplated in*

³² Date of change 20/3/2009

³³ Date of new text 02/12/2011

accordance with paragraph 17.2(a) of Part 1 of Appendix 11 of the Franchise Agreement and the terms of the relevant hire agreement.

Note 1: The scheduled Expiry Date can occur in any of 2010, 2012, 2013, 2014 or 2015.

Note 2: These rows include seven four car Class 319(2) units and one four car Class 319(0) unit which shall form part of the Train Fleet with effect from the Planned Thameslink KO0 Start Date (or such later date as the relevant units are handed over to the Franchisee under the relevant lease and enter operational service).

Note 3: These units will form part of the Train Fleet from the later of the Passenger Change Date in or around May 2009 and the date on which such vehicles are made available to the Franchisee on lease by the relevant owner/lessor.

Table 2 (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		
-	-	-	-	-	-	-	-	-

Table 2 (additional vehicles)³⁴

Note 2: These rows include seven four car Class 319(2) units and one four car Class 319(0) unit which shall form part of the Train Fleet with effect from the Planned Thameslink KO0 Start Date (or such later date as the relevant units are handed over to the Franchisee under the relevant lease and enter operational service).

Table 2 (additional vehicles)

³⁴ Date of Change 14/7/2008

APPENDIX 4

List of Priced Options (*Clause 5.16*)

Part 1

1. IMPLEMENTATION OF BRIGHTON MAIN LINE ROUTE UTILISATION STRATEGY

Description, objective and specification

1.1 This is a Priced Option to change the Service Level Commitment to accommodate the impacts on the Passenger Services of the Brighton Main Line Route Utilisation Strategy (*BML RUS*) and to establish the adjustment which would otherwise apply as a consequence of implementation of the BML RUS by other operators being a Change covered by paragraph (h) of that defined term.

1.2 This Priced Option is based on the assumption that at the point the Secretary of State calls it, the BML RUS will involve the following:

- (a) railway passenger services operated by Gatwick Express at the date of this Agreement will transfer to Southern;
- (b) the Fares set by Gatwick Express will be:
 - (i) at Prices and Child Prices that are within the range of Prices and Child Prices that Gatwick Express may have set within the terms that applied as at the date of this Agreement of its franchise agreement; and
 - (ii) extended to all railway passenger services operating between Gatwick Airport station and London terminals;
- (c) notwithstanding paragraph 1.2(b), the Franchisee will be free to set its own specific Fare in respect of the Passenger Services operating between Gatwick Airport station and London terminals;
- (d) the standard hour inter-Peak timetable (a Morning Peak timetable for railway passenger services to London terminals and an Evening Peak timetable for railway passenger services from London terminals) is in accordance with the timetables notified to the Franchisee on 9 August 2005, subject to the following changes to the BML RUS to conform with SLC2 the railway passenger service identified as '1T50' in those notified timetables starts from Three Bridges station rather than Brighton station;
- (e) the Saturday timetable is based on the standard hour inter-Peak timetable, as notified to the Franchisee by the Secretary of State on 9 August 2005, with the Southern Sunday timetable being half the frequency of the standard hour Off-Peak timetable;
- (f) there is no change to the identity of the Facility Owners at:
 - (i) Stations and Depots; or
 - (ii) other stations and depots on the Brighton Main Line;
- (g) there is no adjustment to the payments the Franchisee is required to make under Schedule 8 of any Track Access Agreement that is in aggregate in excess of £250,000;

- (h) the fast Southern railway passenger services to Gatwick Airport station will be operated by a combination of Class 460 and Class 377 rolling stock vehicles;
- (i) this Priced Option may only be called with a view to its operation on and from a Passenger Change Date occurring in December in any Franchisee Year; and
- (j) this Priced Option may only be called with a view to its operation on or after the implementation of SLC2.

1.3 Where any of the assumptions specified in paragraph 1.2 is not met, the following shall apply in respect of any calling of this Priced Option by the Secretary of State:

- (a) the calling of such option shall be on different terms from those specified in this paragraph 1;
- (b) the provisions of paragraph (b) of the definition of Change shall apply; and
- (c) the Threshold Amount shall be zero for the purposes of testing the cost and revenue consequences in respect of the relevant assumption that has not been met.

1.4 If the Secretary of State elects to call this Priced Option, he shall attach to the written notice he serves pursuant to paragraph 2 of Schedule 3 (*Priced Options*) of the Terms, a Service Level Commitment that takes account of the BML RUS that he requires the Franchisee to secure a Timetable in respect of.

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

1.5 Where this Priced Option is called in accordance with its terms to be implemented in December 2006 and all of the assumptions specified in paragraph 1.2 are met, 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 1.6,

shall be the price set out in Tables 1A and 1B in Part 2 to this Appendix 4 and adjustments shall be made to Franchise Payments accordingly. Where this Priced Option satisfies those conditions, but is to be implemented on and from any other Passenger Change Date, the price shall be the relevant price set out in the Financial Model and adjustments to Franchise Payments shall be made accordingly.

1.6 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

1.7 Providing the Secretary of State has called this Priced Option by no later than one week before the first day of any annual timetable conference specified under the Network Code, the Franchisee shall procure that this Priced Option is implemented on and from the Passenger Change Date occurring in the first December following that conference, unless otherwise agreed by the parties.

1.8 If and to the extent that the Franchisee is not able to secure a Timetable enabling it to operate railway passenger services that comply with the Service Level Commitment issued

pursuant to paragraph 1.4 as a result of not being able to obtain the timetable development rights that it requires for that purpose:

- (a) the provisions of paragraph 10 of Schedule 1.1 (*Service Development*) of the Terms shall apply; and
- (b) the Threshold Amount shall be zero for the purposes of paragraph 10.7 of Schedule 1.1 of the Terms.

Other effects on the Franchise Agreement

1.9 With effect from commencement of the railway passenger services that are the subject of this Priced Option, the Service Delivery Benchmarks specified in the Thameslink Service Delivery Benchmark Table shall be recalibrated in accordance with paragraph 3.2 of Schedule 7.1 (*Performance Benchmarks*) to the Terms.

Latest date for calling this Priced Option to maintain the price in paragraph 1.5

1.10 The Secretary of State may call this Priced Option at any point in the Franchise Term.

2. TRANSPORT FOR LONDON PRICED OPTIONS

2.1 OPERATION OF ‘METRO STYLE’ PASSENGER SERVICES ON THAMESLINK ROUTES

Description, objective and specification

2.1A This is a Priced Option to change the Service Level Commitment for the purposes of the Franchisee securing a Timetable that allows it to operate:

- (a) a St Albans/Blackfriars to Sutton via Herne Hill, Tulse Hill railway passenger service twice an hour via Wimbledon and twice an hour via Mitcham Junction, with this ‘Metro’ style service serving all stations to be maintained at four trains per hour distributed as far as practicable, evenly around the clockface from 0600 to 0030 ex Blackfriars;
- (b) on Mondays to Saturdays (inclusive), the repeat of the service pattern referred to in paragraph 2.1A(a) between 0600 (arrival in London) and 0030 (departure in London); and
- (c) on Sundays, the repeat of the service pattern referred to in paragraph 2.1A(a) between 0730 (arrival in London) and 2330 (departure from London), but with two trains per hour before 0900 and four trains per hour after this time.

2.1B This Priced Option is based on the following assumptions:

- (a) that SLC2 will be implemented at the same time, or, having already been implemented, has not been varied in the interim;
- (b) that it is possible to achieve the Target Performance Levels in respect of each Thameslink Benchmark for the relevant Reporting Periods and there will not otherwise be a worsening in the performance of the Franchisee without:
 - (i) the procurement or cascading of additional rolling stock vehicles; or
 - (ii) an increase in the rolling stock vehicle maintenance or leasing costs included in the Financial Model as at the date of this Agreement;

- (c) that SLC2 has been adjusted as follows:
- (i) four of the additional Passenger Services to be operated under this Priced Option from Sutton – London Blackfriars departing Sutton between 0700 and 0915 may be formed by rolling stock units of less than eight rolling stock vehicles; and
 - (ii) the 0624 Sutton – St Albans Passenger Service to be operated will be subject to increased pathing time and dwell time and the removal of stops at Mill Hill Broadway, Elstree and Boreham Wood and Radlett stations, with additional calls at these stations included in the corresponding ‘Metro’ service to Luton Station;
- (d) the exercise by Network Rail of its rights under the Rules of the Route prevailing at the date of this Agreement may constrain the Franchisee’s ability to secure the necessary timetable development rights, so that, subject to compliance with its obligations under paragraph 10 of Schedule 1.1 of the Terms, the Franchisee shall not be required to take any more extensive action to secure access to the network at times when it would otherwise be available to Network Rail for engineering access; and
- (e) the new Passenger Services under this Priced Option will commence on and from the Passenger Change Date occurring in December 2006.

2.1C Where any of the assumptions specified in paragraph 2.1B is not met, the following shall apply in respect of any calling of this Priced Option by the Secretary of State:

- (a) the calling of such option shall be on different terms from those specified in this paragraph 3.1;
- (b) the provisions of paragraph (b) of the definition of Change shall apply;
- (c) any alternative solution that is contemplated by the parties may include the following:
 - (i) the selective thinning, or curtailment to the planned service enhancement;
 - (ii) additional rolling stock vehicles;
 - (iii) additional maintenance costs to reflect those additional vehicles, or the restructuring of maintenance rates or the restructuring of maintenance arrangements to support the required increase in availability; and/or
 - (iv) the adjustment of the Target Performance Levels in respect of each Thameslink Benchmark for the relevant Reporting Periods; and
- (d) the Threshold Amount shall be zero for the purposes of testing the cost and revenue consequences in respect of the relevant assumption that has not been met.

2.1D If the Secretary of State elects to call this Priced Option, he shall attach to the written notice he serves pursuant to paragraph 2 of Schedule 3 (*Priced Options*) of the Terms, a Service Level Commitment that he requires the Franchisee to secure a Timetable in respect of.

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

2.1E Where this Priced Option is called in accordance with its terms and all of the assumptions specified in paragraph 2.1B are met, 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 2.1F,

shall be the price set out in Tables 2.1A and 2.1B in Part 2 to this Appendix 4 and adjustments shall be made to Franchise Payments accordingly.

2.1F 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

2.1G Providing the Secretary of State has called this Priced Option by no later than one week before the first day of the annual timetable conference specified under the Network Code to be held in February 2006, the Franchisee shall procure that this Priced Option is implemented on and from the Passenger Change Date occurring in the first December following that conference, unless otherwise agreed by the parties.

2.1H If and to the extent that the Franchisee is not able to secure a Timetable enabling it to operate railway passenger services that comply with the Service Level Commitment issued pursuant to paragraph 2.1D as a result of not being able to obtain the timetable development rights that it requires for that purpose:

- (a) the provisions of paragraph 10 of Schedule 1.1 (*Service Development*) of the Terms shall apply; and
- (b) the Threshold Amount shall be zero for the purposes of paragraph 10.7 of Schedule 1.1 of the Terms; and
- (c) the Franchisee shall (unless otherwise required pursuant to paragraph 9 of Schedule 1.1 of the Terms) use all reasonable endeavours to secure a Timetable enabling it to operate railway passenger services that comply with the Service Level Commitment issued pursuant to paragraph 2.1D on and from the next Passenger Change Date (and the provisions of paragraph 2.1H(a) and (b) shall apply where the Franchisee is again not able to obtain the timetable development rights that it requires for that purpose.

Other effects on the Franchise Agreement

2.1I With effect from commencement of the railway passenger services that are the subject of this Priced Option, the Service Delivery Benchmarks specified in the Thameslink Service Delivery Benchmark Table shall be recalibrated in accordance with the 'Performance Model' that accompanies the Financial Model to reflect the potential for delay to the Passenger Services caused by the Franchisee and Network Rail's response thereto as a result of the performance impact of this Priced Option.

Latest date for calling this Priced Option to maintain the price in paragraph 2.1E

2.1J The Secretary of State may call this Priced Option by no later than one week before the first day of the annual timetable conference specified under the Network Code to be held in February 2006.

2.2 OPERATION OF ‘METRO STYLE’ PASSENGER SERVICES ON GREAT NORTHERN ROUTES

Description, objective and specification

2.2A This is a Priced Option to change the Service Level Commitment for the purposes of the Franchisee securing a Timetable that allows it to operate the following elements:

- (a) the first element being the provision of:
 - (i) a ‘Metro’ style railway passenger service four times an hour between Welwyn Garden City station and Moorgate station via Potters Bar station, serving all stations and distributed as far as practicable evenly around the clockface from 0600 to 0030 from Moorgate station, provided that, from 2200 until 0030, such service shall be operated from London King’s Cross station;
 - (ii) an alternative option whereby the railway passenger service referred to in paragraph 2.2A(a)(i) is operated from Moorgate station up to 0030;
 - (iii) on Mondays to Saturdays (inclusive), the repeat of the service pattern referred to in paragraph 2.2A(a)(i) between 0600 and 0030 (departure from London); and
 - (iv) on Sundays, the repeat of the service pattern referred to in paragraph 2.2A(a)(i) between 0730 (arrival in London) and 2330 (departure from London), but with two trains per hour before 0900 and four trains per hour after this time; and
- (b) the second element being the provision of:
 - (i) a ‘Metro’ style railway passenger service four times an hour between Gordon Hill/Hertford North stations via Crews Hill station, serving all stations and distributed as far as practicable evenly around the clockface from 0600 to 0030 from Moorgate station, provided that, from 2200 until 0030, such service shall be operated from London King’s Cross station;
 - (ii) a sub-option to extend the period of operation to and from Moorgate station until 0030;
 - (iii) on Mondays to Saturdays (inclusive), the repeat of the service pattern referred to in paragraph 2.2A(b)(i) between 0600 and 0030 (departure from London); and
 - (iv) on Sundays, the repeat of the service pattern referred to in paragraph 2.2A(b)(i) between 0730 and 2330 (departure from London), but with two trains per hour before 0900 and four trains per hour after this time.

2.2B This Priced Option is based on the following assumptions:

- (a) that the Service Level Commitment issued pursuant to paragraph 2.2D reflects the following assumptions:
 - (i) between 1630 and 1930, the service interval to Letchworth station and to Stevenage station are the same (four railway passenger services per hour);

- (ii) the four additional services in the Morning Peak from Gordon Hill station to Moorgate station remain;
- (iii) the interval for the extension of railway passenger services to Letchworth station is revised from 1015 to 1600 to 1013 to 1613;
- (iv) the interval for eight railway passenger services to depart from Moorgate station to Hertford North station is extended from 0715 to 0830 to 0712 to 0830;
- (v) the broadly even service interval for this Priced Option is subject to:
 - (A) variation by up to five minutes for each component service; and
 - (B) occasional gaps where there are conflicts with prevailing railway passenger services operated by other Train Operators, provided that the Franchisee has used all reasonable endeavours to secure the retiming of those conflicting services operated by those Train Operators; and
- (vi) journey times of the railway passenger services contemplated by this Priced Option are extended by up to three and a half minutes;
- (b) in the case of the sub-options referred to in paragraphs 2.2A(a)(ii) and (b)(ii), the consent of LUL is forthcoming at no additional cost to the Franchisee;
- (c) the exercise by Network Rail of its rights under the Rules of the Route prevailing at the date of this Agreement may constrain the Franchisee's ability to secure the necessary timetable development rights, so that, subject to compliance with its obligations under paragraph 10 of Schedule 1.1 of the Terms, the Franchisee shall not be required to take any more extensive action to secure access to the network at times when it would otherwise be available to Network Rail for engineering access;
- (d) that it is possible to achieve the Target Performance Levels in respect of each Great Northern Benchmark for the relevant Reporting Periods and there will not otherwise be a worsening in the performance of the Franchisee without:
 - (i) the procurement of additional rolling stock vehicles; or
 - (ii) an increase in the rolling stock vehicle maintenance or leasing costs included in the Financial Model as at the date of this Agreement;
- (e) any additional railway passenger services contemplated by this Priced Option will be delivered by the operation of single Class 313 rolling stock units; and
- (f) those services will commence on and from the Passenger Change Date occurring in December 2006.

2.2C Where any of the relevant assumptions specified in paragraph 2.2B is not met, the following shall apply in respect of any calling of this Priced Option by the Secretary of State:

- (a) the calling of such option shall be on different terms from those specified in this paragraph 2.2;
- (b) the provisions of paragraph (b) of the definition of Change shall apply;

- (c) any alternative solution that is contemplated by the parties may include the following:
 - (i) the selective thinning or curtailment to the planned service enhancement;
 - (ii) additional rolling stock vehicles;
 - (iii) additional maintenance costs to reflect those additional vehicles, or the restructuring of maintenance rates or the restructuring of maintenance arrangements to support the required increase in availability; and/or
 - (iv) the adjustment of the Target Performance Levels in respect of each Great Northern Benchmark for the relevant Reporting Periods; and
- (d) the Threshold Amount shall be zero for the purposes of testing the cost and revenue consequences in respect of the relevant assumption that has not been met.

2.2D If the Secretary of State elects to call this Priced Option, he shall attach to the written notice he serves pursuant to paragraph 2 of Schedule 3 (*Priced Options*) of the Terms, a Service Level Commitment that he requires the Franchisee to secure a Timetable in respect of.

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

2.2E Where this Priced Option is called in accordance with its terms and all of the assumptions specified in paragraph 2.2B are met, the price for this Priced Option, subject to:

- (a) adjustment in accordance with Schedule 9 to the Terms to reflect any Change that occurs prior to its exercise; and
- (b) paragraph 2.2F,

shall be the relevant price set out in Tables 2.2A, 2.2B, 2.2C and 2.2D (as the case may be) in Part 2 to this Appendix 4 and adjustments shall be made to Franchise Payments accordingly.

2.2F The price of this Priced Option shall be indexed in accordance with the principles set out in Schedule 8.2 of the Terms.

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

2.2G Providing the Secretary of State has called this Priced Option by no later than week before the first day of the annual timetable conference specified under the Network Code to be held in February 2006, the Franchisee shall procure that this Priced Option is implemented on and from the Passenger Change Date occurring in the first December following that conference, unless otherwise agreed by the parties.

2.2H If and to the extent that the Franchisee is not able to secure a Timetable enabling it to operate railway passenger services that comply with the Service Level Commitment issued pursuant to paragraph 2.2D as a result of not being able to obtain the timetable development rights that it requires for that purpose:

- (a) the provisions of paragraph 10 of Schedule 1.1 of the Terms shall apply; and
- (b) the Threshold Amount shall be zero for the purposes of paragraph 10.7 of Schedule 1.1 of the Terms; and
- (c) the Franchisee shall (unless otherwise required pursuant to paragraph 9 of Schedule 1.1 of the Terms) use all reasonable endeavours to secure a Timetable enabling it to

operate railway passenger services that comply with the Service Level Commitment issued pursuant to paragraph 2.2D on and from the next Passenger Change Date (and the provisions of paragraph 2.2H(a) and (b) shall apply where the Franchisee is again not able to obtain the timetable development rights that it requires for that purpose.

Other effects on the Franchise Agreement

2.2I With effect from commencement of the railway passenger services that are the subject of this Priced Option, the Service Delivery Benchmarks specified in the Great Northern Service Delivery Benchmark Table shall be recalibrated in accordance with the 'Performance Model' that accompanies the Financial Model to reflect the potential for delay to the Passenger Services caused by the Franchisee and Network Rail's response thereto as a result of the performance impact of this Priced Option.

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

2.2J The Secretary of State may call this Priced Option by no later than one week before the first day of the annual timetable conference specified under the Network Code to be held in February 2006.

2.3 CLASS 313 CAPACITY ENHANCEMENTS

Description, objective and specification

2.3A This is a Priced Option to procure the internal refit of the Class 313 rolling stock vehicles comprising part of the Train Fleet as at the Start Date to increase the aggregate capacity of those vehicles by ten per cent. and includes the following:

- (a) new draught screens;
- (b) new grab poles;
- (c) new lighting diffusers;
- (d) new saloon flooring;
- (e) new glass-bottomed luggage racks; and
- (f) repainting of saloon and vestibule areas.

2.3B This Priced Option is based on the following assumptions:

- (a) the Secretary of State will provide an undertaking pursuant to Section 54 of the Act or some other assurance acceptable to the lessor of the vehicles referred to in paragraph 2.21, confirming that those vehicles will continue to be leased to the Franchisee or a Successor Operator until 31 March 2015; and
- (b) the Priced Option set out in paragraphs 2.2A to 2.2J (inclusive) is not called to be implemented before completion of the refit referred to in paragraph 2.3A.

2.3C Where any of the assumptions specified in paragraph 2.3B is not met, the following shall apply in respect of any calling of this Priced Option by the Secretary of State:

- (a) the calling of such option shall be on different terms from those specified in this paragraph 2.3;

- (b) the provisions of paragraph (b) of the definition of Change shall apply; and
- (c) the Threshold Amount shall be zero for the purposes of testing the cost and revenue consequences in respect of the relevant assumption that has not been met.

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

2.3D Where this Priced Option is called in accordance with its terms and all of the assumptions specified in paragraph 2.3B are met, the price for this Priced Option, subject to:

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

shall be the price set out in Tables 2.3A and 2.3B in Part 2 to this Appendix 4 and adjustments shall be made to Franchise Payments accordingly.

2.3E The price of this Priced Option shall be indexed in accordance with the principles set out in Schedule 8.2 of the Terms.

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

2.3F Providing the Secretary of State has called this Priced Option on no less than nine months' notice, the Franchisee shall procure that the refit referred to in paragraph 2.3A is commenced in July 2007 and completed by the end of December 2008, unless otherwise agreed by the parties.

Other effects on the Franchise Agreement

2.3G Following completion of the refit referred to in paragraph 2.3A, Table 1 in Appendix 3 (*The Train Fleet*) to this Agreement shall be adjusted to reflect the amended capacity of the Class 313 rolling stock vehicles comprising the Train Fleet as at the Start Date.

Latest date for calling this Priced Option to maintain the price in paragraph 2.3D

2.3H The Secretary of State may call this Priced Option on or before the Start Date.

2.4 INVESTMENT PROJECTS

Description, objective and specification

2.4A Subject to paragraph 2.4C(h), this is a Priced Option to provide in respect of the projects specified in paragraph 2.4B (as part of the Franchisee's role as Facility Owner in respect of relevant Stations or as the operator of rolling stock vehicles comprising the Train Fleet):

- (a) project management resource to develop those projects; and
- (b) the fulfilment of subsequent ongoing maintenance responsibilities.

2.4B The projects that are the subject matter of this Priced Option are:

- (a) in respect of the following Stations on the Great Northern Routes:

- (i) the installation of CCTV and passenger Help Points (including induction loops) at Alexandra Palace, Bowes Park, Hornsey, Harringay, New Barnet, New Southgate, Oakleigh Park, Palmers Green; and
 - (ii) the installation of waiting shelters at New Barnet and New Southgate;
- (b) in respect of the following Stations on the Thameslink Routes:
 - (i) the installation of CCTV and passenger Help Points (including induction loops), linked to central control centres, new seating and improved 'wayfinding' signage at Cricklewood, Elephant and Castle, Hendon, Kentish Town, Loughborough Junction, Mill Hill Broadway and West Hampstead;
 - (ii) the installation of upgraded customer information systems at Cricklewood, Elephant and Castle, Hendon, Kentish Town, Mill Hill Broadway and West Hampstead; and
 - (iii) the provision of waiting accommodation at Hendon and West Hampstead;
- (c) in respect of the Class 313 rolling stock vehicles to be operated on the Great Northern Routes, the purchase and installation of on-train CCTV;
- (d) in respect of the following Stations on the Great Northern Routes as part of Transport for London's 2006/07 schedule of projects, the purchase and installation of new CCTV and passenger Help Points, at Crews Hill, Enfield Chase, Gordon Hill, Grange Park, Hadley Wood and Winchmore Hill;
- (e) in respect of all Stations on the Great Northern Routes as part of Transport for London's 2006/07 schedule of projects:
 - (ii) lighting enhancements;
 - (iii) communications linkages to a central control centre for all CCTV and Help Points, to provide a full time monitoring facility;
- (f) in respect of the following Stations on the Thameslink Routes as part of Transport for London's 2005/06 schedule of projects:
 - (i) the upgrade and installation of new CCTV and passenger Help Points, the provision of 'real time' customer information systems and lighting improvements at Haydons Road, Morden South, St Helier, South Merton, Sutton Common, Tooting, West Sutton and Wimbledon Chase; and
 - (ii) subway cladding at Morden South; and
- (g) in respect of all rolling stock vehicles operated by the Franchisee in the Greater London Area as part of Transport for London's 2007/08 schedule of projects, the installation of CCTV;

2.4C This Priced Option is based on the following assumptions:

- (a) no costs of a capital expenditure nature are included; and
- (b) the Franchisee and Transport for London shall agree the funding of any required capital-related costs through increased revenue flows accruing to the Franchisee;

- (c) if the Franchisee and Transport for London cannot reach the agreement assumed under paragraph 2.4C, then Transport for London will be responsible for funding the capital-related costs of each relevant project referred to in paragraph 2.4B (including any costs associated with Restrictions of Use that are required in connection with any of those projects that relate to Stations);
- (d) the Franchisee will not be required to procure:
 - (i) the detailed design;
 - (ii) capital projects; or
 - (iii) works project management,in each case in respect of the projects referred to in paragraph 2.4B that may include any such activities;
- (e) no station Closures are required;
- (f) the Franchisee will not be required to fund or arrange the funding of the costs of any engineering Restrictions of Use required to implement any of the projects referred to in paragraph 2.4B;
- (g) the proposed CCTV, Help Points and customer information systems will be compatible with existing facilities; and
- (h) no project management development or implementation resource is required in respect of the projects listed in paragraphs 2.4B(a) to (c) (inclusive) and (f).

2.4D Where any relevant assumption specified in paragraph 2.4C is not met, the following shall apply in respect of any calling of this Priced Option by the Secretary of State:

- (a) the calling of such option shall be on different terms from those specified in this paragraph 2.4;
- (b) the provisions of paragraph (b) of the definition of Change shall apply; and
- (c) the Threshold Amount shall be zero for the purposes of testing the cost and revenue consequences in respect of the relevant assumption that has not been met.

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

2.4E Where this Priced Option is called in accordance with its terms and the relevant assumptions specified in paragraph 2.4C are met, the price for this Priced Option, subject to:

- (a) adjustment in accordance with Schedule 9 to the Terms to reflect any Change that occurs prior to its exercise; and
- (b) paragraph 2.4F,

shall be the price set out in Tables 2.4A and 2.4B in Part 2 to this Appendix 4 and adjustments shall be made to Franchise Payments accordingly.

2.4F The price of this Priced Option shall be indexed in accordance with the principles set out in Schedule 8.2 of the Terms.

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

2.4G This Priced Option is callable on no less than three months' notice.

Other effects on the Franchise Agreement

2.4H None.

Latest date for calling this Priced Option to maintain the price in paragraph 2.4E

2.4I The Secretary of State may call this Priced Option at any point in the Franchise Term.

2.5 MONITORING AND REPORTING**Description, objective and specification**

2.5A This is a Priced Option to:

- (a) provide to Transport for London access to the financial and performance data as reported on a Reporting Period basis by the Franchisee to the Secretary of State under this Agreement by reference to the Service Groups that correspond most closely to each London Regional Inner Suburban (*LRIS*) service group and more particularly specified in paragraph 2.5B; and
- (b) meet with Transport for London each Reporting Period to review the data referred to in paragraph 2.5A(a).

2.5B The information referred to in paragraph 2.5A(a) shall comprise at least the following, together with a supporting commentary, disaggregated to the level referred to in that paragraph where appropriate or as expressly referred to herein:

- (a) actual costs incurred against budget by cost driver;
- (b) total income per Reporting Period, including Travelcard/integrated ticketing apportioned revenue;
- (c) actual ticket income against budget;
- (d) disaggregated Flow data;
- (e) commission payments to/from other Train Operators;
- (f) other income by type;
- (g) 'Passenger Performance Measure' data, broken down by 'TOC on Self', 'TOC-on-TOC' and Network Rail causes;
- (h) fleet availability and reliability by class of rolling stock vehicles;
- (i) Short Formation data;
- (j) passenger count data;
- (k) the results of any customer satisfaction surveys carried out by the Franchisee;
- (l) the results of any National Passenger Survey; and

- (m) the results of any ticketless travel surveys carried out by the Franchisee, provided on a consistent basis with the methodology and frequency set out in the Franchisee's 'Fares and Ticketless Travel Plan' as at the date of this Agreement.

2.5C This Priced Option is based on the assumption that the price referred to in paragraph 2.5E does not include costs for:

- (a) establishing data collection and analyses on bases which align more closely with LRIS boundaries and require changes from existing monitoring points; or
- (b) additional work required where the 'Public Performance Measure' or National Passenger Survey data as supplied to the Franchisee by the Secretary of State or the Rail Passengers' Council respectively is not reasonably capable of being analysed to meet Transport for London's requirements.

2.5D Where the assumption specified in paragraph 2.5C is not met, the following shall apply in respect of any calling of this Priced Option by the Secretary of State:

- (a) the calling of such option shall be on different terms from those specified in this paragraph 2.5;
- (b) the provisions of paragraph (b) of the definition of Change shall apply; and
- (c) the Threshold Amount shall be zero for the purposes of testing the cost and revenue consequences in respect of the relevant assumption that has not been met.

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

2.5E Where this Priced Option is called in accordance with its terms and the assumption specified in paragraph 2.5C is met, the price for this Priced Option, subject to:

- (a) adjustment in accordance with Schedule 9 to the Terms to reflect any Change that occurs prior to its exercise; and
- (b) paragraph 2.5F,

shall be the price set out in Tables 2.5A and 2.5B in Part 2 to this Appendix 4 and adjustments shall be made to Franchise Payments accordingly.

2.5F The price of this Priced Option shall be indexed in accordance with the principles set out in Schedule 8.2 of the Terms.

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

2.5G This Priced Option is callable on no less than three months' notice.

Other effects on the Franchise Agreement

2.5H None.

Latest date for calling this Priced Option to maintain the price in paragraph 2.5E

2.5I The Secretary of State may call this Priced Option at any point in the Franchise Term.

3. [NOT USED]

Part 2

1. [NOT-USED]³⁵

³⁵ DATE OF DELETION 14/7/2008

Table 1B: Figures for Calculation of Annual Franchise Payments (Clause 5.22)

³⁶This 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 in December 2006:

Column 1	Column 2	Column 3	Column 4	Column 5	Column 6
Franchisee Year	FXD (£)	VCRPI (£)	VCAEI (£)	PRPI (£)	TRRPI (£)
Year 1					
Year 2					
Year 3					
Year 4					
Up to 7 Reporting Period extension					
Year 5					
Year 6					
Up to 7 Reporting Period extension					
Year 7					
Up to 7 Reporting Period extension					
Year 8					
Up to 7 Reporting Period extension					

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.

Column 1	Column 2	Column 3	Column 4	Column 5	Column 6
Franchisee Year	FXD (£)	VCRPI (£)	VCAEI (£)	PRPI (£)	TRRPI (£)
Year 9					
Up to 7 Reporting Period extension					

2. TRANSPORT FOR LONDON PRICED OPTIONS

[NOT-USED³⁷]

³⁷ DATE OF DELETION 14/7/2008

Table 2.1B: Figures for Calculation of Annual Franchise Payments (Clause 5.22)

³⁸This 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:

Column 1	Column 2	Column 3	Column 4	Column 5	Column 6
Franchisee Year	FXD (£)	VCRPI (£)	VCAEI (£)	PRPI (£)	TRRPI (£)
Year 1					
Year 2					
Year 3					
Year 4					
Up to 7 Reporting Period extension					
Year 5					
Year 6					
Up to 7 Reporting Period extension					
Year 7					
Up to 7 Reporting Period extension					
Year 8					
Up to 7 Reporting Period extension					

³⁸ 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	Column 6
Franchisee Year	FXD (£)	VCRPI (£)	VCAEI (£)	PRPI (£)	TRRPI (£)
Year 9					
Up to 7 Reporting Period extension					

2.2 Operation of ‘Metro style’ Passenger Services on Great Northern Routes

Table 2.2A: Target Revenue (expressed in real terms) (Clause 5.1(ac)) (without Moorgate)

³⁹This table sets out the increment to the Target Revenue set out in Appendix 2 (*Target Revenue (expressed in real terms)*) to this Agreement:

Column 1	Column 2
Franchisee Year	Target Revenue (£k)
1	
2	
3	
4	
Up to 7 Reporting Period Extension	
5	
6	
Up to 7 Reporting Period Extension	
7	
Up to 7 Reporting Period Extension	
8	
Up to 7 Reporting Period Extension	
9	
Up to 7 Reporting Period Extension	

40

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.

Table 2.2B: Figures for Calculation of Annual Franchise Payments (Clause 5.22) (without Moorgate)

⁴¹This 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:

Column 1	Column 2	Column 3	Column 4	Column 5	Column 6
Franchisee Year	FXD (£)	VCRPI (£)	VCAEI (£)	PRPI (£)	TRRPI (£)
Year 1					
Year 2					
Year 3					
Year 4					
Up to 7 Reporting Period extension					
Year 5					
Year 6					
Up to 7 Reporting Period extension					
Year 7					
Up to 7 Reporting Period extension					
Year 8					
Up to 7 Reporting Period extension					

⁴¹ 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	Column 6
Franchisee Year	FXD (£)	VCRPI (£)	VCAEI (£)	PRPI (£)	TRRPI (£)
Year 9					
Up to 7 Reporting Period extension					

Table 2.2C: Target Revenue (expressed in real terms) (Clause 5.1(ac)) (with Moorgate)

⁴²This table sets out the increment to the Target Revenue set out in Appendix 2 (*Target Revenue (expressed in real terms)*) to this Agreement where the sub-options in paragraphs 2.2A(a)(ii) or (b)(ii) of Part 1 to this Appendix 4 are called:

Column 1	Column 2
Franchisee Year	Target Revenue (£k)
1	
2	
3	
4	
Up to 7 Reporting Period Extension	
5	
6	
Up to 7 Reporting Period Extension	
7	
Up to 7 Reporting Period Extension	
8	
Up to 7 Reporting Period Extension	
9	
Up to 7 Reporting Period Extension	

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.

Table 2.2D: Figures for Calculation of Annual Franchise Payments (Clause 5.22) (with Moorgate)

⁴³This 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 the sub-options in paragraphs 2.2A(a)(ii) or (b)(ii) of Part 1 to this Appendix 4 are called:

Column 1	Column 2	Column 3	Column 4	Column 5	Column 6
Franchisee Year	FXD (£)	VCRPI (£)	VCAEI (£)	PRPI (£)	TRRPI (£)
Year 1					
Year 2					
Year 3					
Year 4					
Up to 7 Reporting Period extension					
Year 5					
Year 6					
Up to 7 Reporting Period extension					
Year 7					
Up to 7 Reporting Period extension					
Year 8					
Up to 7 Reporting Period extension					

⁴³ 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	Column 6
Franchisee Year	FXD (£)	VCRPI (£)	VCAEI (£)	PRPI (£)	TRRPI (£)
Year 9					
Up to 7 Reporting Period extension					

2.3 Class 313 Capacity Enhancements

Table 2.3A: Target Revenue (expressed in real terms) (Clause 5.1(ac))

⁴⁴This table sets out the increment to the Target Revenue set out in Appendix 2 (*Target Revenue (expressed in real terms)*) to this Agreement:

Column 1	Column 2
Franchisee Year	Target Revenue (£k)
1	
2	
3	
4	
Up to 7 Reporting Period Extension	
5	
6	
Up to 7 Reporting Period Extension	
7	
Up to 7 Reporting Period Extension	
8	
Up to 7 Reporting Period Extension	
9	
Up to 7 Reporting Period Extension	

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.

Table 2.3B: Figures for Calculation of Annual Franchise Payments (Clause 5.22)

⁴⁵This 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:

Column 1	Column 2	Column 3	Column 4	Column 5	Column 6
Franchisee Year	FXD (£)	VCRPI (£)	VCAEI (£)	PRPI (£)	TRRPI (£)
Year 1					
Year 2					
Year 3					
Year 4					
Up to 7 Reporting Period extension					
Year 5					
Year 6					
Up to 7 Reporting Period extension					
Year 7					
Up to 7 Reporting Period extension					
Year 8					
Up to 7 Reporting Period extension					

⁴⁵Where 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	Column 6
Franchisee Year	FXD (£)	VCRPI (£)	VCAEI (£)	PRPI (£)	TRRPI (£)
Year 9					
Up to 7 Reporting Period extension					

2.4 Investment Projects

⁴⁶**Table 2.4A: Target Revenue (expressed in real terms) (Clause 5.1(ac))**

This table sets out the increment to the Target Revenue set out in Appendix 2 (*Target Revenue (expressed in real terms)*) to this Agreement:

Column 1	Column 2
Franchisee Year	Target Revenue (£k)
1	
2	
3	
4	
Up to 7 Reporting Period Extension	
5	
6	
Up to 7 Reporting Period Extension	
7	
Up to 7 Reporting Period Extension	
8	
Up to 7 Reporting Period Extension	
9	
Up to 7 Reporting Period Extension	

⁴⁶ 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.

Table 2.4B: Figures for Calculation of Annual Franchise Payments (Clause 5.22)

⁴⁷This 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:

Column 1	Column 2	Column 3	Column 4	Column 5	Column 6
Franchisee Year	FXD (£)	VCRPI (£)	VCAEI (£)	PRPI (£)	TRRPI (£)
Year 1					
Year 2					
Year 3					
Year 4					
Up to 7 Reporting Period extension					
Year 5					
Year 6					
Up to 7 Reporting Period extension					
Year 7					
Up to 7 Reporting Period extension					
Year 8					
Up to 7 Reporting Period extension					

⁴⁷ 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	Column 6
Franchisee Year	FXD (£)	VCRPI (£)	VCAEI (£)	PRPI (£)	TRRPI (£)
Year 9					
Up to 7 Reporting Period extension					

2.5 Monitoring and Reporting

Table 2.5A: Target Revenue (expressed in real terms) (*Clause 5.1(ac)*)

⁴⁸This table sets out the increment to the Target Revenue set out in Appendix 2 (*Target Revenue (expressed in real terms)*) to this Agreement:

Column 1	Column 2
Franchisee Year	Target Revenue (£k)
1	
2	
3	
4	
Up to 7 Reporting Period Extension	
5	
6	
Up to 7 Reporting Period Extension	
7	
Up to 7 Reporting Period Extension	
8	
Up to 7 Reporting Period Extension	
9	
Up to 7 Reporting Period Extension	

⁴⁸ 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.

Table 2.5B: Figures for Calculation of Annual Franchise Payments (Clause 5.22)

⁴⁹This 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:

Column 1	Column 2	Column 3	Column 4	Column 5	Column 6
Franchisee Year	FXD (£)	VCRPI (£)	VCAEI (£)	PRPI (£)	TRRPI (£)
Year 1					
Year 2					
Year 3					
Year 4					
Up to 7 Reporting Period extension					
Year 5					
Year 6					
Up to 7 Reporting Period extension					
Year 7					
Up to 7 Reporting Period extension					
Year 8					
Up to 7 Reporting Period extension					

⁴⁹ 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	Column 6
Franchisee Year	FXD (£)	VCRPI (£)	VCAEI (£)	PRPI (£)	TRRPI (£)
Year 9					
Up to 7 Reporting Period extension					

3. OPERATION AND FITTING OUT OF ST PANCRAS MIDLAND ROAD

Table 3A: Target Revenue (expressed in real terms) (Clause 5.1(ac))

⁵⁰This table sets out the increment to the Target Revenue set out in Appendix 2 (*Target Revenue (expressed in real terms)*) to this Agreement:

Column 1	Column 2
Franchisee Year	Target Revenue (£k)
1	
2	
3	
4	
Up to 7 Reporting Period Extension	
5	
6	
Up to 7 Reporting Period Extension	
7	
Up to 7 Reporting Period Extension	
8	
Up to 7 Reporting Period Extension	
9	
Up to 7 Reporting Period Extension	

⁵⁰ 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.

Table 3B: Figures for Calculation of Annual Franchise Payments (Clause 5.22)

⁵¹This 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:

Column 1	Column 2	Column 3	Column 4	Column 5	Column 6
Franchisee Year	FXD (£)	VCRPI (£)	VCAEI (£)	PRPI (£)	TRRPI (£)
Year 1					
Year 2					
Year 3					
Year 4					
Up to 7 Reporting Period extension					
Year 5					
Year 6					
Up to 7 Reporting Period extension					
Year 7					
Up to 7 Reporting Period extension					
Year 8					
Up to 7 Reporting Period extension					

⁵¹ 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	Column 6
Franchisee Year	FXD (£)	VCRPI (£)	VCAEI (£)	PRPI (£)	TRRPI (£)
Year 9					
Up to 7 Reporting Period extension					

4. CONTINUATION OF SLC1

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

⁵²This table sets out the increment to the Target Revenue set out in Appendix 2 (*Target Revenue (expressed in real terms)*) to this Agreement if the Priced Option in paragraph 4 of Part 1 to this Appendix 4 is called up to the Passenger Change Date occurring in June 2007:

Column 1	Column 2
Franchisee Year	Target Revenue (£k)
1	
2	
3	
4	
Up to 7 Reporting Period Extension	
5	
6	
Up to 7 Reporting Period Extension ⁰	
7	
Up to 7 Reporting Period Extension	
8	
Up to 7 Reporting Period Extension	
9	
Up to 7 Reporting Period Extension	

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.

Table 4B: Figures for Calculation of Annual Franchise Payments (Clause 5.22)

⁵³This 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 if the Priced Option in paragraph 4 of Part 1 to this Appendix 4 is called up to the Passenger Change Date occurring in June 2007:

Column 1	Column 2	Column 3	Column 4	Column 5	Column 6
Franchisee Year	FXD (£)	VCRPI (£)	VCAEI (£)	PRPI (£)	TRRPI (£)
Year 1					
Year 2					
Year 3					
Year 4					
Up to 7 Reporting Period extension					
Year 5					
Year 6					
Up to 7 Reporting Period extension					
Year 7					
Up to 7 Reporting Period extension					
Year 8					
Up to 7 Reporting Period extension					

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.

Column 1	Column 2	Column 3	Column 4	Column 5	Column 6
Franchisee Year	FXD (£)	VCRPI (£)	VCAEI (£)	PRPI (£)	TRRPI (£)
Year 9					
Up to 7 Reporting Period extension					

Table 4C: Target Revenue (expressed in real terms) (Clause 5.1(ac))

⁵⁴ This table sets out the increment to the Target Revenue set out in Appendix 2 (*Target Revenue (expressed in real terms)*) to this Agreement if the Priced Option in paragraph 4 of Part 1 to this Appendix 4 is called up to the Passenger Change Date occurring in December 2007:

Column 1	Column 2
Franchisee Year	Target Revenue (£k)
1	
2	
3	
4	
Up to 7 Reporting Period Extension	
5	
6	
Up to 7 Reporting Period Extension	
7	
Up to 7 Reporting Period Extension	
8	

⁵⁴ 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.

Up to 7 Reporting Period Extension	
9	
Up to 7 Reporting Period Extension	

Table 4D: Figures for Calculation of Annual Franchise Payments (Clause 5.22)

⁵⁵This 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 if the Priced Option in paragraph 4 of Part 1 to this Appendix 4 is called up to the Passenger Change Date occurring in December 2007:

Column 1	Column 2	Column 3	Column 4	Column 5	Column 6
Franchisee Year	FXD (£)	VCRPI (£)	VCAEI (£)	PRPI (£)	TRRPI (£)
Year 1					
Year 2					
Year 3					
Year 4					
Up to 7 Reporting Period extension					
Year 5					
Year 6					
Up to 7 Reporting Period extension					
Year 7					
Up to 7 Reporting Period extension					
Year 8					
Up to 7 Reporting Period extension					

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	Column 3	Column 4	Column 5	Column 6
Franchisee Year	FXD (£)	VCRPI (£)	VCAEI (£)	PRPI (£)	TRRPI (£)
Year 9					
Up to 7 Reporting Period extension					

Table 4E: Target Revenue (expressed in real terms) (Clause 5.1(ac))

⁵⁶This table sets out the increment to the Target Revenue set out in Appendix 2 (*Target Revenue (expressed in real terms)*) to this Agreement if the Priced Option in paragraph 4 of Part 1 to this Appendix 4 is called up to the Passenger Change Date occurring in December 2008:

Column 1	Column 2
Franchisee Year	Target Revenue (£k)
1	
2	
3	
4	
Up to 7 Reporting Period Extension	
5	
6	
Up to 7 Reporting Period Extension	
7	
Up to 7 Reporting Period Extension	
8	
Up to 7 Reporting Period Extension	
9	
Up to 7 Reporting Period Extension	

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.

Table 4F: Figures for Calculation of Annual Franchise Payments (Clause 5.22)

⁵⁷This 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 if the Priced Option in paragraph 4 of Part 1 to this Appendix 4 is called up to the Passenger Change Date occurring in December 2008:

Column 1	Column 2	Column 3	Column 4	Column 5	Column 6
Franchisee Year	FXD (£)	VCRPI (£)	VCAEI (£)	PRPI (£)	TRRPI (£)
Year 1					
Year 2					
Year 3					
Year 4					
Up to 7 Reporting Period extension					
Year 5					
Year 6					
Up to 7 Reporting Period extension					
Year 7					
Up to 7 Reporting Period extension					
Year 8					
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.

Column 1	Column 2	Column 3	Column 4	Column 5	Column 6
Franchisee Year	FXD (£)	VCRPI (£)	VCAEI (£)	PRPI (£)	TRRPI (£)
Year 9					
Up to 7 Reporting Period extension					

⁵⁸**Table 4G: Target Revenue (expressed in real terms) (Clause 5.1(ac))**

This table sets out the increment to the Target Revenue set out in Appendix 2 (*Target Revenue (expressed in real terms)*) to this Agreement if the Priced Option in paragraph 4 of Part 1 to this Appendix 4 is called up to (but excluding) the Passenger Change Date occurring in December 2009:

Column 1	Column 2
Franchisee Year	Target Revenue (£k)
1	
2	
3	
4	
Up to 7 Reporting Period Extension	
5	
6	
Up to 7 Reporting Period Extension	
7	
Up to 7 Reporting Period Extension	
8	
Up to 7 Reporting Period Extension	
9	
Up to 7 Reporting Period Extension	

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.

Table 4H: Figures for Calculation of Annual Franchise Payments (Clause 5.22)

⁵⁹This 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 if the Priced Option in paragraph 4 of Part 1 to this Appendix 4 is called up to (but excluding) the Passenger Change Date occurring in December 2009:

Column 1	Column 2	Column 3	Column 4	Column 5	Column 6
Franchisee Year	FXD (£)	VCRPI (£)	VCAEI (£)	PRPI (£)	TRRPI (£)
Year 1					
Year 2					
Year 3					
Year 4					
Up to 7 Reporting Period extension					
Year 5					
Year 6					
Up to 7 Reporting Period extension					
Year 7					
Up to 7 Reporting Period extension					
Year 8					
Up to 7 Reporting Period extension					

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.

Column 1	Column 2	Column 3	Column 4	Column 5	Column 6
Franchisee Year	FXD (£)	VCRPI (£)	VCAEI (£)	PRPI (£)	TRRPI (£)
Year 9					
Up to 7 Reporting Period extension					

APPENDIX 5

Cancellations Benchmark Tables (*Clause 5.17*)

Part 1 (Thameslink)

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 1	1.64%	1.77%	1.89%	1.97%
	Period 2	1.64%	1.77%	1.89%	1.97%
	Period 3	1.64%	1.77%	1.89%	1.97%
	Period 4	1.64%	1.77%	1.89%	1.97%
	Period 5	1.64%	1.77%	1.89%	1.97%
	Period 6	1.64%	1.76%	1.89%	1.97%
	Period 7	1.64%	1.76%	1.89%	1.97%
	Period 8	1.64%	1.76%	1.89%	1.97%
	Period 9	1.64%	1.76%	1.89%	1.97%
	Period 10	1.64%	1.76%	1.88%	1.97%
	Period 11	1.64%	1.76%	1.88%	1.97%
	Period 12	1.64%	1.76%	1.88%	1.97%
	Period 13	1.64%	1.76%	1.88%	1.96%
Year 2	Period 1	1.64%	1.76%	1.88%	1.96%
	Period 2	1.64%	1.76%	1.88%	1.96%
	Period 3	1.64%	1.76%	1.88%	1.96%
	Period 4	1.63%	1.76%	1.88%	1.96%
	Period 5	1.63%	1.76%	1.88%	1.96%
	Period 6	1.63%	1.76%	1.88%	1.96%
	Period 7	1.63%	1.76%	1.88%	1.96%
	Period 8	1.63%	1.75%	1.88%	1.96%
	Period 9	1.63%	1.75%	1.88%	1.96%
	Period 10	1.63%	1.75%	1.88%	1.96%
	Period 11	1.63%	1.75%	1.87%	1.96%
	Period 12	1.63%	1.75%	1.87%	1.96%
	Period 13	1.63%	1.75%	1.87%	1.95%
Year 3	Period 1	1.63%	1.75%	1.87%	1.95%
	Period 2	1.63%	1.75%	1.87%	1.95%
	Period 3	1.63%	1.75%	1.87%	1.95%
	Period 4	1.63%	1.75%	1.87%	1.95%
	Period 5	1.63%	1.75%	1.87%	1.95%
	Period 6	1.63%	1.75%	1.87%	1.95%
	Period 7	1.62%	1.75%	1.87%	1.95%
	Period 8	1.62%	1.75%	1.87%	1.95%
	Period 9	1.62%	1.74%	1.87%	1.95%
	Period 10	1.62%	1.74%	1.87%	1.95%
	Period 11	1.62%	1.74%	1.87%	1.95%
	Period 12	1.62%	1.74%	1.86%	1.95%
	Period 13	1.93%	2.07%	2.21%	2.31%
Year 4	Period 1	1.93%	2.07%	2.21%	2.31%
	Period 2	1.93%	2.07%	2.21%	2.31%
	Period 3	1.93%	2.07%	2.21%	2.31%

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	1.93%	2.07%	2.21%	2.31%
Year 4	Period 5	1.93%	2.07%	2.21%	2.31%
	Period 6	1.93%	2.07%	2.21%	2.31%
	Period 7	1.93%	2.07%	2.21%	2.31%
	Period 8	1.93%	2.07%	2.21%	2.31%
	Period 9	1.93%	2.07%	2.21%	2.31%
	Period 10	1.92%	2.07%	2.21%	2.31%
	Period 11	1.92%	2.06%	2.21%	2.31%
	Period 12	1.92%	2.06%	2.21%	2.31%
	Period 13	1.92%	2.06%	2.20%	2.31%
Year 5	Period 1	1.92%	2.06%	2.20%	2.30%
	Period 2	1.92%	2.06%	2.20%	2.30%
	Period 3	1.92%	2.06%	2.20%	2.30%
	Period 4	1.92%	2.06%	2.20%	2.30%
	Period 5	1.92%	2.06%	2.20%	2.30%
	Period 6	1.92%	2.06%	2.20%	2.30%
	Period 7	1.92%	2.06%	2.20%	2.30%
	Period 8	1.92%	2.06%	2.20%	2.30%
	Period 9	1.92%	2.06%	2.20%	2.30%
	Period 10	1.92%	2.06%	2.20%	2.30%
	Period 11	1.92%	2.06%	2.20%	2.30%
	Period 12	1.92%	2.06%	2.20%	2.30%
	Period 13	1.92%	2.06%	2.20%	2.31%
Year 6	Period 1	1.92%	2.06%	2.20%	2.30%
	Period 2	1.92%	2.06%	2.20%	2.30%
	Period 3	1.92%	2.06%	2.20%	2.30%
	Period 4	1.92%	2.06%	2.20%	2.30%
	Period 5	1.92%	2.06%	2.20%	2.30%
	Period 6	1.92%	2.06%	2.20%	2.30%
	Period 7	1.92%	2.06%	2.20%	2.30%
	Period 8	1.92%	2.06%	2.20%	2.30%
	Period 9	1.92%	2.06%	2.20%	2.30%
	Period 10	1.92%	2.06%	2.20%	2.30%
	Period 11	1.92%	2.06%	2.20%	2.30%
	Period 12	1.92%	2.06%	2.20%	2.30%
	Period 13	1.91%	2.05%	2.20%	2.30%
Year 7	Period 1	1.91%	2.05%	2.19%	2.29%
	Period 2	1.91%	2.05%	2.19%	2.29%
	Period 3	1.89%	2.04%	2.18%	2.27%
	Period 4	1.89%	2.04%	2.18%	2.27%
	Period 5	1.89%	2.04%	2.18%	2.27%
	Period 6	1.89%	2.04%	2.18%	2.27%
	Period 7	1.89%	2.04%	2.18%	2.27%
	Period 8	1.89%	2.04%	2.18%	2.27%
	Period 9	1.89%	2.04%	2.18%	2.27%
	Period 10	1.89%	2.04%	2.18%	2.27%
	Period 11	1.89%	2.04%	2.18%	2.27%

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 12	1.89%	2.04%	2.18%	2.27%
	Period 13	1.89%	2.04%	2.18%	2.27%
Year 8	Period 1	1.89%	2.04%	2.18%	2.27%
	Period 2	1.89%	2.04%	2.18%	2.26%
	Period 3	1.89%	2.04%	2.17%	2.26%
	Period 4	1.89%	2.04%	2.17%	2.26%
	Period 5	1.89%	2.02%	2.17%	2.26%
	Period 6	1.88%	2.02%	2.17%	2.26%
	Period 7	1.88%	2.02%	2.17%	2.26%
	Period 8	1.88%	2.02%	2.17%	2.26%
	Period 9	1.88%	2.02%	2.17%	2.26%
	Period 10	1.88%	2.02%	2.17%	2.26%
	Period 11	1.88%	2.02%	2.17%	2.26%
	Period 12	1.88%	2.02%	2.17%	2.26%
	Period 13	1.88%	2.02%	2.17%	2.26%
Year 9	Period 1	1.88%	2.02%	2.17%	2.26%
	Period 2	1.88%	2.02%	2.17%	2.26%
	Period 3	1.88%	2.02%	2.17%	2.25%
	Period 4	1.88%	2.02%	2.16%	2.25%
	Period 5	1.88%	2.02%	2.16%	2.25%
	Period 6	1.88%	2.02%	2.16%	2.25%
	Period 7	1.88%	2.02%	2.16%	2.25%
	Period 8	1.88%	2.01%	2.16%	2.25%
	Period 9	1.88%	2.01%	2.16%	2.25%
	Period 10	1.87%	2.01%	2.16%	2.25%
	Period 11	1.87%	2.01%	2.16%	2.25%
	Period 12	1.87%	2.01%	2.16%	2.25%
	Period 13	1.87%	2.01%	2.16%	2.25%

1. START OF THE FRANCHISE

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

APPENDIX 6

Capacity Benchmark Tables (*Clause 5.18*)

Part 1 (Thameslink)

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 1	1.04%			
	Period 2	1.04%			
	Period 3	1.04%			
	Period 4	1.04%			
	Period 5	1.04%			
	Period 6	1.04%			
	Period 7	1.04%			
	Period 8	1.04%			
	Period 9	1.04%			
	Period 10	1.04%			
	Period 11	1.04%			
	Period 12	1.04%			
	Period 13	1.04%			
Year 2	Period 1	1.04%	1.12%	1.20%	1.25%
	Period 2	1.04%	1.12%	1.20%	1.25%
	Period 3	1.04%	1.12%	1.20%	1.25%
	Period 4	1.04%	1.12%	1.19%	1.24%
	Period 5	1.04%	1.11%	1.19%	1.24%
	Period 6	1.04%	1.11%	1.19%	1.24%
	Period 7	1.04%	1.11%	1.19%	1.24%
	Period 8	1.04%	1.11%	1.19%	1.24%
	Period 9	1.04%	1.11%	1.19%	1.24%
	Period 10	1.03%	1.11%	1.19%	1.24%
	Period 11	1.03%	1.11%	1.19%	1.24%
	Period 12	1.03%	1.11%	1.19%	1.24%
	Period 13	1.03%	1.11%	1.19%	1.24%
Year 3	Period 1	1.03%	1.11%	1.19%	1.24%
	Period 2	1.03%	1.11%	1.19%	1.24%
	Period 3	1.03%	1.11%	1.19%	1.24%
	Period 4	1.03%	1.11%	1.19%	1.24%
	Period 5	1.03%	1.11%	1.19%	1.24%
	Period 6	1.03%	1.11%	1.19%	1.24%
	Period 7	1.03%	1.11%	1.19%	1.24%
	Period 8	1.03%	1.11%	1.19%	1.24%
	Period 9	1.03%	1.11%	1.18%	1.24%
	Period 10	1.03%	1.11%	1.18%	1.24%
	Period 11	1.03%	1.11%	1.18%	1.24%
	Period 12	1.03%	1.11%	1.18%	1.23%
	Period 13	1.03%	1.11%	1.18%	1.23%
Year 4	Period 1	1.03%	1.11%	1.18%	1.23%
	Period 2	1.03%	1.10%	1.18%	1.23%
	Period 3	1.03%	1.10%	1.18%	1.23%

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	1.03%	1.10%	1.18%	1.23%
	Period 5	1.03%	1.10%	1.18%	1.23%
	Period 6	1.03%	1.10%	1.18%	1.23%
	Period 7	1.03%	1.10%	1.18%	1.23%
	Period 8	1.03%	1.10%	1.18%	1.23%
	Period 9	1.02%	1.10%	1.18%	1.23%
	Period 10	1.02%	1.10%	1.18%	1.23%
	Period 11	1.02%	1.10%	1.18%	1.23%
	Period 12	1.02%	1.10%	1.18%	1.23%
	Period 13	1.02%	1.10%	1.18%	1.23%
Year 5	Period 1	1.02%	1.10%	1.18%	1.23%
	Period 2	1.02%	1.10%	1.18%	1.23%
	Period 3	1.02%	1.10%	1.18%	1.23%
	Period 4	1.02%	1.10%	1.18%	1.23%
	Period 5	1.02%	1.10%	1.17%	1.23%
	Period 6	1.02%	1.10%	1.17%	1.23%
	Period 7	1.02%	1.10%	1.17%	1.22%
	Period 8	1.02%	1.10%	1.17%	1.22%
	Period 9	1.02%	1.10%	1.17%	1.22%
	Period 10	1.02%	1.10%	1.17%	1.22%
	Period 11	1.02%	1.10%	1.17%	1.22%
	Period 12	1.02%	1.09%	1.17%	1.22%
	Period 13	1.02%	1.09%	1.17%	1.22%
Year 6	Period 1	1.02%	1.09%	1.17%	1.22%
	Period 2	1.02%	1.09%	1.17%	1.22%
	Period 3	1.02%	1.09%	1.17%	1.22%
	Period 4	1.02%	1.09%	1.17%	1.22%
	Period 5	1.02%	1.09%	1.17%	1.22%
	Period 6	1.02%	1.09%	1.17%	1.22%
	Period 7	1.02%	1.09%	1.17%	1.22%
	Period 8	1.02%	1.09%	1.17%	1.22%
	Period 9	1.01%	1.09%	1.17%	1.22%
	Period 10	1.01%	1.09%	1.17%	1.22%
	Period 11	1.01%	1.09%	1.17%	1.22%
	Period 12	1.01%	1.09%	1.17%	1.22%
	Period 13	1.01%	1.09%	1.17%	1.22%
Year 7	Period 1	1.01%	1.09%	1.16%	1.22%
	Period 2	1.01%	1.09%	1.16	1.21%
	Period 3	1.01%	1.09%	1.16%	1.21%
	Period 4	1.01%	1.09%	1.16%	1.21%
	Period 5	1.01%	1.09%	1.16%	1.21%
	Period 6	1.01%	1.09%	1.16%	1.21%
	Period 7	1.01%	1.09%	1.16%	1.21%
	Period 8	1.01%	1.09%	1.16%	1.21%
	Period 9	1.01%	1.09%	1.16%	1.21%
	Period 10	1.01%	1.08%	1.16%	1.21%
	Period 11	1.01%	1.08%	1.16%	1.21%
	Period 12	1.01%	1.08%	1.16%	1.21%

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 13	1.01%	1.08%	1.16%	1.21%
Year 8	<i>Period 1</i>	<i>1.01%</i>	<i>1.08%</i>	<i>1.16%</i>	<i>1.21%</i>
	<i>Period 2</i>	<i>1.01%</i>	<i>1.08%</i>	<i>1.16%</i>	<i>1.21%</i>
	<i>Period 3</i>	<i>1.01%</i>	<i>1.08%</i>	<i>1.16%</i>	<i>1.21%</i>
	<i>Period 4</i>	<i>1.01%</i>	<i>1.08%</i>	<i>1.16%</i>	<i>1.21%</i>
	<i>Period 5</i>	<i>1.01%</i>	<i>1.08%</i>	<i>1.16%</i>	<i>1.21%</i>
	<i>Period 6</i>	<i>1.01%</i>	<i>1.08%</i>	<i>1.16%</i>	<i>1.21%</i>
	<i>Period 7</i>	<i>1.01%</i>	<i>1.08%</i>	<i>1.16%</i>	<i>1.21%</i>
	<i>Period 8</i>	<i>1.00%</i>	<i>1.08%</i>	<i>1.16%</i>	<i>1.21%</i>
	<i>Period 9</i>	<i>1.00%</i>	<i>1.08%</i>	<i>1.16%</i>	<i>1.21%</i>
	<i>Period 10</i>	<i>1.00%</i>	<i>1.08%</i>	<i>1.15%</i>	<i>1.21%</i>
	<i>Period 11</i>	<i>1.00%</i>	<i>1.08%</i>	<i>1.15%</i>	<i>1.20%</i>
	<i>Period 12</i>	<i>1.00%</i>	<i>1.08%</i>	<i>1.15%</i>	<i>1.20%</i>
	<i>Period 13</i>	<i>1.00%</i>	<i>1.08%</i>	<i>1.15%</i>	<i>1.20%</i>
Year 9	<i>Period 1</i>	<i>1.00%</i>	<i>1.08%</i>	<i>1.15%</i>	<i>1.20%</i>
	<i>Period 2</i>	<i>1.00%</i>	<i>1.08%</i>	<i>1.15%</i>	<i>1.20%</i>
	<i>Period 3</i>	<i>1.00%</i>	<i>1.08%</i>	<i>1.15%</i>	<i>1.20%</i>
	<i>Period 4</i>	<i>1.00%</i>	<i>1.08%</i>	<i>1.15%</i>	<i>1.20%</i>
	<i>Period 5</i>	<i>1.00%</i>	<i>1.08%</i>	<i>1.15%</i>	<i>1.20%</i>
	<i>Period 6</i>	<i>1.00%</i>	<i>1.08%</i>	<i>1.15%</i>	<i>1.20%</i>
	<i>Period 7</i>	<i>1.00%</i>	<i>1.08%</i>	<i>1.15%</i>	<i>1.20%</i>
	<i>Period 8</i>	<i>1.00%</i>	<i>1.07%</i>	<i>1.15%</i>	<i>1.20%</i>
	<i>Period 9</i>	<i>1.00%</i>	<i>1.07%</i>	<i>1.15%</i>	<i>1.20%</i>
	<i>Period 10</i>	<i>1.00%</i>	<i>1.07%</i>	<i>1.15%</i>	<i>1.20%</i>
	<i>Period 11</i>	<i>1.00%</i>	<i>1.07%</i>	<i>1.15%</i>	<i>1.20%</i>
	<i>Period 12</i>	<i>1.00%</i>	<i>1.07%</i>	<i>1.15%</i>	<i>1.20%</i>
	<i>Period 13</i>	<i>1.00%</i>	<i>1.07%</i>	<i>1.15%</i>	<i>1.20%</i>

1. START OF THE FRANCHISE

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

Part 2 (Great Northern)

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 1	1.21	1.30	1.38	1.44
	Period 2	1.21	1.30	1.38	1.44
	Period 3	1.21	1.30	1.38	1.44
	Period 4	1.21	1.30	1.38	1.44
	Period 5	1.21	1.30	1.38	1.44
	Period 6	1.21	1.30	1.38	1.44
	Period 7	1.21	1.30	1.38	1.44
	Period 8	1.21	1.30	1.38	1.44
	Period 9	1.21	1.29	1.38	1.44
	Period 10	1.21	1.29	1.38	1.44
	Period 11	1.21	1.29	1.38	1.44
	Period 12	1.21	1.29	1.38	1.44
	Period 13	1.21	1.29	1.38	1.44
Year 2	Period 1	1.21	1.29	1.38	1.44
	Period 2	1.21	1.29	1.38	1.44
	Period 3	1.20	1.29	1.38	1.44
	Period 4	1.20	1.29	1.38	1.44
	Period 5	1.20	1.29	1.38	1.44
	Period 6	1.20	1.29	1.38	1.43
	Period 7	1.20	1.29	1.38	1.43
	Period 8	1.20	1.29	1.38	1.43
	Period 9	1.20	1.29	1.37	1.43
	Period 10	1.20	1.29	1.37	1.43
	Period 11	1.20	1.29	1.37	1.43
	Period 12	1.20	1.29	1.37	1.43
	Period 13	1.20	1.29	1.37	1.43
Year 3	Period 1	1.20	1.29	1.37	1.43
	Period 2	1.20	1.29	1.37	1.43
	Period 3	1.20	1.29	1.37	1.43
	Period 4	1.20	1.29	1.37	1.43
	Period 5	1.20	1.28	1.37	1.43
	Period 6	1.20	1.28	1.37	1.43
	Period 7	1.20	1.28	1.37	1.43
	Period 8	1.20	1.28	1.37	1.43
	Period 9	1.20	1.28	1.37	1.43
	Period 10	1.20	1.28	1.37	1.43
	Period 11	1.19	1.28	1.37	1.43
	Period 12	1.19	1.28	1.37	1.42
	Period 13	1.19	1.28	1.37	1.42
Year 4	Period 1	1.19	1.28	1.37	1.42
	Period 2	1.19	1.28	1.37	1.42
	Period 3	1.19	1.28	1.37	1.42
	Period 4	1.19	1.28	1.37	1.42
	Period 5	1.19	1.28	1.37	1.42
	Period 6	1.19	1.28	1.36	1.42

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 4	Period 7	1.19	1.28	1.36	1.42
	Period 8	1.19	1.28	1.36	1.42
	Period 9	1.19	1.28	1.36	1.42
	Period 10	1.19	1.28	1.36	1.42
	Period 11	1.19	1.28	1.36	1.42
	Period 12	1.19	1.27	1.36	1.42
	Period 13	1.19	1.27	1.36	1.42
Year 5	Period 1	1.19	1.27	1.36	1.42
	Period 2	1.19	1.27	1.36	1.42
	Period 3	1.19	1.27	1.36	1.42
	Period 4	1.19	1.27	1.36	1.42
	Period 5	1.19	1.27	1.36	1.42
	Period 6	1.19	1.27	1.36	1.42
	Period 7	1.19	1.27	1.36	1.42
	Period 8	1.18	1.27	1.36	1.42
	Period 9	1.18	1.27	1.36	1.41
	Period 10	1.18	1.27	1.36	1.41
	Period 11	1.18	1.27	1.36	1.41
	Period 12	1.18	1.27	1.36	1.41
	Period 13	1.18	1.27	1.35	1.41
Year 6	Period 1	1.18	1.27	1.35	1.41
	Period 2	1.18	1.27	1.35	1.41
	Period 3	1.18	1.27	1.35	1.41
	Period 4	1.18	1.27	1.35	1.41
	Period 5	1.18	1.27	1.35	1.41
	Period 6	1.18	1.27	1.35	1.41
	Period 7	1.18	1.27	1.35	1.41
	Period 8	1.18	1.27	1.35	1.41
	Period 9	1.18	1.26	1.35	1.41
	Period 10	1.18	1.26	1.35	1.41
	Period 11	1.18	1.26	1.35	1.41
	Period 12	1.18	1.26	1.35	1.41
	Period 13	1.18	1.26	1.35	1.41
Year 7	Period 1	1.18	1.26	1.35	1.41
	Period 2	1.18	1.26	1.35	1.41
	Period 3	1.18	1.26	1.35	1.41
	Period 4	1.17	1.26	1.35	1.41
	Period 5	1.17	1.26	1.35	1.41
	Period 6	1.17	1.26	1.35	1.40
	Period 7	1.17	1.26	1.35	1.40
	Period 8	1.17	1.26	1.35	1.40
	Period 9	1.17	1.26	1.34	1.40
	Period 10	1.17	1.26	1.34	1.40
	Period 11	1.17	1.26	1.34	1.40
	Period 12	1.17	1.26	1.34	1.40
	Period 13	1.17	1.26	1.34	1.40
Year 8	Period 1	1.17	1.26	1.34	1.40

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 8	Period 2	1.17	1.26	1.34	1.40
	Period 3	1.17	1.26	1.34	1.40
	Period 4	1.17	1.26	1.34	1.40
	Period 5	1.17	1.26	1.34	1.40
	Period 6	1.17	1.25	1.34	1.40
	Period 7	1.17	1.25	1.34	1.40
	Period 8	1.17	1.25	1.34	1.40
	Period 9	1.17	1.25	1.34	1.40
	Period 10	1.17	1.25	1.34	1.40
	Period 11	1.17	1.25	1.34	1.40
	Period 12	1.16	1.25	1.34	1.40
	Period 13	1.16	1.25	1.34	1.39
Year 9	Period 1	1.16	1.25	1.34	1.39
	Period 2	1.16	1.25	1.34	1.39
	Period 3	1.16	1.25	1.34	1.39
	Period 4	1.16	1.25	1.34	1.39
	Period 5	1.16	1.25	1.34	1.39
	Period 6	1.16	1.25	1.34	1.39
	Period 7	1.16	1.25	1.33	1.39
	Period 8	1.16	1.25	1.33	1.39
	Period 9	1.16	1.25	1.33	1.39
	Period 10	1.16	1.25	1.33	1.39
	Period 11	1.16	1.25	1.33	1.39
	Period 12	1.16	1.25	1.33	1.39
	Period 13	1.16	1.24	1.33	1.39

1. START OF THE FRANCHISE

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

APPENDIX 7

Service Delivery Benchmark Table (Clause 5.19(a))^{60 61 62 63}

Column 1		Column 2	Column 3	Column 4	Column 5
Franchisee Year / Reporting Period		Target Performance Level (Minutes Delay)	Improvement Plan Performance Level (Minutes Delay)	Breach Performance Level (Minutes Delay)	Default Performance Level (Minutes Delay)
Year 1	Period 1	12,060	12,960	13,870	14,470
	Period 2	12,050	12,960	13,860	14,470
	Period 3	12,050	12,950	13,860	14,460
	Period 4	12,050	12,950	13,850	14,450
	Period 5	12,040	12,940	13,850	14,450
	Period 6	12,040	12,940	13,840	14,440
	Period 7	12,030	12,930	13,840	14,440
	Period 8	12,030	12,930	13,830	14,430
	Period 9	12,020	12,920	13,830	14,430
	Period 10	12,020	12,920	13,820	14,420
	Period 11	12,010	12,910	13,810	14,420
	Period 12	12,010	12,910	13,810	14,410
	Period 13	12,000	12,900	13,800	14,400
Year 2	Period 1	12,000	12,900	13,800	14,400
	Period 2	11,990	12,890	13,790	14,390
	Period 3	11,990	12,890	13,790	14,390
	Period 4	11,980	12,880	13,780	14,380
	Period 5	11,980	12,880	13,780	14,380
	Period 6	11,980	12,870	13,770	14,370
	Period 7	11,970	12,870	13,770	14,370
	Period 8	11,970	12,860	13,760	14,360
	Period 9	11,960	12,860	13,760	14,350
	Period 10	12,380	13,300	14,230	14,850
	Period 11	12,370	13,300	14,230	14,840
	Period 12	12,370	13,290	14,220	14,840
	Period 13	12,360	13,290	14,210	14,830

⁶⁰ Insert change text 07/11/07⁶¹ Insert change text 14/07/08⁶² Date of Change 23/03/2011⁶³ Date of Change 26/07/2011

Year 3	Period 1	12,360	13,280	14,210	14,830
	Period 2	12,350	13,280	14,200	14,820
	Period 3	12,350	13,270	14,200	14,820
	Period 4	12,340	13,270	14,190	14,810
	Period 5	12,340	13,260	14,190	14,800
	Period 6	12,340	13,260	14,180	14,800
	Period 7	12,330	13,250	14,180	14,790
	Period 8	12,330	13,250	14,170	14,790
	Period 9	12,320	13,240	14,170	14,780
	Period 10	12,320	13,240	14,160	14,780
	Period 11	12,310	13,230	14,160	14,770
	Period 12	12,310	13,230	14,150	14,770
	Period 13	13,930	14,970	16,020	16,720
Year 4	Period 1	13,930	14,970	16,010	16,700
	Period 2	13,920	14,960	16,010	16,700
	Period 3	13,920	14,960	16,000	16,690
	Period 4	13,920	14,960	16,000	16,690
	Period 5	13,910	14,950	15,990	16,680
	Period 6	13,910	14,950	15,980	16,680
	Period 7	13,900	14,940	15,980	16,670
	Period 8	13,900	14,940	15,970	16,670
	Period 9	13,880	14,930	15,970	16,660
	Period 10	14,050	15,110	16,150	16,860
	Period 11	14,040	15,100	16,150	16,850
	Period 12	14,040	15,100	16,140	16,840
	Period 13	14,030	15,080	16,140	16,840
Year 5	Period 1	14,030	15,080	16,120	16,830
	Period 2	14,030	15,070	16,120	16,830
	Period 3	14,000	15,060	16,100	16,800
	Period 4	14,000	15,050	16,100	16,800
	Period 5	13,990	15,050	16,090	16,790
	Period 6	13,990	15,040	16,090	16,790
	Period 7	13,980	15,040	16,080	16,780
	Period 8	13,980	15,030	16,080	16,780
	Period 9	13,970	15,030	16,070	16,770
	Period 10	14,110	15,160	16,240	16,930
	Period 11	14,090	15,160	16,230	16,930
	Period 12	14,090	15,140	16,220	16,920
	Period 13	14,080	15,140	16,220	16,920

Year 6	Period 1	14,080	15,130	16,190	16,910
	Period 2	14,080	15,130	16,190	16,910
	Period 3	14,070	15,130	16,180	16,890
	Period 4	14,070	15,130	16,180	16,890
	Period 5	14,060	15,110	16,170	16,880
	Period 6	14,060	15,110	16,170	16,880
	Period 7	14,050	15,100	16,160	16,860
	Period 8	14,050	15,100	16,160	16,850
	Period 9	14,040	15,090	16,150	16,850
	Period 10	14,040	15,090	16,150	16,840
	Period 11	14,040	15,080	16,140	16,840
	Period 12	14,030	15,080	16,140	16,830
	Period 13	14,030	15,070	16,130	16,830
Year 7	Period 1	14,010	15,070	16,130	16,820
	Period 2	14,010	15,050	16,110	16,820
	Period 3	14,000	15,050	16,110	16,820
	Period 4	14,000	15,040	16,100	16,800
	Period 5	13,990	15,040	16,090	16,790
	Period 6	13,990	15,040	16,090	16,780
	Period 7	13,980	15,030	16,090	16,780
	Period 8	13,980	15,030	16,080	16,770
	Period 9	13,980	15,020	16,080	16,770
	Period 10	13,970	15,020	16,070	16,760
	Period 11	13,970	15,010	16,070	16,760
	Period 12	13,960	15,010	16,060	16,750
	Period 13	13,960	15,000	16,040	16,750
Year 8	Period 1	13,950	15,000	16,040	16,740
	Period 2	13,950	14,990	16,030	16,740
	Period 3	13,940	14,990	16,030	16,720
	Period 4	13,940	14,970	16,010	16,720
	Period 5	13,940	14,970	16,010	16,710
	Period 6	13,920	14,960	16,000	16,700
	Period 7	13,920	14,960	16,000	16,700
	Period 8	13,910	14,950	15,990	16,690
	Period 9	13,910	14,950	15,990	16,690
	Period 10	13,900	14,940	15,980	16,680
	Period 11	13,900	14,940	15,980	16,680
	Period 12	13,890	14,930	15,970	16,670
	Period 13	13,890	14,930	15,970	16,670

Year 9	Period 1	13,880	14,920	15,960	16,660
	Period 2	13,880	14,920	15,960	16,660
	Period 3	13,880	14,910	15,950	16,650
	Period 4	13,870	14,910	15,950	16,650
	Period 5	13,870	14,900	15,930	16,630
	Period 6	13,860	14,900	15,930	16,630
	Period 7	13,860	14,900	15,920	16,620
	Period 8	13,840	14,880	15,920	16,610
	Period 9	13,840	14,880	15,910	16,610
	Period 10	13,830	14,870	15,910	16,600
	Period 11	13,830	14,870	15,900	16,600
	Period 12	13,830	14,860	15,900	16,590
	Period 13	13,820	14,860	15,890	16,590

APPENDIX 8

⁶⁴Figures for Calculation of Annual Franchise Payments (*Clause 5.22*)

Column 1	Column 2	Column 3	Column 4	Column 5	Column 6
Franchisee Year	FXD (£)	VCRPI (£)	VCAEI (£)	PRPI (£)	TRRPI (£)
Year 1					
Year 2					
Year 3					
Year 4					
Up to 7 Reporting Period extension					
Year 5					
Year 6					
Up to 7 Reporting Period extension					
Year 7					
Up to 7 Reporting Period extension					
Year 8					
Up to 7 Reporting Period extension					

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.

Column 1	Column 2	Column 3	Column 4	Column 5	Column 6
Franchisee Year	FXD (£)	VCRPI (£)	VCAEI (£)	PRPI (£)	TRRPI (£)
Year 9					
Up to 7 Reporting Period extension					

APPENDIX 9

List of Key Contracts (*Clause 5.26*)

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:
 - (a) Property Lease including the Property Leases listed in paragraph 4 of Appendix 2 (*List of Conditions Precedent Documents*) to the Conditions Precedent Agreement; and
 - (b) other Property Lease with a Train Operator.
3. 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.
4. 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*)).
5. 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.
6. 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.
7. Any contract or arrangement for the supply of spare parts or Spares.
8. Any contract or arrangement for the maintenance of track and other related infrastructure.
9. Any licences of Marks to the Franchisee.
10. 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 Lease relating only to rolling stock vehicles funded by Additional Rolling Stock Investment.
11. Any contract or arrangement for the leasing, sub-leasing, hiring or licensing by another Train Operator to the Franchisee of rolling stock vehicles used by the Franchisee in the provision of the Passenger Services.
12. Any contract for the provision of spare parts with Railpart (UK) Limited or any subsidiary thereof.

13. Any agreement including or for the provision of Control Point Accommodation in respect of the operation/delivery of any Passenger Services.

Control Point Accommodation means staff accommodation used by those Franchise Employees responsible for dealing with Disruptive Events (as defined under the Track Access Agreement).

14. OYSTERCARD READERS AND BARRIER GATES⁶⁵

14.1 *The Franchisee will negotiate in good faith with a view to achieving a restructuring of fares which will enable the use of Oystercards and pre-pay Oystercards between stations located within Zones 1-6 and ensuring that the Franchisee is held neutral with regard to the revenue effects as a consequence of the restructuring and such extension of Oystercards and pre-pay Oystercards.*

14.2 *When such a restructuring is achieved:*

- (a) *subject to paragraph 14.2(c), the Franchisee shall install an Oystercard reader at each of its Stations located within Zones 1-6 at which there are no Oystercard readers;*
- (b) *ensure where there are automated ticket barriers at its Stations outside Zones 1-6, those ticket barriers are ITSO compatible; and*
- (c) *ensure that where there are automated ticket barriers at its Stations inside Zones 1-6 those ticket barriers are Oystercard compatible and paragraph 14.2(a) will not then apply in relation to any such Station.*

14.3 *This paragraph 14:*

- (a) *is without prejudice to the Franchisee's rights under the Franchise Agreement in relation to any alteration to the structure of fares; and*
- (b) *shall not oblige the Franchisee to alter the structure of its fares or, except as a consequence of any restructuring as referred to in paragraph 14.1 which is agreed by the Franchisee, to put the Oystercard readers into service.*

14.4 *It is acknowledged that the Franchisee will in the first instance seek funding from TfL for the Oystercard readers referred to at paragraph 14.2(a) and Oystercard compatible ticket barriers referred to at paragraph 14.2(c). The Secretary of State acknowledges the extreme confidentiality of this paragraph 14 and that disclosure of its terms before funding and procurement arrangements are concluded would be likely to harm the legitimate interests of the Franchisee.*

⁶⁵ Insert new text wef 26/05/06

APPENDIX 10

List of Primary Franchise Assets (*Clause 5.27*)

The following items have as at the date of the Franchise Agreement been agreed between the parties to be Primary Franchise Assets:

1. The Shere Ticket Issuing System.
2. St Neots Car Park Scheme.
3. Phases 1, 2 and 3 of the Great Northern, Customer Information System Project.

APPENDIX 11

List of Committed Obligations and Related Provisions (*Clause 6*)

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⁶⁶ Date of new text 15/10/2009

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Part 1 to Appendix 11

List of Committed Obligations

The Franchisee commits to the terms set out in this Part 1 to Appendix 11, subject to the terms provided in Part 2 (*Miscellaneous Provisions*) and Part 3 (*Late/Non Completion of Committed Obligations*) to this Appendix 11.

1. PERFORMANCE IMPROVEMENT MEASURES

1.1 The Franchisee shall establish a 'Performance Steering Group' within one month of the Start Date, which shall be chaired by its Managing Director and meet on a monthly basis to discuss the Franchisee's performance in respect of its operational obligations under this Agreement, in particular, those specified in Schedule 1.2 (*Operating Obligations*) and Schedule 7.1 (*Performance Benchmarks*) of the Terms.

1.2 Within nine months of the Start Date, the Franchisee shall establish at the Franchisee's headquarters:

- (a) an 'Incident Room' to support its control centre in instances of severe disruption; and
- (b) a 'Service Status War Room' to act as a collection centre for performance information and to display such information. The Service Status War Room shall also provide the core facilities for the Incident Room.

1.3 Within 12 months of the Start Date, the Franchisee shall:

- (a) appoint an 'Area Operations Manager' for the Brighton line;
- (b) deploy at the following stations: Bedford, Brighton, Hitchin (providing cover for Cambridge and Kings Lynn), London Blackfriars and London King's Cross:
 - (i) 18 driver standards managers; and
 - (ii) eight service delivery managers,
 in each case to provide efficient management of train crew during Peak periods;
- (c) establish a 'Performance Training Academy' to train managers and other selected staff in higher standards of railway operation; and
- (d) designate members of staff as crowd control managers during Peak periods to reduce delays to the Passenger Services caused by passengers alighting and joining those services.

2. STATIONS

Major Investment at Stations

- 2.1(a) In addition to the improvements specified in the other provisions in this paragraph 2, the Franchisee shall spend no less than £⁶⁷ on enhancement schemes at Stations within four years of the Start Date, to improve those stations and their environment and security and may include:
- (i) installation of new platform seating;
 - (ii) **NOT USED**;⁶⁸
 - (iii) refurbishment of waiting rooms at Stations;
 - (iv) catering facility improvements;
 - (v) the upgrade and integration of staff accommodation; and
 - (vi) minor DDA enhancements at Stations.
- (b) Such schemes shall, where practicable, be selected by the Franchisee so as to attract additional third party investment to make further improvements.

Refurbishment and infrastructure

- 2.2 The Franchisee shall carry out the following:
- (a) within three years of the Start Date at Stations selected by it:
 - (i) the refurbishment of:
 - (A) toilets at 18 Stations; and
 - (B) **NOT USED**;⁶⁹
 - (ii) **NOT USED**;⁷⁰
 - (iii) the installation of new additional shelters at 14 Stations; and
 - (iv) *refurbish toilets at*:^{71 72}

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 Delete text wef 04/03/08

⁶⁹ Delete text wef 04/03/08

⁷⁰ Delete text wef 04/03/08

Elephant and Castle;

Welwyn North

Hertford North;

Huntingdon; and

St Neots.

- (v) *refurbish waiting rooms at:*⁷³

Stevenage;

Palmers Green;

Bedford;

Flitwick;

Leagrave;

Harlington;

Hendon; and

Mill Hill.

- (b) ***NOT USED***⁷⁴.

Security

2.3 The Franchisee shall carry out the following security enhancements:

- (a) creating a 'Central Control Centre' to centrally monitor 95 per cent. of all CCTV installed at Stations within two years of the Start Date and the remaining five per cent. within three years of the Start Date;
- (b) installing 167 new CCTV cameras at 24 Stations within three years of the Start Date; and
- (c) installing 78 additional Help Points at 36 Stations within three years of the Start Date.

Information

2.4 The Franchisee shall carry out the following enhancements within three years of the Start Date:

⁷¹ Insert new text wef 04/03/08

⁷² Insert change text wef 27/03/08

⁷³ Insert new text wef 27/03/08

⁷⁴ Delete text wef 04/03/08

- (a) *installing sixteen (16) 37 inch TFT monitors at each of 11 Stations;*
- (b) *Forty (40) CIS screens to be installed at 19 Stations, which will be made up of 23 double-sided and 17 single-sided CIS; and*⁷⁵
- (c) installing two additional poster boards at each Station.

Signage

2.5 The Franchisee shall invest no less than £⁷⁶ in improving signage at Stations within 18 months of the Start Date.

Lighting

2.6 The Franchisee shall upgrade lighting levels at Alexandra Palace, Cuffley, Enfield Chase and New Barnet Stations within three years of the Start Date.

Waiting rooms

2.7 The Franchisee shall refurbish waiting rooms at the following Stations within three years of the Start Date:

- (a) Alexandra Palace;
- (b) Biggleswade;
- (c) Elephant and Castle;
- (d) Elstree and Boreham Wood;
- (e) Enfield Chase;
- (f) Finsbury Park;
- (g) Gordonhill;
- (h) Hatfield;
- (i) Hertford North;
- (j) Letchworth;
- (k) Luton;
- (l) Oakleigh Park;

⁷⁵ Insert change text wef 10/01/08

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.**

- (m) Potters Bar;
- (n) Radlett;
- (o) Royston;
- (p) Welwyn Garden City; and
- (q) Winchmore Hill

Ticket desks

2.8 ***NOT USED***⁷⁷.

Train dispatch

2.9 ***NOT USED***.⁷⁸

Public address systems

2.10 The Franchisee shall within three years of the Start Date either:

- (a) install public address systems; or
- (b) upgrade the public address systems,

at the following Stations:

- (i) Bedford;
- (ii) City Thameslink;
- (iii) Drayton Park;
- (iv) Elstree and Borehamwood;
- (v) Essex Road;
- (vi) Flitwick;
- (vii) Harlington;
- (viii) Harpenden;
- (ix) King's Cross Thameslink;
- (x) Legrave;
- (xi) London Blackfriars;

⁷⁷ Delete text wef 27/03/08

⁷⁸ Delete text wef 04/03/08

- (xii) Loughborough Junction;
- (xiii) Luton;
- (xiv) Luton Airport Parkway;
- (xv) Radlett; and
- (xvi) St Albans.

Staff accommodation

2.11 The Franchisee shall invest no less than £⁷⁹ in the refurbishment of staff accommodation within three years of the Start Date.

Cycle Integration

2.12 The Franchisee shall invest or procure the investment of £⁸⁰ in rail/bicycle integration enhancements at 33 Stations within four years of the Start Date, which investment may include provision of:

- (a) improved or additional cycle parking;
- (b) additional direction signage at Stations which are within 400 metres of the ‘National Cycle Network’; and
- (c) such other enhancements as the Secretary of State may consent to (such consent not to be unreasonably withheld).

Aggregate spend commitment

2.13 The Franchisee shall spend the amount specified in column 2 in the following table by the end of the Franchisee Year specified in column 1 in that table to which it relates in fulfilling its Committed Obligations specified in paragraphs 2.1 to 2.12 inclusive and paragraph 8.6(c):

Column 1	Column 2
Franchisee Year	Cumulative aggregate spend

⁷⁹ 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.

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.

	(£k in real terms) 81
Year 1	
Year 2	
Year 3	
Year 4	

Ticket machine investment

2.14 The Franchisee shall:

- (a) replace the following ticket vending machines at Stations:
 - (i) 33 'Quickfare' ticket vending machines within two years of the Start Date; and
 - (ii) two 'Ascom' ticket vending machines and 54 'Avantix' ticket vending machines within five years of the Start Date,
 in each case, 'Scheidt and Bachmann' chip and pin compliant; and
- (b) provide 25 further Scheidt and Bachmann chip and pin compliant self-service ticket vending machines within two years of the Start Date at the following Stations:
 - (i) Bedford;
 - (ii) Finsbury Park;
 - (iii) Flitwick;
 - (iv) Harpenden;
 - (v) Hatfield;
 - (vi) Hertford North;
 - (vii) Hitchin;
 - (viii) Huntingdon;
 - (ix) Kings Cross GN;

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.**

- (x) Letchworth;
 - (xi) Luton;
 - (xii) Luton Airport Parkway;
 - (xiii) Potters Bar;
 - (xiv) Royston;
 - (xv) St Albans;
 - (xvi) St Neots;
 - (xvii) Stevenage;
 - (xviii) Welwyn Garden City; and
 - (xix) Winchmore Hill; and
- (c) be entitled on service of notice to the Secretary of State, if it reasonably believes that the number of ticket machines to be replaced under paragraph 2.6(a) is less than 89, subject to:
- (i) the consent of the Secretary of State (such consent not to be unreasonably withheld):
 - (A) to reduce the number of ticket vending machines to be replaced; and
 - (B) to increase by a corresponding amount the number of additional ticket vending machines under paragraph 2.6(b) with any additional locations being specified in that notice; and
 - (ii) the total number of new ticket vending machines to be provided under this paragraph 2.6 will not in aggregate be less than 114.

Station Cleaning

2.15 The Franchisee shall spend no less than £⁸² in the first month after the Start Date on the deep cleaning of selected Stations.

2.16 The Franchisee shall put in place mobile cleaning teams within nine months of the Start Date to clean all Stations in accordance with the cleaning specification detailed in the SQMS.

2.17 The Franchisee shall:

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- (a) prior to implementing the specifications referred to in paragraph 2.11(b), implement a graffiti removal plan that is no worse than that contained in the passenger's charters relating to the Previous Franchise Agreements;
- (b) implement clearly defined specifications for the removal of graffiti (including specifications for the manner and speed of removal) within nine months of the Start Date; and
- (c) no less than annually review areas and buildings that are likely targets for graffiti to identify ways in which those areas and buildings may be made less attractive targets for graffiti.

2.18 The Franchisee shall implement an appropriate management and audit system within one year of the Start Date to ensure effective task planning and management in relation to Station cleaning.

Maintenance and decoration

2.19 The Franchisee shall appoint a dedicated 'Facilities Management Team' within one year of the Start Date to carry out painting, minor repairs and small maintenance jobs as and when required on an ongoing basis at Stations.

2.20 The Franchisee shall establish a helpdesk within six months of the Start Date to which staff and customers can report maintenance and cleaning faults and failures. The establishment of the helpdesk shall be communicated to:

- (a) staff using internal communication channels (including staff notices, staff handbooks, station logbooks, management briefings, written communications on procedures, posters and the intranet); and
- (b) customers using posters, the Franchisee's website, timetables and customer magazines.

2.21 The Franchisee shall implement a rolling five-year programme of Station repainting under which each Station is repainted at least once every five years. That programme shall be limited to those Station areas which require painting as part of its ordinary maintenance obligations under the Station Leases and shall include:

- (a) waiting rooms;
- (b) platform areas;
- (c) Station buildings;
- (d) booking halls;
- (e) ticket offices;
- (f) shelters; and
- (g) lighting columns and stanchions.

Major Events Management

2.22 The Franchisee shall establish a strategy for special events' management within six months of the Start Date.

3. CAR PARKS

3.1 The Franchisee shall invest no less than £⁸³ on upgrading car parks within three years of the Start Date (including any investment in respect of assets owned by Meteor Parking Limited at station car parks on Thameslink Routes). Such investment shall include the provision of new pay and display machines with integrated help points at 23 Stations and (but not necessarily at each Station) improvements to signage, pay and display machines, CCTV, lighting and traffic control measures and such other improvements as the Secretary of State may consent to (such consent not to be unreasonably withheld).

3.2 The Franchisee shall increase the capacity of selected Station car parks by an aggregate of 600 car parking spaces within four years of the Start Date.

3.3 The Franchisee shall establish a website within 18 months of the Start Date which may be used by passengers for purchasing or renewing parking season tickets.

3.4 The Franchisee shall use all reasonable endeavours to achieve the 'Association of Chief Police Officers' 'Park Mark Safer Car Parking' accreditation at 15 car parks within two years of the Start Date. These 15 car parks shall be selected by the Franchisee, subject to the consent of the Secretary of State (such consent not to be unreasonably withheld) giving priority to larger Station car parks (by reference to the number of all car parking spaces) with a view to securing accreditation for as close as reasonably practicable to 80 per cent. of all car parking spaces relevant to the Franchise as at the date of this Agreement).

4. ROLLING STOCK VEHICLES

4.1 The Franchisee shall, to the extent reasonably practicable without having an adverse effect on availability for passenger revenue earning service, upgrade all toilets on the Class 319 rolling stock vehicles comprised within the Train Fleet to an improved, modernised design by the later of December 2008 and completion of the Class 319 'C6X' overhaul.

4.2 The Franchisee shall appoint a 'Project Manager' within six months of the Start Date to manage modification improvement programmes and mandatory modifications to the Train Fleet.

4.3 The Franchisee shall appoint a dedicated in-house 'Engineering Technical Manager' within six months of the Start Date in order to deliver ongoing performance improvements in the Train Fleet.

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.**

4.4 The Franchisee shall appoint a 'Transition Manager' within one month of the Start Date to manage the internalisation of level one to four maintenance activities to be carried out on the Train Fleet.

4.5 The Franchisee shall deep clean all rolling stock vehicles comprising the Train Fleet (as at the Start Date) within six months of the Start Date.

4.6 The Franchisee shall spend no less than £⁸⁴ on improvements to rolling stock vehicle wash plant facilities within three years of the Start Date.

4.7(a) The Franchisee shall procure by the later of December 2008 and (in the case only of the completion of the Class 319 rolling stock vehicles listed in Table 1 and Table 2 of Appendix 3 (*The Train Fleet*) to this Agreement) Class 319 'C6X' overhaul:

(i) the internal refurbishment of the Class 319 rolling stock vehicles listed in those tables (which will be funded by the lessor of the relevant stock and then rentalised, with the costs of the refurbishment funded by the lessor being no less than £⁸⁵); and

(ii)^{b c} the refresh of the exterior presentation of all of the rolling stock vehicles within the Train Fleet (which will be funded by the lessor of the relevant stock and then rentalised, with the costs funded by the lessor being, subject to paragraph 4.7(b), no less than £^{86 d}

(b) If the actual costs of delivering the Committed Obligation specified in paragraph 4.7(a)(ii) in full are less than the amount specified therein, the cost of delivering the Committed Obligation specified in paragraph 4.7(a)(i) shall be increased by an amount equal to the saving.

4.8 The Franchisee shall procure:

(a) by December 2008, the installation of traction reliability improvements to the Class 313 rolling stock vehicles comprising the Train Fleet; and

(b) by the completion of the Class 319 'C6X' overhaul, door system reliability and master switch relay improvements to Class 319 rolling stock vehicles comprising the Train Fleet,

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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.

in each case funded by the lessor of the relevant stock and then rentalised, with the costs of improvements funded by those lessors being no less than £⁸⁷

4.9 The Franchisee shall fund:

- (a) only to the extent not already funded under the Class 319 'C6X' overhaul, the installation of traction reliability improvements to the Class 319 rolling stock vehicles comprising the Train Fleet by the completion of that overhaul; and
- (b) at a cost to the Franchisee of not less than £⁸⁸ door system reliability improvements to the following classes of rolling stock vehicles comprising the Train Fleet by December 2008:
 - (i) Class 313/0;
 - (ii) Class 317/1; and
 - (iii) Class 365.

4.10 The Franchisee shall procure the development and installation of sanding equipment to the Class 313 and Class 365 rolling stock vehicles comprised within the Train Fleet by the end of July 2008, in each case funded by the lessor of the relevant stock and then rentalised, with the costs of the improvements funded by the lessor being no less than £⁸⁹.

4.11 The Franchisee shall:

- (a) co-operate with the installation of mandatory on board data recorders on all rolling stock vehicles comprised in the Train Fleet and all traction units it operates within two years of the Start Date to permit recording of the following information:
 - (i) Train brake demand;
 - (ii) emergency brake demand;
 - (iii) traction power demand;
 - (iv) train speed;
 - (v) operation of and driver response to warning protection systems;

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..

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.

- (vi) 'Driver Reminder Appliance';
 - (vii) isolation/override of warning and protection systems;
 - (viii) status of interlock doors between doors and traction; and
 - (ix) operation of centralised passenger door controls (where the train door control signals are available on any of those rolling stock vehicles);
- (b) monitor the data that is generated by those recorders whilst those vehicles and units are in operation; and
 - (c) ensure that competent persons regularly validate and analyse that data in order to monitor the performance and assess the competence of drivers.

4.12 The Franchisee shall, within one year of the Start Date:

- (a) survey the flooring of one road and, if necessary, reinforce that flooring; and
- (b) install equipment such as lifting jacks and associated plant and tooling at Hornsey Depot for lifting rolling stock vehicles in the course of heavy maintenance.

4.13 In this paragraph 4:

- (a) the Committed Obligations assume that the Priced Option listed in paragraph 6 to Appendix 4 (*List of Priced Options*) to this Agreement is not exercised and all the rolling stock vehicles referred to in Table 1 and Table 2 of Appendix 3 (*The Train Fleet*) to this Agreement are leased directly from the relevant rolling stock leasing company to the Franchisee;
- (b) if and for so long as that Priced Option is exercised, the Committed Obligations will not apply to the rolling stock vehicles referred to in Table 2 of Appendix 3 to this Agreement;
- (c) when that Priced Option ceases to apply, the Franchisee shall:
 - (i) propose a plan to the Secretary of State to implement as soon as reasonably practicable any Committed Obligations delayed in accordance with paragraph 4.13(b); and
 - (ii) subject to the consent of the Secretary of State (such consent not to be unreasonably withheld) then implement that plan and account to the Secretary of State any net savings realised by the Franchisee as a result of the delay;
- (d) if and for so long as any rolling stock vehicle referred to in Table 1 or Table 2 of Appendix 3 to this Agreement is sub-leased by Southern to the Franchisee, the Franchisee will act prudently and diligently to secure Southern's agreement to the Committed Obligations relevant to those rolling stock vehicles being carried out in relation to those vehicles on terms and at a cost corresponding to those which would have applied if those vehicles were being leased direct to the Franchisee by the relevant rolling stock leasing company;

- (e) if and for so long as Southern does not agree to any such Committed Obligation being carried out, the Committed Obligations will not apply to the relevant rolling stock vehicles referred to in Table 1 or Table 2 of Appendix 3 to this Agreement; and
- (f) on the earlier to occur of Southern agreeing to any such Committed Obligation and the direct leasing to the Franchisee of the relevant rolling stock vehicles by the rolling stock leasing company, the Franchisee shall:
 - (i) propose a plan to the Secretary of State to implement as soon as reasonably practicable any Committed Obligations delayed in accordance with paragraph 4.13(e); and
 - (ii) subject to the consent of the Secretary of State (such consent not to be unreasonably withheld) then implement that plan and account to the Secretary of State any net savings realised by the Franchisee as a result of the delay.

5. SECURITY/SAFETY

5.1 The Franchisee shall appoint a Head of Revenue Protection and Security to formulate, lead and implement all security and revenue protection measures upon the Start Date.

Depot security

5.2 The Franchisee shall:

- (a) undertake a review of security arrangements at each of the Depots within six months of the Start Date;
- (b) produce a report of its findings, including its recommendations, to the Secretary of State within 28 days of the completion of that review; and
- (c) implement those recommendations.

Station security

5.3(a) For the duration of the Franchise Term, the Franchisee shall:

- (i) fund the cost of two British Transport Police (**BTP**) sergeants, three BTP constables and 24 'Police Community Support Officers', each to carry out security activities in relation to the relevant Franchise Services; and
- (ii) work with the BTP to support the delivery of the Franchisee's security strategy.
- (b) Where under the contract between the BTP and the Franchisee, the BTP changes the nature or extent of the service it provides to the Franchisee through the resources referred to under paragraph 5.3(a)(i) without the Franchisee's consent, the Franchisee may propose to the Secretary of State an alternative means of security provision from that specified in paragraph 5.3(a).
- (c) The Secretary of State will not unreasonably withhold his consent to such proposal where that proposal does not result in a reduction in either the Franchisee's overall spend on security or the level of security afforded by the BTP prior to change.

- 5.4 The Franchisee shall use all reasonable endeavours to:
- (a) maintain 'Secure Station Scheme' status at all of those Stations with that status on the Start Date; and
 - (b) achieve this status at the following 12 further Stations within two years of the Start Date:
 - (i) Finsbury Park;
 - (ii) Hatfield;
 - (iii) Hitchin;
 - (iv) Hertford North;
 - (v) Huntingdon;
 - (vi) King's Cross Thameslink;
 - (vii) Kings Lynn;
 - (viii) Potters Bar;
 - (ix) Royston;
 - (x) St Neots;
 - (xi) Waterbeach; and
 - (xii) Welwyn Garden City.

Safety

5.5 The Franchisee shall ensure that suitable safety management systems in accordance with 'ISO 18001' are deployed and maintained at Depots.

6. REVENUE PROTECTION

Ticket barriers and gating

6.1 *Subject to paragraph 6.2, the Franchisee shall install automatic ticket gate lines within two years of the Start Date at the following Stations:*

- (a) *City Thameslink;*
- (b) *Cambridge;*
- (c) *Hertford North;*
- (d) *Hitchin;*
- (e) *Huntingdon;*
- (f) *King's Cross Suburban;*

- (g) *London Blackfriars.*
- (h) *Potters Bar;*
- (i) *Royston;*
- (j) *Welwyn Garden City; and*
- (k) *Stevenage.*⁹⁰

6.2 If and for so long as the Franchisee is delayed or unable to introduce automatic ticket gate lines at any location set out in paragraph 6.1 for reasons outside its control, the Franchisee shall within two years of the Start Date instead, either:

- (a) operate staffed ticket barriers at those locations during Peak hours; or
- (b) introduce such automatic ticket gate lines at an alternative location or locations to be agreed with the Secretary of State (such consent not to be unreasonably withheld).

Other Revenue Protection Measures

6.3 The Franchisee shall upgrade automatic ticket gates currently installed at Stations on the Start Date by:

- (a) replacing the current manual side gates at Bedford, Luton, Luton Parkway and St Albans with new wide aisle automatic gates within two years of the Start Date; and
- (b) introducing a Help Point visual checking system to allow remote control of gate lines by staff at Luton Station by April 2007.

6.4 The Franchisee shall carry out the following revenue protection measures:

- (a) the introduction of Zifa ticket checking stampers for all ticket checking staff within eight months of the Start Date; and
- (b) the carrying out as soon as reasonably practicable of:
 - (i) 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; and
 - (ii) 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) as part of the training programme referred to in paragraph 7,

in each case to ensure the correct application of the National Rail Conditions of Carriage.

⁹⁰ Insert change text wef 14/02/08

Portable ticket machines

6.5 The Franchisee shall replace all Sportis portable ticket machines carried by staff with Advantix 'Two' handheld terminals within one year of the Start Date.

Level of investment in ticket gates

6.6 The Franchisee shall invest no less than £⁹¹ in fulfilling the commitments specified in paragraphs 6.1 (subject to the application of paragraph 6.2 where applicable), 6.3 and 6.4(a).

7. HR/TRAINING

Investors in People

7.1 The Franchisee shall use all reasonable endeavours to achieve Investors In People status by 2008 (or earlier where reasonably practicable) and once achieved, to maintain such status.

Staff communication

7.2 The Franchisee shall undertake staff surveys to assess staff commitment, morale and obtain feedback which shall include:

- (a) a staff commitment/morale survey undertaken within six months of the Franchise Term;
- (b) following the survey undertaken pursuant to paragraph 7.2(a), an annual employee survey to capture staff perceptions commitment to and attitudes towards their jobs and the Franchisee and shall include:
 - (i) commitment;
 - (ii) company management;
 - (iii) attitudes towards the Parent;
 - (iv) safety and employee welfare;
 - (v) communications;
 - (vi) training and development;
 - (vii) company standards;
 - (viii) customer focus;

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- (ix) uniforms; and
- (x) pensions and benefits; and
- (c) staff listening groups to consult on issues regarding the operation of the Franchise.

7.3 The Franchisee shall discuss the results from these staff surveys at Franchisee board level and devise action plans based on the results and discussions.

Training and development

7.4 The Franchisee shall spend no less than £⁹² training existing and new staff over the full Franchise Term (that is, nine years) in accordance with paragraphs 7.5 and 7.6.

7.5 The Franchisee shall:

- (a) conduct a skills gap analysis to establish training requirements for all existing staff within one year of the Start Date;
- (b) develop a strategy to meet the training requirements identified and provide a copy of that strategy to the Secretary of State within three months of the first anniversary of the Start Date;
- (c) implement that strategy in accordance with its terms subject to any reasonable changes identified following the analysis described in paragraph 7.5(d);
- (d) in order to facilitate the efficient operation of the Franchisee:
 - (i) initially carry out a training needs analysis for all staff and potential new staff; and
 - (ii) where necessary, carry out further training needs analyses for those staff, in each case, referring to, where appropriate, the latest National Passenger Survey results and other customer feedback; and
- (e) carry out for all staff, annual appraisals in order to identify the training required to facilitate staff development.

7.6 The Franchisee shall:

- (a) train and retrain existing staff and train new staff in accordance with the needs identified following the analysis carried out pursuant to paragraph 7.5(d); and
- (b) to the extent not carried out pursuant to paragraph 7.6(a):

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.**

- (i) train existing and new station and revenue protection staff to improve customer focus and efficiency;
- (ii) require:
 - (A) its full-time cleaning staff within six months of the Start Date; and
 - (B) any new cleaning employee employed on a full-time basis within six months of his appointment,
 to attend 'British Institute of Cleaning Services' training courses; and
- (iii) use all reasonable endeavours to provide training identified pursuant to paragraph 7.5(e).

Vocational qualifications

7.7 The Franchisee shall provide to all Station and on board staff within 18 months of the Start Date, the opportunity to achieve 'National Vocational Qualifications'.

Welcome and induction training

7.8 The Franchisee shall within nine months of the Start Date require all staff to have attended welcome training to introduce staff to the Franchisee's vision, brand values and Parent ways of working.

7.9 The Franchisee shall ensure that all new staff receive training in elements of the Service Quality Standards where those standards form part of their normal operational role. All new staff will also receive appropriate safety briefings.

Simulators

7.10 The Franchisee shall within two years of the Start Date invest or procure the investment of no less than £⁹³ in the procurement and installation of two driver simulators (including associated infrastructure and connection works).

8. CUSTOMER SERVICES

Website development

8.1 The Franchisee shall progressively extend the functionality of the website specified in paragraph 10.1 of Schedule 1.4 (*Passenger Facing Obligations*) of the Terms to provide customers with a range of information, including about ticket retailing, Stations and station location maps, integrated transport, 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.

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.**

Webchats

8.2 Through that website, the Franchisee shall hold quarterly 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.

Meet the Manager

8.3 From the Start Date the Franchisee shall:

- (a) provide a ‘Meet the Manager’ session at least once every four weeks at a Station or on board trains to receive customer feedback; and
- (b) advertise those sessions on customer information systems and the Franchisee’s website referred to in paragraph 8.1.

Ease of buying a ticket

8.4 The Franchisee shall develop existing, and introduce new, ticket retailing solutions to provide customers with accessible and efficient options for purchasing tickets, including by developing an online season ticket retailing system within 18 months of the Start Date as part of the Franchisee’s website referred to in paragraph 8.1.

Service disruption

8.5 The Franchisee shall manage service disruption by:

- (a) implementing within three months of the Start Date, a ‘Disruption Management and Information Plan’;
- (b) providing within two years of the Start Date, all levels of station and on train staff with comprehensive training in all aspects relevant to their posts of service delivery, the handling of disruption, the provision of customer information during disruption and improved use of public address systems; and
- (c) providing within one year of the Start Date, real-time information on the prevailing state of service on particular Routes and particular trains on the website referred to in paragraph 8.1.

Helpdesks

8.6 In order to facilitate communication with customers, the Franchisee shall:

- (a) maintain helpdesks at Stations where helpdesks are installed as at the Start Date, subject to review by the Franchisee as to their substitution or relocation to alternative Stations with the consent of the Secretary of State (such consent not to be unreasonably withheld);
- (b) to the extent not already provided for under paragraph 8.6(a), procure the installation of helpdesks at the following stations within two years of the Start Date:
 - (i) Bedford;
 - (ii) Hitchin;

- (iii) Luton;
 - (iv) London Blackfriars; and
 - (v) London King's Cross;
- (c) provide two mobile helpdesks at a cost to the Franchisee of no less than £⁹⁴, in particular for use in times of unplanned service disruption;
- (d) instigate a feasibility and viability study within one year of the Start Date regarding the installation of helpdesks at the following stations:
 - (i) Brighton; and
 - (ii) Cambridge;
- (e) produce a report of its findings, including any recommendations, to the Secretary of State within 28 days of the completion of the study under paragraph 8.6(d), and implement those recommendations, save in respect of any such recommendations that would require the Franchisee to incur costs that were disproportionate to the benefit that would accrue from implementing them;
- (f) subject to paragraph 8.6(h), staff all of the helpdesks referred to in this paragraph 8.6 in accordance with its policy of staffing helpdesks based on levels of demand for the services available at those helpdesks;
- (g) keep a record of the demand for the services made available at those helpdesks and make such record and the policy referred to in paragraph 8.6(f) available to the Secretary of State:
 - (i) where it seeks to demonstrate the staffing requirements for any helpdesk pursuant to paragraph 8.6(h); and
 - (ii) otherwise when reasonably requested by him; and
- (h) be entitled to de-staff or reduce the staffing of any helpdesk referred to in this paragraph 8.6, where it can demonstrate to the reasonable satisfaction of the Secretary of State that there is insufficient or reduced demand for the services available at those helpdesks.

Technology Investment

8.7 The Franchisee shall within three years of the Start Date, procure the expenditure of no less than £⁹⁵ on technology to improve the journey experience of passengers which shall comprise technology associated with the following:

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.

- (a) the provision of real time information to staff;
- (b) the extension of late notice to train crew;
- (c) the operation of the Service Quality Management System and associated asset register;
- (d) the establishment and operation of a stakeholder database;
- (e) the availability of wi-fi at Stations;
- (f) a time and attendance system for train crew and station staff; and
- (g) such other systems as the Franchisee may propose and the Secretary of State approve (such approval not to be unreasonably withheld).

9. QUALITY

Rail Passengers' Council and User Groups

9.1 The Franchisee shall liaise and cooperate with the Rail Passengers' Council and user groups, including 'London TravelWatch', to identify areas of quality improvement and shall:

- (a) hold forums every six months to update and discuss issues with a range of stakeholders;
- (b) invite community members to take part in quality improvement teams;
- (c) liaise and cooperate with the BTP and the Rail Passengers' Council to conduct joint visual audits of Stations and facilities across the Franchise; and
- (d) hold ad hoc, formal and informal discussions with those user groups.

9.2 The Franchisee shall:

- (a) ensure that all information required to be published by this Agreement (such as information contained in information displays at stations, information pertaining to the Passenger Charter, and information contained on the website) contains the new contact details for the Rail Passengers' Council's passenger contact; and
- (b) provide a dedicated poster site for Rail Passengers' Council information on every train.

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.**

Charter Mark

9.3 *Not Used*⁹⁶

EFQM

9.4 The Franchisee shall:

- (a) use all reasonable endeavours to achieve:
 - (i) 'Committed to Excellence' status within 18 months of the Start Date; and
 - (ii) 'Recognised for Excellence' status within three years of the Start Date; and
- (b) carry out a self assessment of its organisation as a whole and of separate departments within that organisation using the EFQM framework within 18 months of the Start Date.

10. ENVIRONMENTAL

Environmental Manager

10.1 The Franchisee shall within six months of the Start Date, appoint an 'Environmental Manager'.

Annual environmental plan

10.2 The Franchisee shall:

- (a) produce an annual environmental plan setting out its approach to managing its business in accordance with then current and anticipated legislation;
- (b) produce an annual progress statement against that plan; and
- (c) provide that plan and statement to the Secretary of State, each within seven days of their respective completion

ISO14001

10.3 The Franchisee shall use its reasonable endeavours to achieve 'ISO14001' accreditation within two years of the Start Date, and shall achieve such accreditation in any event by the end of 2009.

11. NON-ROLLING STOCK BRANDING

Published material

11.1 The Franchisee shall replace published materials such as timetables, statutory notices, online communication details and promotional material at Stations with the Franchisee's own brand published materials within one week of the Start Date.

⁹⁶ Delete text wef 30/1/07

Uniforms for employees

11.2 The Franchisee shall issue new name badges and uniforms to all customer facing staff:

- (a) within one week of the Start Date, subject to the Franchisee being permitted prior to that date the access reasonably required by it to make the necessary arrangements; and
- (b) otherwise as soon as reasonably practicable thereafter and no later than three months after the Start Date.

12. SOCIAL INCLUSION

12.1 The Franchisee shall use all reasonable endeavours to achieve the 'Big Tick' Excellence Award from Business in the Community within two years of the Start Date.

12.2 The Franchisee shall implement a 'Community Support Policy' within one year of the Start Date which will give sponsorship through financial assistance or provision of tickets, and practical support by staff to community organisations associated with routes served by the Franchise Services.

Access for All

12.3 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.

12.4 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.

13. INTEGRATION

Investments

13.1 The Franchisee shall promote 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 Fund' funding;
- (d) the promotion of park and ride facilities;
- (e) the trialling of cycle hire at London King's Cross;
- (f) staff training to ensure the Franchisee has informed and helpful staff to assist customers with their onward journey; and
- (g) access integration, working closely with disability groups and organisations.

Integration and Partnership Manager

13.2 The Franchisee shall appoint a dedicated ‘Integration and Partnership Manager’ within six months of the Start Date in order to further such promotion and liaise with Local Authorities and other Stakeholders.

PlusBus

13.3 The Franchisee shall use all reasonable endeavours to extend the ‘PlusBus’ arrangements with third party bus operators in areas served by the Franchise Services from those listed in clause 5.13.

14. OYSTERCARD READERS AND BARRIER GATES⁹⁷

14.1 *The Franchisee will negotiate in good faith with a view to achieving a restructuring of fares which will enable the use of Oystercards and pre-pay Oystercards between stations located within Zones 1-6 and ensuring that the Franchisee is held neutral with regard to the revenue effects as a consequence of the restructuring and such extension of Oystercards and pre-pay Oystercards.*

14.2 *When such a restructuring is achieved:*

- (a) subject to paragraph 14.2(c), the Franchisee shall install an Oystercard reader at each of its Stations located within Zones 1-6 at which there are no Oystercard readers;*
- (b) ensure where there are automated ticket barriers at its Stations outside Zones 1-6, those ticket barriers are ITSO compatible; and*
- (c) ensure that where there are automated ticket barriers at its Stations inside Zones 1-6 those ticket barriers are Oystercard compatible and paragraph 14.2(a) will not then apply in relation to any such Station.*

14.3 *This paragraph 14:*

- (a) is without prejudice to the Franchisee’s rights under the Franchise Agreement in relation to any alteration to the structure of fares; and*
- (b) shall not oblige the Franchisee to alter the structure of its fares or, except as a consequence of any restructuring as referred to in paragraph 14.1 which is agreed by the Franchisee, to put the Oystercard readers into service.*

14.4 *It is acknowledged that the Franchisee will in the first instance seek funding from TfL for the Oystercard readers referred to at paragraph 14.2(a) and Oystercard compatible ticket barriers referred to at paragraph 14.2(c). The Secretary of State acknowledges the extreme confidentiality of this paragraph 14 and that disclosure of its terms before funding and procurement arrangements are concluded would be likely to harm the legitimate interests of the Franchisee.*

⁹⁷ Insert new text wef 26/05/06

15 *Thameslink Key Output 0 provisions*⁹⁸

15.1 *The Franchisee shall at its own expense:*

- a) *modify the seating arrangements in the “MOS” vehicle in each of the seven Class 319/2 units to include an extra 11 standard class seats in each vehicle so that the total seating capacity of all such Class 319/2 units is increased to 241 comprising 222 standard fixed seats, 1 standard tip up seat, and 18 first class seats. Such conversion work shall be completed in respect of all such Class 319/2 units by no later than 30th September 2009 or (if later) six months after the relevant units are handed over to the Franchisee; and*
- b) *install a cab cooling system in the cabs of all Class 319 units comprised within the Train Fleet fitting of such cab cooling system to be completed in 74 units by 1st December 2008 with the remaining 8 units to be completed by 1st July 2009 (subject to extension to reflect any delay in the handover of the relevant vehicles to the Franchisee beyond 1st March 2009);*
- c) *procure the expenditure of at least £⁹⁹ in ensuring that by no later than 30th September 2009 in respect of 90% of the Class 319 units in the Train Fleet and 31st December 2009 in respect of all Class 319 units in the Train Fleet (with those dates subject to commensurate extension to reflect any delay in the handover of the relevant vehicles to the Franchisee beyond 1st March 2009):*
 - (i) *all traction motors fitted to those Class 319 units have been overhauled such overhaul to include armature rebuild including replacing the PTFE ring, renewal of damaged laminates, replacement of commutator, replacement of impellor, pinion and insulated supports, rewinding of armatures, renewal of insulation to field main poles and inter poles, replacement of commutator covers and replacement of brush box; and*
 - (ii) *those Class 319 units have been subject to a programme of traction system electronic and electrical systems upgrades including (replacement of all life expired relays and traction package connectors (including but not limited to life expired WFR, MSR, CRR, JLR, RIR, PIR, CORI relays) fibre optics (renewal of all fibre optic cables, replacement of fogged or damaged connectors and test and replacement of poor signal strength transmitters), line filter capacitors (by renewal of top 12 life expired items) and design and renewal of all crowbar control circuits panels.*

The Franchisee may rentalise the costs of these rolling stock improvements through its rolling stock leasing arrangements but only if the cost of the works is fully recovered by the rolling stock leasing company by the end of the Franchise Term (assuming a termination on 31st March 2015.)

⁹⁸ Date of change 14/7/2008

⁹⁹ Where text has been omitted from the document this is because the Director General Rail or Secretary of State has decided to exclude the text in accordance with the provisions within the Freedom of Information Act 2000.

15.2 *Subject to the provision by the Secretary of State of a Section 54 undertaking to support the funding of the relevant works over the life of the lease arrangements in respect of Bedford Cauldwell Depot, the Franchisee shall procure the expenditure of not less than £¹⁰⁰ on depot upgrade works at Bedford Cauldwell depot to facilitate light maintenance works on Class 377 units with those upgrade works including without limitation construction of:*

- a) a new 4-car covered road with side and inspection pit;*
- b) solebar platform/decking for door maintenance;*
- c) a new stores unit and new accommodation for additional staff; and*
- d) services to support items (a) to (c) above.*

The upgraded depot facilities shall be available for use by the Franchisee or its train maintenance contractor in a manner consistent with the delivery of the Thameslink KO0 SLC by no later than the Planned Thameslink KO0 Start Date

15.3 *The Franchisee shall procure the expenditure by the Planned Thameslink KO0 Start Date of not less than £¹⁰¹ on the completion of enhancement works at Bedford Midland Road carriage sidings to facilitate more effective cleaning and CET discharge in accordance with the enhancement works including without limitation:*

- a) modification of the carriage washing plant by the installation of a new multi-purpose flail; and*
- b) upgrading the existing CET plant with new pumps;*

Such upgraded facilities shall be available for use by the Franchisee or its train maintenance contractor by no later than the Planned Thameslink KO0 Start Date

15.4 *Not Used¹⁰²*

15.5 *The Franchisee shall engage and utilise an additional 4 customer service agency staff at Blackfriars station for a period of 4 months from and including the Planned Thameslink KO0 Start Date.*

15.6 *The Franchisee shall provide additional customer service staff at Moorgate and Barbican stations (comprising at a minimum one at the Morning Peak time at Barbican and one in both the Morning and Evening Peak times at Moorgate) for a period of two months up to the Actual Thameslink KO0 Start Date.*

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 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.

¹⁰² Date of Change 02/12/2011

- 15.7 *The Franchisee shall install two dedicated double royal poster cases in prominent positions at all Thameslink route Stations by no later than 31st December 2008 and make full and proper use of such poster cases for the purpose of informing passengers about the impact of Thameslink Key Output 0 on the Passenger Services.*
- 15.8 *The Franchisee shall install six 42 inch enhanced display screens, one each at the following stations: (1) Blackfriars; (2) Farringdon; (3) Kentish Town; (4) City Thameslink; (5) Elephant and Castle and (6) St. Pancras International to be completed by 31st December 2008. The Franchisee shall use these display screens in a manner consistent with other such screens deployed by it at other Stations.*
- 15.9 *The Franchisee shall at its own expense install a double sided LED screen at the northern end of each platform at Farringdon station to be completed by 31st December 2008. The Franchisee shall use this double sided LED screen in a manner consistent with other such screens deployed by it at other Stations.*
- 15.10 *The Franchisee shall by 31st December 2008 upgrade Blackfriars' station ticket office and self service ticket machines with Oyster reader/writers (including obtaining all necessary licences).*
- 15.11 *The Franchisee shall with effect from the Planned Thameslink KO0 Start Date provide "line of route" support measures comprising four additional technicians as line of route/station fitters and three additional riding inspectors to provide mobile support and station fitter resource trained in Class 319 units and Class 377 units.*
- 15.12 *The Franchisee shall incur expenditure of at least £¹⁰³ in implementing a customer communication and marketing plan to publicise to customers relevant details about potential disruptions to their journeys as well as the increased journey opportunities available arising as a result of Thameslink Key Output 0 such plan to be effective from 31st July 2008 to a date two months after the Planned Thameslink KO0 Start Date. This plan shall include communication in the form of:*
- a) stakeholder consultation;*
 - b) bespoke station events;*
 - c) impact of construction works communications*
- and the Franchisee shall use a range of appropriate communication channels in implementing the communication plan, including website communications, leaflets and posters, media and public relations, weblinks, "Transforming the Thameslink" briefing packs, advertising media, customer newsletter, station communications, on train advertising and timetables.*
- 15.13 *The Franchisee shall use all reasonable endeavours and provide all necessary assistance and information as may be reasonably necessary to be provided by the*

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.*

Franchisee properly to interface and support Network Rail in providing route clearance for Class 377 units in connection with delivery of the Franchise Services.

- 15.14** *The Franchisee acknowledges the provision of paragraph 37(a) of a letter dated 17th October 2006 from the Secretary of State for Transport to John Armitt Chief Executive of Network Rail Infrastructure Limited in relation to the “Thameslink 2000 Closure Proposals” and agrees to put in place all arrangements referred to in paragraph 37(a) in relation to “protected passengers” for the period referred to in paragraph 37(a).*
- 15.15** *The Franchisee shall operate a reasonable replacement bus service (being fully compliant with the provisions of the Thameslink KO0 SLC) with the intention of minimising disruption to passengers when Passenger Services, or any part of them, are not provided or operated due to Network Rail possessions of the Thameslink Core Route between 22.30 and the immediately following 04.30. The Franchisee shall make reasonable arrangements at the stations at which passengers are required to transfer between bus and rail services to ensure that bus/rail interchange is as convenient for passengers as reasonably practicable. For the purpose of this commitment the level of replacement bus service will be treated as reasonable if it is at least consistent with the provisions of the Thameslink KO0 SLC and (with regard to any additional level of bus provision which may be reasonable) the costs of providing the additional level of service are reasonably consistent with the costs provided in the Financial Model, the Franchisee having used reasonable endeavours to ensure that such costs are as low as reasonably practicable.*
- 16.** *Peterborough and Cambridge Capacity Study¹⁰⁴*
- 16.1** *The Franchisee shall procure the carrying out of the following platform extension works on or before the Passenger Change Date in or around May 2009:*
- (a) the extension of one platform at Royston Station; and*
 - (b) the extension of platform 1 at Cambridge Station.*
- 16.2** *The Franchisee shall procure the carrying out of the following works in relation to the five Class 321 units referred to in Table 1 to Appendix 3 by the later of the Passenger Change Date in or around May 2009 and five months after the last of the Class 321 units is made available to the Franchise on lease by the lessor:*
- (a) fit new seat cover;*
 - (b) renew heater grills;*
 - (c) renew flooring;*
 - (d) painting of grab rail;*
 - (e) re-trim dado panels;*

¹⁰⁴ Date of change 20/03/2009

- (f) *toilet refurbishment; and*
- (g) *CCTV fitment.*

17 Thameslink KO1 12 Car Strengthening¹⁰⁵

17.1 *With effect from the latest of the Passenger Change Date in December 2011 and completion of the Strengthening Activities as referred to in paragraph 17.2 below, the Franchisee shall in respect of Mondays to Fridays (inclusive but excluding public holidays) prepare its Train Plan so as to specify at least four services in either direction between Bedford and Brighton in each of the Morning Peak and the Evening Peak to be in 12 car formation (so that on each relevant day a total of eight services are planned to operate in 12 car formation over the route).*

17.2 *The Strengthening Activities referred to in paragraph 17.1 are:*

- (a) *the provision on daily hire by the Southern Franchisee to the Franchisee of three four car Class 377/2 Electrostar units covering Mondays to Fridays (inclusive, excluding public holidays) with effect from the Passenger Change Date in December 2011 for the remainder of the Franchise Term;*
- (b) *the relevant routes and associated stations between Bedford and Brighton being fully cleared with associated power and signalling enhancements (including SDO beacons) fully operational by the Passenger Change Date in December 2011 so as to permit operation of Class 377 units in 12 car formation at a rate of 16 trains per hour in passenger service; and*
- (c) *the station works being carried out at Farringdon Station and Blackfriars Station in order for 12 car trains to be able to call and for those stations to be able to safely handle the flows of passengers joining and leaving those trains are completed and accepted into operation.*

¹⁰⁵ Date of new text 02/12/2011

- 17.3** *If the Franchisee reasonably considers there is likely to be a delay in completion of the Strengthening Activities, it shall notify the Secretary of State and propose a response to the delay for approval by the Secretary of State (such approval not to be unreasonably withheld or delayed) which takes into account making use of rolling stock resource and station and network capability which may be available as a result of, or despite, such delay and supports delivery of the commitment under paragraph 17.1 as soon as reasonably practicable after the Strengthening Activities are all completed. The Franchisee shall use all reasonable endeavours to implement any such proposed response as is agreed between the Franchisee and the Secretary of State.*
- 17.4** *It shall not be a contravention by the Franchisee of its obligations under this paragraph 17 if and to the extent it bids for the relevant strengthened Train Slots to operate during the relevant Peak periods in compliance with its obligations under paragraph 17.1 but Network Rail exercises its entitlements to flex such Train Slots to operate outside the relevant Peak periods.*
- 17.5** *It shall not be a contravention by the Franchisee of its obligations under this paragraph 17 if and to the extent services are not included in the Train Plan or are included with less than a 12 car formation on account of:*
- (a) rolling stock vehicles being out of service due to loss, damage or other maintenance requirements, Mandatory Modifications or any other reasons agreed with the Secretary of State (such agreement not to be unreasonably withheld); or*
 - (b) alternative directions from the Secretary of State regarding the Train Plan.*
- 17.6** *The Secretary of State shall not unreasonably withhold his consent to the Franchisee making changes to the Timetable and Train Plan as reasonably required to manage any delay in completing the Strengthening Activities by the Passenger Change Date in December 2011 or any period following such completion when services are affected by any Force Majeure Event or, otherwise than due to the fault of the Franchisee,*

infrastructure facilities or other resources required for 12 car operation are not available. In each case any such consent shall be on the basis that the Franchisee uses all reasonable endeavours to plan or re-plan 12 car operation as soon as reasonably practicable.

18 Farringdon Station and Blackfriars Station¹⁰⁶

18.1 *The Franchisee shall incur expenditure of £¹⁰⁷ (not subject to indexation but including labour) on providing facilities and equipment at Farringdon and Blackfriars Stations over the period from 1 August 2011 until substantial completion of the Thameslink Programme works at Farringdon and Blackfriars Stations (the "Stations Completion Date").*

18.2 *The Franchisee shall maintain a true and accurate record of its expenditure in connection with paragraph 18.1 and within 3 months after the Stations Completion Date report to the Secretary of State the level of expenditure incurred as at the Stations Completion Date. The Franchisee shall then promptly pay to the Secretary of State the amount (if any) by which its actual expenditure under paragraph 18.1 as at the Stations Completion Date falls short of the committed amount, and subject to payment of such refund, no such shortfall shall be treated as a contravention of the Franchise Agreement.*

19 Thameslink KO1 Marketing Plan¹⁰⁸

19.1 *The Thameslink KO1 Marketing Plan is comprised as Appendix 4 to the Record of Assumptions, entitled "Marketing Campaign", and is subject to amendment and development as set out in this paragraph 19. In each period as set out in the table below, the Franchisee shall spend not less than the amount set out*

¹⁰⁶ Date of new text 02/12/2011

¹⁰⁷ **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.**

¹⁰⁸ Date of new text 02/12/2011

in that table on marketing activities as identified in the Thameslink KO1 Marketing Plan as so amended, provided that:

- (a) where and to the extent agreed in the relevant Marketing Plan, the Franchisee may carry expenditure from a later period to an earlier period, in which case the expenditure required for the later period shall be reduced by a corresponding amount; and*
- (b) if the Franchise Agreement terminates part way through a Franchisee Year, the commitment will be regarded as fulfilled where the expenditure to the date of termination is consistent with fulfillment of the Thameslink KO1 Marketing Plan over the entire Franchisee Year as if there had been no such termination (and to the extent that such expenditure is less than is so consistent, the amount of the shortfall shall be regarded as an underspend and be recoverable by the Secretary of State);*
- (c) where there is an up to seven Reporting Period Extension which is less than the full seven Reporting Periods, it is acknowledged that the Franchisee may incur expenditure weighted towards the start of the extension and accordingly the Franchisee shall report to the Secretary of State the level of spend on the marketing activities over the period of the extension to the end of the Franchise Period and, where the Franchisee has incurred marketing expenditure over the period of the extension greater than a time based pro rated share of the amount committed to be spent on the basis of a full seven Reporting Period extension, the Secretary of State shall make a payment to the Franchisee equal to the amount of that excess, up to a maximum amount corresponding to the level of spend which would have been required of the Franchisee over a full seven Reporting Periods extension;*

(d)¹⁰⁹ *the amounts in the table are in 2011/2012 values and subject to indexation in the same way as Variable Costs are indexed in Schedule 8.2 (Annual Franchise Payments) of the Terms.*

	<i>1 April 2011 - 31 March 2012 £k</i>	<i>1 April 2012 - 31 March 2013 £k</i>	<i>1 April 2013 – 15 September 2013 £k</i>	<i>Up to seven Reporting Period extension £k</i>

19.2 *As part of each Updated Business Plan submitted after the Thameslink KO1 Deed of Amendment under paragraph 2.3 of Schedule 13 (Information and Industry Initiatives) of the Terms the Franchisee shall deliver to the Secretary of State an updated version of the Thameslink KO1 Marketing Plan in respect of the remainder of the Franchise Term:*

- (a) *in substantially the same form as the immediately preceding Thameslink KO1 Marketing Plan delivered to the Secretary of State in accordance with the Franchise Agreement, save that it may be incorporated into the wider FCC Marketing Plan;*
- (b) *revised to:*
 - (i) *describe the Franchisee's planned expenditure and activities to advertise, market and promote the additional passenger capacity being introduced by virtue of the Thameslink KO1 Deed of Amendment for each calendar*

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.**

year (or part calendar year) during the remainder of the Franchise Term (such description being in detail for the next calendar year and in outline for subsequent calendar years); and

(ii) include details of the Franchisee's planned arrangements to measure the effectiveness of such expenditure and activities; and

(c) containing a statement of the differences between such updated Thameslink KO1 Marketing Plan and the immediately preceding Thameslink KO1 Marketing Plan delivered to the Secretary of State in accordance with the Franchise Agreement, together with an explanation of such differences.

The Franchisee may also apply to the Secretary of State to make interim revisions to the Thameslink KO1 Marketing Plan in the course of any Franchisee Year.

19.3 *The updated Thameslink KO1 Marketing Plan:*

(a) may be revised to reflect changing circumstances and opportunities for more efficient delivery;

(b) may include planned expenditure in other areas provided that the Franchisee demonstrates to the Secretary of State's satisfaction that such expenditure is incremental to and not in substitution for the Franchisee's expenditure on other marketing activities committed under the Franchise Agreement; and

(c) shall not include planned expenditure which is part of the Franchisee's expenditure on other marketing activities committed under the Franchise Agreement and if requested by the Secretary of State the Franchisee shall demonstrate to the Secretary of State's satisfaction that this is not the case.

19.4 *The Thameslink KO1 Marketing Plan shall if required by the Secretary of State be reviewed by the Franchisee and the Secretary of State at a meeting called by the Secretary of State for this purpose at which the Franchisee shall:*

- (a) *produce evidence to the Secretary of State's satisfaction that it has incurred the expenditure and carried out the activities shown in the Thameslink KO1 Marketing Plan for the period under review;*
- (b) *report on the effectiveness of such expenditure and activities; and*
- (c) *express its view as to how the effectiveness of the expenditure and activities could be further improved by explaining the successes and failures of the Thameslink KO1 Marketing Plan and how the Franchisee plans to address and rectify such successes and failures going forward consistent with the required levels of expenditure committed under this paragraph 19.*

19.5 *The Franchisee shall maintain a true and accurate record of its expenditure in connection with this paragraph 19 and within 3 months after the end of each Franchisee Year report to the Secretary of State the level of expenditure incurred as at the end of that Franchisee Year under this paragraph 19, together with reasonably supporting information. If there is a shortfall between the amount expended and the amount required to be spent, then at the absolute discretion of the Secretary of State, the Franchisee and the Secretary of State shall either agree that the shortfall be spent on other marketing activities or to a different timescale (in which case this paragraph 19 shall be treated as amended accordingly) or the Secretary of State shall require the Franchisee to pay to him the amount of the shortfall. Where either such an amendment or payment of the shortfall is made, the shortfall in expenditure shall not be treated as a contravention of the Franchise Agreement.*

20 *Extension of Oystercard PAYG Arrangements*¹¹⁰

20.1 *References in this paragraph 20 to "Proposed PAYG Extension" are to proposed arrangements for the extension of Oyster Pay as You Go to include Bayford, Brookmans Park, Cuffley, Hatfield, Hatfield North, Potters Bar, Radlett, St Albans, Welham Green and Welwyn Garden City Stations (the "Proposed New PAYG Stations"), so that passengers travelling between those Stations or between*

¹¹⁰ Date of new text 02/12/2011

those Stations and the PAYG Zones may do so using Oyster Pay as You Go ticketing media.

20.2 *The Franchisee shall negotiate in good faith with the Secretary of State with the intention of reaching agreement as soon as reasonably practicable to implement the Proposed PAYG Extension, but with agreement being reached by no later than 15 December 2011 (or such later date as the Secretary of State and the Franchisee may agree) for implementation at the May 2012 fares change date. Where such agreement is reached it is anticipated that the Franchisee shall:*

(a) use reasonable endeavours to obtain the required planning and other approvals (including where required approvals or consents from utilities in relation to adequacy of power supplies); and

(b) use reasonable endeavours to obtain such consents and agreements as are reasonably required in connection with the agreements, schemes and arrangements related to Oyster PAYG to permit the Proposed PAYG Extension.

20.3 *The Secretary of State and the Franchisee anticipate that any agreement involving the implementation of the Proposed PAYG extension is likely to involve equipment being installed at the New PAYG Stations, such as:*

(a) Oyster/EMV/ITSO readers to be fitted to existing gatelines;

(b) Oyster/EMV/ITSO validators to be fitted where there are no gatelines;

(c) Pearl devices to be fitted to ticket vending machines;

(d) replacement of readers at gatelines with Oyster/EMV/ITSO readers; and

(e) FASTis machines for ticket offices.

20.4 *It is acknowledged that the Franchisee may incur expenditure of up to £¹¹¹ (excluding VAT and not subject to indexation) in connection with orders with Transport for*

¹¹¹ **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.**

London in anticipation of the Proposed PAYG Extension prior to agreement being reached under paragraph 20.2.

20.5 If the parties fail to reach agreement in accordance with the timescales set out in paragraph 20.2, the parties shall be under no ongoing obligation to reach agreement on, or to implement, the Proposed PAYG Extension and the Franchisee shall make the necessary adjustment to Franchise Payments so as to take out of account the costs of the Proposed PAYG Extension contemplated in the Financial Model and to repay to the Secretary of State any amounts received from the Secretary of State in respect of those costs. The amount of the Proposed PAYG Extension costs in respect of which adjustment will be required to be made where this paragraph 20.4 applies are as follows, in 2006/07 values and subject to indexation in accordance with Schedule 8.2 of the Terms:¹¹²

<i>2011/12</i>	<i>2012/13</i>	<i>2013/14</i>

20.6 This paragraph 20:

(a) is without prejudice to the Franchisee's rights under the Franchise Agreement in relation to the structure of fares;

(b) shall not oblige the Franchisee to alter the structure of its fares without agreement;

(c) without prejudice to the other rights and obligations of the parties, neither obliges the Secretary of State to indemnify the Franchisee in relation to any agreement which pursuant to this paragraph it may negotiate nor obliges the Franchisee to enter into any such agreement on terms which would adversely affect its financial position.

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.**

Part 2 to Appendix 11¹¹³

Miscellaneous Provisions

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 4 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, the Franchisee shall maintain facilities established in accordance with its Committed Obligations throughout the remainder of the Franchise Term.

2.2 The Franchisee shall be treated as maintaining Committed Obligations notwithstanding temporary non-availability due to accidental damage or vandalism or maintenance, repair or replacement activities, or temporary staff absence, subject in each case to the Franchisee taking all reasonable steps to keep any such period of temporary non-availability to a minimum.

2.3 Where Part 1 (*List of Committed Obligations*) to this Appendix 11 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;
- (b) the Franchisee's rights in relation to the numbers or deployment of its other staff remain unaffected; and
- (c) the Secretary of State shall not unreasonably withhold its 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 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.

¹¹³ Insert change text wef 15/03/10

3. EXPENDITURE COMMITMENTS

Annual Expenditure

3.1 Where Part 1 (*List of Committed Obligations*) to this Appendix 11 provides for the expenditure of an annual amount (or an amount over some other period) by the Franchisee, that amount:

- (a) is assessed net of Value Added Tax that is recoverable by the Franchisee; and
- (b) is the amount required to be expended by the Franchisee itself or procured by the Franchisee to be expended.

Expenditure Commitments in real amounts

3.2 All expenditure commitments set out in Part 1 to this Appendix 11, to the extent they have not already been incurred by the Franchisee, shall be indexed by the Retail Prices Index (in the same way as variable costs are indexed in Schedule 8.2 (*Annual Franchise Payments*) to the Terms).

Expenditure by Network Rail

3.3 All amounts which the Franchisee has committed (whether unconditionally or otherwise) pursuant to Part 1 to this Appendix 11 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*) to this Appendix 11, it shall participate actively in the relevant measures including through the application of management time and internal resources, correspondence and attendance at meetings, in each case as the Franchisee reasonably considers in all the circumstances to be an appropriate use of its resources and effective to help achieve the relevant objective.

5. NATURE OF COMMITMENT

5.1 Any commitment in terms of Part 1 (*List of Committed Obligations*) to this Appendix 11 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 to this Appendix 11, 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 this Appendix 11 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*) to this Appendix 11 but not yet paid.

6. REVIEW OF COMPLIANCE

6.1 Progress with Committed Obligations is an agenda item for Franchise Performance Meetings and the Franchisee shall ensure that at such meetings, the Secretary of State is given such progress reports as he may reasonably request.

6.2 In addition to its obligation under paragraph 6.1, the Franchisee shall from time to time promptly provide such evidence of its compliance with its Committed Obligations as the Secretary of State may reasonably request.

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.

Aggregate Committed Obligation Payment Adjustment

2.6 Whether or not the Franchisee has fulfilled any Committed Obligation specified in paragraphs 2.1 to 2.12 (inclusive) or paragraph 8.6 of Part 1 of this Appendix 11 (each a **Relevant Station Committed Obligation**), if the Franchisee has not spent or procured the spend (as appropriate) of the amount specified in column 2 of the table in paragraph 2.13 of that Part by three months after the end of the Franchisee Year to which that spend relates, in addition to that being a contravention of this Agreement, a Committed Obligation Payment Adjustment shall be payable in accordance with paragraph 2.7.

2.7 If the circumstances described in paragraph 2.6 have occurred, the Committed Obligation Payment Adjustment that is payable shall be calculated as follows:

$$\text{COPA} = (\text{TS} - \text{AS}) \times 0.0709 - \text{SCOPA}$$

where:

COPA means the Committed Obligation Payment Adjustment;

TS means the total spend to be made by the end of the relevant Franchisee Year specified in column 2 of the table in paragraph 2.13 of Part 1 of this Appendix 11;

AS means the actual spend the Franchisee has made or procured the making of by three months after the end of that year in respect of the Relevant Station Committed Obligations; and

SCOPA means the total Committed Obligation Payment Adjustments that have been made in respect of any Relevant Station Committed Obligations in that year.

2.8 Where any calculation pursuant to paragraph 2.7 produces a Committed Obligation Payment Adjustment that is a negative amount, that Committed Obligation Payment Adjustment shall be deemed to be zero.

2.9 The Committed Obligation Payment Adjustment shall be payable in accordance with Schedule 8.1 (*Franchise Payments*) of the Terms.¹¹⁴

¹¹⁴ 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. 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.

APPENDIX 12

2012 Olympic Games (*Clause 7.1*)

1. ACKNOWLEDGEMENT

The parties acknowledge that:

- (a) a successful bid was submitted by the UK Government to the Olympic Committee for London to host the Olympic Games in 2012 (the *Games*); and
- (b) as a key provider of public transport services into and out of London and the surrounding area, the Franchisee will have an important role to play during the Franchise Term in helping to make the staging of the Games successful.

2. FRANCHISEE CO-OPERATION

The Franchisee shall, at its own cost, co-operate and consult as reasonably required with the London 2012 Bid Team, 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:

- (a) the provision of additional and/or specific railway passenger services;
- (b) the carrying out of necessary works to the network;
- (c) the provision of additional and/or specific security arrangements at stations at which the Passenger Services call and on the Passenger Services;
- (d) the provision of specific integrated ticketing in relation to the Passenger Services; and
- (e) advertising and marketing of the Games in relation to the Franchise Services.

3. ENTRY INTO THE OLYMPIC SERVICES DELIVERY PLAN

3.1 During the Franchise Term the Secretary of State shall give the Franchisee reasonable notice of:

- (a) his intention to enter into a plan for the implementation of:
 - (i) any or all of the matters referred to in paragraph 2; and
 - (ii) any other matter relevant to the award, planning or staging of the Games, (the *Olympic Services Delivery Plan*); and
- (b) the terms of the Olympic Services Delivery Plan he wishes to enter into.

3.2 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.

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

3.4 At a date to be notified to the Franchisee by the Secretary of State, 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 (g) of the definition of ***Change***, the cost and revenue effects of the Franchisee's implementation of the Olympic Services Delivery Plan shall be a Change.

5. IMPLEMENTATION OF THE OLYMPIC SERVICES DELIVERY PLAN

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

APPENDIX 13

Thameslink/GN Specific Provisions (*Clause 7.2*)

1. MIGRATION

1.1 The Franchisee shall integrate the operations conducted under the two Previous Franchise Agreements which are transferred to it under the Commencement Transfer Schemes to create a single operating entity by the first anniversary of the Start Date.

1.2 Subject to paragraph 1.3, the Franchisee shall bear all costs related to achieving such integration.

1.3 The Secretary of State shall bear all costs associated with the creation of the Commuter Fares Basket and the creation of the Protected Fares Basket.

2. DEPOTS¹¹⁵

3. ELECTRONIC ADVERTISING MEDIA

3.1 The Franchisee shall not install or procure the installation of electronic advertising media (including video or audio broadcast systems) on any rolling stock vehicle within the Train Fleet without the prior written consent of the Secretary of State (such consent not to be unreasonably withheld).

3.2 In seeking the Secretary of State's consent to the installation of such media, the Franchisee shall provide to the Secretary of State:

- (a) the results of representative surveys carried out on no less than two separate occasions that demonstrate that the users the Passenger Services are in favour of the installation and proposed content of such media; and
- (b) a detailed report of its proposals, explaining, amongst other things:
 - (i) the impact on the passenger environment of the relevant rolling stock vehicles within the Train Fleet; and
 - (ii) the forecast net financial benefit to the Franchisee of installing such media.

4. ROLLING STOCK COSTS

4.1 The Franchisee shall co-operate with the reasonable requirements of the Secretary of State in implementing any proposals he may have (including any proposals in respect of Class 319 units that are sub-leased by Southern to the Franchisee) to:

- (a) reduce costs relating to leasing and/or maintenance arrangements in respect of relevant rolling stock vehicles under any Rolling Stock Related Contract without any

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.**

corresponding reduction in the specification or quantum of or associated services that are available for those rolling stock vehicles; and

- (b) enable the Secretary of State to realise any consequent savings that arise.

In assessing the Secretary of State's proposals, due regard will be had to the Franchisee's rolling stock proposals reflected in the Financial Model

4.2 Without limiting paragraph 4.1, the Franchisee shall, to the extent requested by the Secretary of State from time to time, amongst other things:

- (a) attend meetings with the Secretary of State and any or all of the rolling stock leasing companies to discuss those proposals;
- (b) provide the Franchisee's opinion on those proposals;
- (c) review and comment on implementation timetables and programmes for any reductions in costs relating to the operation of rolling stock vehicles;
- (d) agree, and where required use all reasonable endeavours to achieve, any amendments to any Rolling Stock Related Contract which the Secretary of State considers to be necessary or desirable, and in such form as he may specify, in order to facilitate the implementation of those proposals and use all reasonable endeavours to maximise the reductions referred to in paragraph 4.1(a);
- (e) where and to the extent that the Secretary of State considers it requisite for the purpose of implementing or facilitating the implementation of those proposals, to exercise any or all of the Franchisee's rights under any Rolling Stock Related Contract or any related rights which the Franchisee may have, in each case as the Secretary of State may specify. The Franchisee's obligations under this paragraph 4.2 include, where the Secretary of State so requires, the pursuit of any disputed issue by litigation or other form of dispute resolution provided for by the relevant Rolling Stock Related Contract. The Franchisee shall comply with the requirements of the Secretary of State in respect of the prosecution and resolution or determination of any such disputed issue. The Secretary of State shall reimburse any reasonable out-of-pocket expenses that the Franchisee may incur in complying with its obligations under this paragraph 4.2(e) (including legal expenses and the costs of any additional resources properly and reasonably required to conduct such dispute) subject (if and to the extent required by the Secretary of State from time to time) to prior notice of the nature and likely extent of the expense being given by the Franchisee to the Secretary of State and shall reimburse any liability which the Franchisee may be ordered to pay in connection with such dispute in connection with the costs of any third party, subject (if and to the extent required by the Secretary of State from time to time) to prior notice being given by the Franchisee to the Secretary of State that the action being taken may give rise to such liability; and
- (f) make available to the Secretary of State on an open book basis as and when reasonably requested, full information and explanation as to the extent of the costs that may be saved by the implementation of any such proposals.

4.3 The parties hereby agree that to the extent costs relating to rolling stock vehicle leasing and/or maintenance arrangements payable by the Franchisee under any Rolling Stock Related Contract are reduced as a consequence of:

- (a) the implementation of any or all of the Secretary of State's proposals referred to in paragraph 4.1 including:
 - (i) the entering into of any agreement between the counterparty to any Rolling Stock Related Contract and the Secretary of State or any other government instrumentality under which it has been agreed to alter amounts payable under the relevant contract;
 - (ii) any revision (with the agreement of the ORR, where applicable) of any existing code of practice which the counterparty has in place, or the creation of a new code of practice, where the effect of the revision or new code is to change, directly or indirectly, the basis upon which rentals or other payments are fixed, determined, set or agreed under rolling stock leases or other Rolling Stock Related Contracts whether entered into before or after the coming into effect of the revised or new code of practice; and/or
 - (iii) the giving by the counterparty of any undertaking to any competition authority whether voluntarily or as required by law in respect of its participation in the rolling stock leasing and/or maintenance market in Great Britain; and/or
 - (b) the determination, finding, decision or requirements of any competition authority,
- then, in either case, a Change shall occur and that Change shall be a Qualifying Change.

4.4 For the purposes of paragraph 4.3:

- (a) the reference to a Rolling Stock Related Contract includes any such contract which is in place at the Start Date and also any further replacement or additional such contract to which the Franchisee is a party at any time during the Franchise Term;
- (b) the additional assumptions which the parties shall agree or the Secretary of State shall reasonably determine pursuant to paragraph 5.2 of Schedule 9.3 (*Runs of the Financial Model*) shall include those necessary in order to ascertain the extent of the reduction in costs payable under any Rolling Stock Related Contract:
 - (i) to which the Franchisee is not a party as at the date of this Franchise Agreement; and
 - (ii) in respect of which no relevant assumption has been included in the Record of Assumptions;
- (c) the reference to costs payable by the Franchisee under any Rolling Stock Related Contract shall be deemed to include any introduction of or increase in amounts paid by any party to the Franchisee the effect of which, taken together with the costs payable by the Franchisee under the relevant contract, is to produce a net reduction in costs incurred by the Franchisee in relation to that Rolling Stock Related Contract; and
- (d) for the avoidance of doubt due regard will be had to the Franchisee's rolling stock proposals included in its Financial Model (which provide the reference point from which savings will be assessed) and to any other effects of the proposals on the other costs and risks of the Franchisee in connection with the leasing, operation and maintenance of the relevant rolling stock vehicles..

5. THAMESLINK PROGRAMME AND OTHER INFRASTRUCTURE PROJECTS

Project Director and other staff

5.1 The Franchisee shall employ a ‘Project Director’ and two assistants at its cost to facilitate the carrying out of its obligations in respect of the Thameslink Programme, and, subject to facilitating the carrying out of those obligations, to also facilitate the carrying out of the Franchisee’s obligations in respect of:

- (a) other infrastructure projects that will have an impact on the Franchise (including any solution in respect of providing additional passenger carrying capacity between London King’s Cross and Cambridge and Peterborough identified pursuant to paragraph 8);
- (b) integration of the operations referred to in paragraph 1 and business integration generally; and
- (c) EFQM.

Thameslink Programme

5.2 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.

5.3 In fulfilling its obligation to co-operate pursuant to paragraph 5.2, the Franchisee shall, amongst other things:

- (a) make the employees specified in paragraph 5.1 and (where appropriate) other suitably-qualified personnel available from time to time to attend:
 - (i) meetings of the project team; or
 - (ii) such other meetings with Network Rail, the Secretary of State and/or any other third party relevant to the Thameslink Programme as those parties reasonably require;
- (b) procure that those employees are proactive in:
 - (i) seeking to identify solutions that minimise overall rail industry costs; and
 - (ii) communicating those solutions and the Franchisee’s opinion on any other relevant matter regarding the Thameslink Programme, including its opinion in respect of the Thameslink Programme’s implementation timetable and

schedule of works or any implementation timetable or schedule of works in respect of a particular element of that project;

- (c) use all reasonable endeavours to agree in advance of any phase of the construction works comprising part of the Thameslink Programme:
 - (i) the costs associated with any such phase, where possible, on a fixed cost basis; and
 - (ii) suitable compensation arrangements with Network Rail or any relevant third party;
- (d) provide to the Secretary of State as and when reasonably requested by him within such reasonable period as he may specify:
 - (i) passenger loading data, financial information on an open book basis and such other information as he requires in order to facilitate the planning of the Thameslink Programme and/or determine compensation requirements in respect thereof; and
 - (ii) its assessment of the Thameslink Programme's impact on the Franchise;
- (e) record the costs it incurs and the revenues it receives as a consequence of the implementation of the Thameslink Programme on an open book basis; and
- (f) not seek to subsequently challenge the agreed compensation arrangements on the basis that the compensation paid thereunder was inadequate given the actual level of disruption experienced or cost incurred, other than where appropriate under any agreed arrangements in respect of:
 - (i) bespoke adjustments to the Revenue Support/Revenue Share regimes; or
 - (ii) the pass through of actual costs incurred on an open book basis.

5.4 The Franchisee shall on reasonable notice grant access to any Stations to the persons identified in this paragraph 5 as is reasonably necessary in order to further the development of the Thameslink Programme.

Other Infrastructure Projects

5.5 The Franchisee shall co-operate with the Secretary of State and/or any other relevant third party in the development of any infrastructure project that will have an impact on the Franchise on a consistent basis with the manner and extent of co-operation required pursuant to this paragraph 5 in respect of the Thameslink Programme.

6. INTRODUCTION OF SLC2-COMPLIANT TIMETABLE IN JUNE 2007

Without limiting paragraph 10 of Schedule 1.1 (*Service Development*) of the Terms, where the Secretary of State issues SLC2 to the Franchisee for the purposes of securing a Timetable that is SLC2 compliant and to be operated on and from the Passenger Change Date occurring in June 2007, then the Franchisee shall use all reasonable endeavours to amend and/or enter into such Access Agreements as may be necessary to obtain the timetable development rights that, it requires to secure that Timetable.

7. AVAILABILITY OF THE SOUTHERN CLASS 319S FOR THE OPERATION OF SLC2

Leasing arrangements of the Southern Class 319s

7.1 *[NOT-USED]*

7.2 *[NOT-USED]¹¹⁶*

Condition of Southern Class 319s

7.3 Regardless of whether those units are leased to the Franchisee by Porterbrook or sub-leased to the Franchisee by Southern, in each case prior to December 2009, a Change shall occur where:

- (a) those units are not in the condition they should have been in at the point they are made available had Southern complied with the terms of its leasing obligations to Porterbrook; and
- (b) the terms of the leasing arrangement with Porterbrook or Southern (as the case may be) either do not:
 - (ii) compensate the Franchisee for the additional costs associated with reinstating those units itself to the condition they should have been in had Southern so complied; or
 - (iii) reflect the condition of those units at the point they are leased to the Franchisee.

8. EXTRA CAPACITY TO CAMBRIDGE AND PETERBOROUGH

Steering Group

8.1 The parties shall establish a steering group with Network Rail for the purposes of:

- (a) informing the recommendation of the feasibility study referred to in paragraph 8.3; and
- (b) considering the recommendation of that study.

8.2 In order to facilitate the purposes specified in paragraph 8.1 and following the completion of the feasibility study referred to in paragraph 8.3, the Franchisee shall prepare and submit a report to the steering group for its consideration that has regard to recommendation of that study.

Feasibility Study

8.3 The Franchisee shall procure the delivery of a competitively-tendered feasibility study to the Secretary of the State by no later than the end of December 2006 that recommends the optimum solution for increasing passenger carrying capacity between London King's Cross and Cambridge and Peterborough, having regard to the items listed in paragraph 8.4.

¹¹⁶ DATE OF CHANGE 14/7/2008

8.4 That feasibility study shall:

- (a) give due consideration to the following possible solutions, amongst others:
 - (i) strengthening of Passenger Services calling at stations on Great Northern Routes, including Cambridge and/or Peterborough through the introduction of additional rolling stock vehicle capacity for those services;
 - (ii) modifying rolling stock vehicles comprising the Train Fleet and other relevant rolling stock vehicles;
 - (iii) increasing the number of Passenger Services; and
 - (iv) altering stopping patterns operated as at the Start Date; and
- (b) take account of the following issues:
 - (i) any power supply upgrade requirements associated with any of the possible solutions referred to in paragraph 8.2(a) or any other solutions;
 - (ii) the need to co-operate closely with Network Rail to agree, amongst other things and where appropriate, costings and a scope of work consistent with 'Level 4' of Network Rail's 'Guidance on Railway Investment Protocols', Train Slots, access to stations and infrastructure works and consents;
 - (iii) any infrastructure works that may be required, including platform extensions, signalling works and track-related work;
 - (iv) the availability of rolling stock vehicles;
 - (v) the need for any necessary Route clearance;
 - (vi) any likely disruption to the Passenger Services that may arise and/or Restriction of Uses which may be required;
 - (vii) any associated compensation payments;
 - (viii) the impact of the Route Utilisation Strategy for the East Coast Main Line;
 - (ix) the Thameslink Programme;
 - (x) the need for deliverability of the proposed solution, as sponsored by the Franchisee, without impacting on the progress of any application under the Transport and Works Act 1992 in respect of the Thameslink Programme;
 - (xi) the output of any performance and revenue modelling;
 - (xii) any regulatory or safety requirements;
 - (xiii) an appropriate funding structure for any capital-related expenditure, including appropriate asset life and an appropriate approach to residual value;
 - (xiv) the impact of the proposed solution on the costs, revenues and performance of other Train Operators; and
 - (xv) the appropriate Rules of the Plan.

- 8.5(a) The parties shall contribute in equal proportions up to £125,000 each to the cost of procuring that feasibility study.
- (b) Any costs associated with procuring that feasibility study that are in excess of those contributions shall be for the account of the Franchisee.
- (c) Where any solution satisfying the criteria specified in paragraph 8.7(a) is to be implemented in accordance with this paragraph 8, the contribution specified in paragraph 8.5(a) shall be added to its initial operating cost that will be determined pursuant to paragraph 8.10.

8.6 The Franchisee shall procure that that feasibility study is addressed to the Secretary of State and that it is made available to him at the same time as it is made available to the Franchisee.

Capital Expenditure

8.7 Where:

- (a) that feasibility study identifies a solution for increasing passenger carrying capacity on the Passenger Services between London King's Cross and Cambridge and Peterborough that is feasible and value for money; and
- (b) the Franchisee has obtained the necessary approvals for that solution from the Secretary of State and Network Rail,

then the Franchisee shall make the investments specified in paragraph 8.8, subject to:

- (i) agreeing an approach to the residual value to be attributed to the investment at the end of the Franchise Term that assumes an asset life that is appropriate to the life of the relevant asset, which may exceed the Franchise Term; and
- (ii) payment of such residual value being agreed to be made to the Franchisee at the end of the Franchise Term.

8.8 ¹¹⁷The investments contemplated by paragraph 8.7 are, where:

- (a) the total investment to deliver the solution satisfying the criteria specified in paragraph 8.7(a) (including investment in infrastructure works or other investment or any compensation payable) (the **Total Investment**) is less than or equal to £¹¹⁸ then the Franchisee shall commit to fund the Total Investment;

¹¹⁷ 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.

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.

- (b) the Total Investment is more than £¹¹⁹, subject to committed funding being available for the Total Investment on terms reasonably acceptable to the Franchisee, the Franchisee shall commit to fund:

- (i) the £¹²⁰;
- (ii) 25 per cent. of any amount above £¹²¹ up to a maximum Total Investment of £¹²²

so that the aggregate amount committed by the Franchisee in these circumstances is £¹²³, the remaining £¹²⁴ of the Total Investment being committed by the Secretary of State and/or third parties.

8.9 In making that investment, the Franchisee shall procure that any associated works are competitively tendered.

Costs and Revenues associated with solution for additional passenger carrying capacity

8.10 Where any solution to be implemented satisfies both the criteria specified in paragraph 8.7(a) and requires the operation of additional railway passenger services, the provision of additional capacity or the alteration to any Passenger Services:

- (a) a Change shall occur; and
- (b) the Threshold Amounts shall be zero for the purposes of determining the cost and revenue effects of that Change.

8.11 Any Revised Inputs relating to that Change to be agreed or reasonably determined pursuant to Schedule 9.3 (*Runs of the Financial Model*) in respect of the following unit costs:

- (a) Franchise Employee salary rates;

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¹²⁰ 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.

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 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.

¹²³ 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.

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.

- (b) diesel fuel costs;
- (c) cleaning costs per unit of rolling stock vehicles; and
- (d) variable access and EC4T charges (subject to ORR review),

shall in each case be determined by reference to the relevant assumptions contained in the Record of Assumptions.

Project Management

8.12 The Franchisee shall provide reasonable project management resources for the purposes of delivering any solution that is to be implemented that satisfies the criteria specified in paragraph 8.7(a) and for attending the steering group referred to in paragraph 8.1. Such resource may include the persons specified in paragraph 5.1, subject to its terms.

9. PROFIT SHARE¹²⁵

- 10.¹²⁶ *The assets of the Franchisee listed in the left hand column of the table below shall, if designated as Primary Franchise Assets and included in a Transfer Scheme, be valued on the basis set out in the corresponding right hand column so that the value of the asset shall be its then depreciated value at that date of the Transfer Scheme and the Supplemental Agreement shall be amended accordingly:*

<i>Asset</i>	<i>Asset value and basis of depreciation</i>
<i>New ticket machines</i>	<i>£¹²⁷ (at 2006/2007 prices) depreciated on a straight line basis over ten years.</i>
<i>New CIS</i>	<i>£¹²⁸ (AT 2006/2007 prices) depreciated on a straight line basis over ten years.</i>

11. *Without prejudice to its obligation under paragraph 10.2 of Schedule 1.1 of the Terms to secure a Timetable that enables it to operate railway passenger services that comply with the Service Level Commitment (unless otherwise directed by the Secretary of State) the Franchisee shall use all reasonable endeavours to ensure that the Timetable is as similar as*

¹²⁵ 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.

¹²⁶ Date of change 14/7/2008

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 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.

reasonably practicable to the Reference Timetable with effect from the Thameslink SLC Start Date.

12. Trading Arrangements

12.1 *a) Subject to paragraph 12.6 the Franchisee shall on or before the Planned Thameslink KOO Start Date and subject to the agreement respectively of the LSER Franchise and the Southern Franchisee agree and enter into the following sub leases:*

- (i) with the LSER Franchise a sublease for the hire of Class 319 units in substantially the same form as the document in agreed terms marked 319 SL (“319 Sub Lease”)*
- (ii) a sublease with the Southern Franchisee for the hire of Electrostar Lot 10A Units in substantially the same form as the document in agreed terms marked 377 SL (“Electrostar Lot 10 A Sub Lease”); and*
- (iii) with the Southern Franchisee an agreement for the sublease of 2 Class 377 dual voltage Electrostar multiple units for training, clearance and associated purposes in substantially the same form as the document in agreed terms marked SL377TT (“the Class 377 Spot Hire Agreement”)*
- (iv) with the LSER Franchisee a sun lease for the hire of class 377 units in substantially the same form as the document in agreed terms marked 377 SH (“377 Sub Hire”)*

(b) (i) The Franchisee will when directed by the Secretary of State (and no later than the planned Thameslink KOO Start Date) enter into a sub lease with the Southern Franchisee in respect of the Electrostar Lot 10B units. If so required by the Secretary of State the Franchisee will enter into a lease (rather than a sub lease) with the Southern Franchisee in respect of the Electrostar Lot 10B units. Any such sub lease or lease will be on terms specified by the Secretary of State. If the Franchisee enters into a lease of Electrostar Lot 10 B Units pursuant to this paragraph 12.1 it will, if so directed by the Secretary of State, subsequently surrender such lease and simultaneously enter into a sub lease from the Southern Franchisee in respect of the Electrstar Lot 10B Units from a date and on terms specified by the Secretary of State.

(ii) Subject to paragraph 12.6 the Franchisee shall promptly following the Electrostar Lot 10A Sub Lease and Electrostar Lot 10B Sub Lease both being executed and unconditional in all respects and subject to the agreement of the Southern Franchisee enter into an agreement with the Southern Franchisee in relation to the interim timetable arrangements in the same form as the document in agreed terms marked TLKRSU (“Rolling Stock Utilisation Agreement.”)

12.2 *Subject to paragraph 12.6 the Franchisee shall on or before the Planned Thameslink KOO Start Date and subject to the agreement respectively of the LSER Franchisee and the Southern Franchisee agree and enter into the following trading arrangements:²*

- (a) with the LSER franchisee a train crew trading agreement pursuant to which the Franchisee will provide train crew services to the LSER Franchisee in substantially the same form as the document in agreed terms marked TLKTCFCC (“Train Crew Trading Agreement FCC”);*
- (b) with the LSER Franchisee a train crew trading agreement pursuant to which the LSER Franchisee will provide train crew services to the Franchisee in substantially the same form as the document in agreed terms marked TLKTCFCC (“Train Crew Trading Agreement FCC”);*

- (c) *with the LSER Franchisee a training agreement pursuant to which the Franchisee will provide driver training to the LSER Franchisee on the Class 319 dual voltage traction in substantially the same form as the document in agreed terms marked TLKTA (“FCC Training Agreement”);*
- (d) *with the Southern Franchisee an agreement for the provision of traction and driver training in respect of the Electrostar Lot 10A Units and the Electrostar Lot 10B Units such agreement to be in substantially the same form as the document in agreed terms marked FCCTT (“southern 377 Training Agreement”).*

12.3 *The Franchisee agrees and undertakes to:-*

- (a) *observe and comply with all the conditions and obligations on its part contained in each Thameslink Trading Agreement which is entered into;*
- (b) *agree, and take all steps which may be required to implement, any amendment to any Thameslink Trading Agreement as the Secretary of State may direct from time to time;*
- (c) *take all such steps as may be required to terminate each or any Thameslink Trading Agreement without the prior consent of the Secretary of State;*
- (d) *not vary, agree to vary, waive performance of, terminate or in any other way deal with or change the terms of any Thameslink Trading Agreement without the prior consent of the Secretary of State;*
- (e) *to enter into replacement Thameslink Trading Agreements on materially the same commercial terms with, as the case may be, a successor operator who becomes the franchisee of all part of the services provided by the Southern Franchisee or the LSER Franchisee or the successor of either of them except to the extent that the Secretary of State otherwise directs.*

12.4 *The Franchisee shall at the Secretary of State’s request from time to time provide to the Secretary of State and (if and to the extent so requested by the Secretary of State) to the LSER Franchisee (or any successor operator to the LSER Franchisee) (or any successor operator to the LSER Franchisee) such information as the Secretary of State may reasonably request in connection with the planning, timetabling, diagramming and operation of the Franchise Services which may reasonably be expected for reasons in connection with the Thameslink Trading Agreements to affect the planning, timetabling diagramming or operation of services by the LSER Franchisee)or any successor operator to the LSER Franchisee):*

12.5 *The Franchisee shall at the Secretary of State’s request from time to time liaise and cooperate with the Secretary of State and (if and to the extent so requested by the Secretary of State) with the LSER Franchisee (or any successor operator to the LSER Franchisee):*

- (a) *in connection with the planning for the Planned Thameslink KOO Start Date and the achievement of the Actual Thameslink KOO Start Date; and*
- (b) *with a view to securing the planning, diagramming and operation of a Timetable which is in accordance with the Reference Timetable throughout the period of operation of the Thameslink KOO SLC or (subject to any changes consequent upon the relevant changes to the SLC) any subsequent SLC which envisages any Train Slots being operated partly by the Franchisee and partly by the LSER Franchisee (or any successor operator to the LSER Franchisee).*

- 12.6 (a) *It is acknowledged that the entry into of the Thameslink Trading Agreements specified in paragraphs 12.1(a) (iv) is subject to the Franchisee first securing the consents of any applicable lessors and head lessors, accordingly the Franchisee shall use all reasonable endeavours to conclude such matters on terms consistent with the agreed terms of such Thameslink Trading Agreements and without the terms of the consents requiring the Franchisee to incur any further cost and liability. The Franchisee shall keep the Secretary of State regularly informed of its progress and notify the Secretary of State of any issues which may either prevent any required consent being obtained or require any amendment, variation or supplement to any of such Thameslink Trading Agreements. The Franchisee shall use all reasonable endeavours to minimise any such requirements and shall not be required to incur any costs or liability to secure a consent or agree to any amendment, variation or supplement unless directed to do so by the Secretary of State in which case such direction shall be treated as a change under paragraph 10.2 (b) of Appendix 1 (Secretary of State Risk Assumption).***
- (b) *It is acknowledged that the entry into of the Electrostar Lot 10A Sub Lease is subject to the Southern Franchisee concluding with the Bombardier the variation proposals required to support the transactions contemplated under the sub-lease, securing the Bombardier's consent to the assignment of rights to the Franchisee under that sub-lease and obtaining the consent of Porterbrook Leasing Company Limited to the sub leasing of the Electrostar Lot 10A (together the "Relevant Pre Conditions"), accordingly during the period between the date of the Deed of Variation which incorporated this paragraph into the Franchise Agreement and the date of entry into the Electrostar Lot 10A Sub Lease, the Franchise Operator shall:***
- (i) *provide such reasonable assistance as may be required by the Southern Franchisee for the purposes of securing the Relevant Pre-Conditions;***
 - (ii) *keep the Secretary of State regularly informed of its progress and notify the Secretary of State of any issues which may either prevent any required consent being obtained or require any amendment, variation or supplement to the document in agreed terms 377SL (and the Franchisee shall use all reasonable endeavours to minimise the effects of any such requirement);***
 - (iii) *immediately notify the Secretary of State of any request by the Southern Franchisee to amend, vary or supplement the terms of such agreed form document; and***
 - (iv) *not agree to any such amendment, variation or supplement unless:***
 - (A) *such amendment, variation or supplement is necessary to secure the Relevant Pre Conditions and does not impose any further obligation or liability on the Franchisee in addition to those already contained in the document in agreed terms 377SL; or***
 - (B) *directed to agree to such amendment, variation or supplement by the Secretary of State in which case such direction by the Secretary of State shall be treated as a Change under paragraph 10.2 (b) of Appendix 1 (Secretary of State Risk Assumptions)***

No Double Compensation

- 13. *The Franchisee acknowledges and agrees that it has been fully compensated through an adjustment to Franchise Payments consequent upon a Run of the Financial Model in respect of certain costs consequent on or related to Thameslink Key Output 0 and***

accordingly it agrees that it shall not make any claim for compensation from Network Rail under Schedule 4 of the Track Access Agreement, and Network Code (including Condition G2.2 of that Code) or otherwise in relation to the direct or indirect consequences of any of the following:

- (i) the cost of meeting its obligations in respect of “protected passengers” pursuant to paragraph 15.15 of Appendix 11 of the Franchise Agreement;*
- (ii) any and all impacts of the closure of the Core Thameslink Route between the hours of 22.30 and the immediately following 04.30 on each day Monday to Friday inclusive (that is including the period from 22.30 on Friday to 04.30 on Saturday) including without limitation the cost of any consequent replacement bus links and additional staff (including drivers and platform staff). Marketing, publicity and related costs and directly attributable revenue loss and any reduction in the ability of the Franchisee to increase market share to and from Gatwick and Luton Airports as identified in the Record of Assumptions “Appendix Passenger Revenue Inf” as “airport revenue (airport)” and any and all claims for compensation under Schedule 4 of the Track Access Agreement and Part G of the Network Code Provided that the Franchisee shall not be precluded from making any claim for compensation from Network Rail in respect of any such closures occurring prior to 14th December 2008;*
- (iii) in respect of any closure of the Core Thameslink Route between 22.30 and the immediately following 04.30 on each Saturday and Sunday (that is including the period from 22.30 on Sunday to 04.30 on Monday) any reduction in the ability of the Franchisee to increase market share to and from Gatwick and Luton airports as identified in the Record of Assumptions “Appendix Passenger Revenue Inf” as 2airport revenue (airport)” (but not in this case any directly attributable revenue loss) Provided that the Franchisee shall not be precluded from making any claim for compensation in respect of any such closures occurring prior to 14th December 2008*
- (iv) any and all impacts of station related construction works at Blackfriars Station to the extent that they relate to revenue loss arising out of the closure of the Blackfriars London Underground station, provision of alternative Oyster card sales facilities, loss of rental and advertising revenue and the provision of taxis to mobility impaired passengers (but excluding any disruption to Passenger Services in addition to those referred to in sub paragraphs (ii) and (iii) above Provided that the Franchisee shall not be precluded from making any claim for compensation in respect of any such impacts of station related construction works at Blackfriars Station incurred prior to 1 January 2009;*
- (v) all costs arising out of the need to reconfigure timetable books or booklets including by the provision of additional pages of information to passengers (but excluding costs arising out of any requirement to produce books or booklets more frequently than twice per calendar year);*
- (vi) the cost of any additional short term train planning personnel (including by the sub contracting of train planning functions to any third party); and*
 - i. costs arising from the Franchisee being required to obtain access to St Pancras High Level during the times referred to in sub paragraphs 17(ii) above in respect of the period beginning on 14th December 2008 and ending on 10th September 2009.*

The Franchisee shall immediately notify the Secretary of State if it receives any compensation or payment of the type referred to in paragraphs 17 (i)-(vi). If the Franchisee does, notwithstanding the provisions of this paragraph, receive compensation from Network Rail in relation to any of the matters referred to in this paragraph the Secretary of State shall have the right receive an equivalent amount from the Franchisee through an adjustment to Franchise Payments.

Notwithstanding the other terms of this paragraph, this paragraph 17 shall not apply to prevent the Franchisee making any claim or recovery in relation to :

- (a) death, personal injury, loss, damage or destruction of property arising in connection with any of the closures or works contemplated by this paragraph 17 to the extent consequent on negligence or the breach of any applicable statutory duty, law or regulation; or*
- (b) by overruns of the closures contemplated in sub paragraphs (ii) and (iii) above or any other restrictions of use of the Network to the extent more extensive than those closures*

And any recoveries made in such circumstances shall not be treated as constituting a Change or Qualifying Change.

14. Compensation from Network Rail in respect of the Thameslink Programme

- (a) The Franchisee shall take such steps as are reasonably required to compensate it for any adverse consequences on the Franchise Services of the Thameslink Programme occurring at any time during the Franchise Term by exercising its rights from time to time under the Track Access Agreement or the Network Code except in circumstances where the Franchisee is prevented from exercising such rights under the terms of the Franchise Agreement or any agreement with Network Rail approved by the Secretary of State. The Franchisee shall consult with the Secretary of State before exercising such rights and give the Secretary of State a reasonable opportunity to make representations.*
- (b) If the Secretary of State considers that the Franchisee does not propose to take or has not taken appropriate steps in relation to obtaining compensation from Network Rail to compensate it for any adverse consequences on the Franchise Services of the Thameslink Programme he may require the Franchisee to exercise its rights in such manner as he reasonably considers appropriate in the circumstances including disputing any proposed act or omission of Network Rail and subjecting any dispute to any relevant dispute resolution arrangements or procedures and appealing against any award or determination under such arrangements, including if relevant to ORR.*

15 St Pancras

Annual Franchise Payments assume that between 14th December 2008 and 10th September 2009 the Franchisee will utilise St Pancras High Level during the closure of the Core Thameslink Route between the hours of 22.30 and the immediately following 04.30 on each day Monday to Friday inclusive (that is including the period from 22.30 on Friday to 04.30 on Saturday). The Franchisee shall use all reasonable endeavours to obtain replacement access to St Pancras Low Level as soon as reasonably practicable. The Franchisee shall inform the Secretary of State of the date from which any replacement access will be effective and:

- (i) there will be an amendment to the SLC which will not be a Change when the Franchisee obtains replacement access to St Pancras Low Level such that it has no requirement for access to St Pancras High Level during the hours referred to above; and*

(ii) *there will be an adjustment to Franchise Payments so that the Secretary of State obtains a financial benefit of £¹²⁹ in respect of the first day that the Franchisee has access to St Pancras Low Level such that it has no requirement for access to St Pancras High Level such during the hours referred to above and each subsequent day (Monday to Friday inclusive) up to and including 10th September 2010 such amount to be indexed at RPI on the same basis as Annual Franchise Payments.*

If the Franchisee continues to use St Pancras High Level during the hours referred to above after 10th September 2009 but subsequently transfers to St Pancras Low Level the consequent alteration to the SLC will not be a Change.

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16. Further Obligations of the Franchisee

(a) *The Franchisee will incur certain costs in relation to the overnight closures of the Core Thameslink Route referred to in paragraphs 17 (ii) and (iii) (“the relevant closures”). It agrees for the purposes of any Change consequent upon the reintroduction of Passenger Services following the cessation of overnight closures that:*

(b) *if the Franchisee receives at least 56 days notice of the reintroduction of Passenger Services (and that reintroduction is not subsequently delayed by circumstances outside the control of the Franchisee) bus replacement costs in respect of the relevant closures will be deemed to cease immediately on the restoration of Passenger Services at a level substantially in accordance with that applying prior to 14th December 2008 and if less than 56 days notice is given such costs will be deemed to cease on a date being the number of days after such resumption of Passenger Services that is equal to the difference between 56 and the number of days notice actually given or the date that such costs actually cease to be incurred if sooner;*

(ii) *relevant incremental staff costs in respect of the relevant closures will be deemed to cease on a date three months after the resumption of Passenger Services; and*

It is acknowledged that the ongoing revenue effects of the matters referred to in paragraph 17(ii) and (iii) will be addressed as part of any such change, with the amount of those revenue effects being expected to decline over time as revenue are re-established following reintroduction of the services to reach the levels which would have applied in the absence of the programme of closures.

(b) *The Secretary of State and Network Rail have entered into an agreement (the Dft/NR Agreement) under which Network Rail will fund an element of Franchise Payments in consequence of the Franchisee agreeing not to make the claims referred to in paragraph 17. Conditions Precedent to the Dft/NR Agreement are:*

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.*

- (c) *that the Franchisee enters into an agreement with Network Rail in relation to, inter alia, the matters referred to in the Dft/NR Agreement; and*
- (d) *that ORR gives approval to a form of supplemental agreement substantially in the form agreed between Network Rail and the Franchisee or, where such approval is not required, Network Rail and the Franchisee enter into such a supplemental agreement*

And accordingly the Franchisee agrees to use all reasonable endeavours to enable such conditions precedent to be satisfied as soon as reasonably practicable and in any event no later than 90 days after the date of the Deed of Variation which introduced this paragraph into the Franchise Agreement or such later date as the Secretary of State may inform the Franchisee including by signing the agreement referred to in sub paragraph (i) and taking all steps as are reasonably required to obtain ORR approval and complete such a supplemental agreement.

17.¹³⁰ *ST PANCRAS INTERNATIONAL (LOW LEVEL) STATION*

17.1 With effect from the Passenger Services ceasing to call at Pentonville Road Station, Pentonville Road Station shall cease to be designated as a Station and the Franchisee shall be entitled to terminate or surrender any lease or other rights of access as it may have to Pentonville Road Station without requiring further consent from the Secretary of State.

17.2 Any requirement under this Agreement for the Passenger Services to call at Pentonville Road Station shall be satisfied by such services calling at St Pancras International (Low Level) Station.

17.3 (a) The amendments to the Financial Model made in respect of the Variation in connection with the Franchisee having access to St Pancras International (Low Level) Station as an access beneficiary include an estimated amount in respect of the costs payable by the Franchisee to the facility owner of that station for access to that station in connection with the Franchise Services (the “MRS Costs”) which is identified by the model entry “B10 NR Costs-Qualifying Expenditure”.

(b) The Franchisee shall:

- (i) maintain true, up to date and complete records of the MRS Costs;*
- (ii) use all reasonable endeavours to mitigate the amounts of the MRS Costs;*
- (iii) permit the Secretary of State access on reasonable notice to all those records; and*
- (iv) advise the Secretary of State on its becoming aware of differences in the aggregate amount of those MRS Costs previously notified in excess of £50,000 in any year.*

(c) In respect of each Franchisee Year, the Franchisee shall notify the

¹³⁰ Date of Change 20/03/09

Secretary of State prior to the start of that year the amount of the MRS Costs which it estimates for that Financial Year, together with supporting evidence in reasonable detail for that estimate.

- (d) *If the estimate in respect of any Franchisee Year varies by more than £50,000 from the amount shown in the Financial Model in respect of B10 NR Costs - Qualifying Expenditure, then an estimated adjustment payment shall be made in respect of each Reporting Period in that Franchisee Year calculated as follows:*

$$MRSEAP = (EMRS - FMMRS) \times (RPD / FYD)$$

where

MRSEAP *is the amount of the estimated adjustment payment in respect of MRS Costs to be made in respect of that Reporting Period and so that where the amount has a positive value the payment shall be by the Authority to the Franchisee and where the amount has a negative value the payment shall be by the Franchisee to the Authority;*

EMRS *is the estimate of MRS Costs for the Franchisee Year in which the Reporting Period falls established in accordance with paragraph 17.3(c);*

FMMRS *is the amount shown in the Financial Model in respect of B10 NR Cost Qualifying Expenditure for the Franchisee Year in which the Reporting Period falls after indexation in accordance with Schedule 8.2 of the Terms;*

RPD *is the number of days in that Reporting Period; and*

FYD *is the number of days in the Franchisee Year in which that Reporting Period Falls.*

- (e) *As soon as reasonably practicable after the end of each Franchisee Year and in any event within six Reporting Periods of the end of that year, the Franchisee shall notify to the Secretary of State the actual amount of the MRS Costs payable by the Franchisee in respect of that Franchisee Year together with supporting evidence in reasonable detail of that amount and the calculation in accordance with paragraph 17.3(f) of the wash-up payment. If the Secretary of State notifies the Franchisee that it does not agree that calculation within 30 days after its notification by the Franchisee (or such longer period as the parties may agree), the calculation of the amount of the wash-up payment shall be referred to be determined in accordance with the Dispute Resolution Rules.*

- (f) *A wash-up payment shall be made in respect of MRS Costs in each Franchisee Year calculated as follows:*

$$MRSWP = MRSAC - MRSEAP$$

where

MRSWP *is the amount of the MRS Costs wash-up payment in respect of that Franchisee Year, and so that where the amount has a positive value the payment shall be by the Authority to the Franchisee and where the amount has a negative value the payment shall be by the Franchisee to the Authority;*

MRSAC is the actual amount of MRS Costs for that Franchisee Year established in accordance with paragraph 17.3(e);

MRSEAP is the sum of:

- (i) the amount shown in the Financial Model in respect of B 10 NR Costs-Qualifying Expenditure for the Franchisee Year in which the Reporting Period falls after indexation in accordance with Schedule 8.2 of the Terms;
and
- (ii) the aggregate value of the estimated adjustment payments for that Franchisee Year calculated in accordance with paragraph 17.3(d).

(g) The wash-up payment in respect of MRS Costs for each Franchisee Year shall be made with the first Franchise Payment to be made falling 30 days or more after it is (i) notified under paragraph 17.3(e), where no notice of disagreement is given by the Secretary of State; or (ii) agreed or determined, where the Secretary of State gives notice under paragraph 17.3 (e) that it does not agree the amount; or (iii) (if the Franchise Agreement has then terminated), within 30 days after it so notified or agreed or determined.

(h) For the purposes of Schedule 8.1 of the Terms, the amount MRSP in respect of any Reporting Period shall equal (i) the amount of MRSEAP in respect of that Reporting Period calculated in accordance with paragraph 17.3(d) and (ii) (where applicable) the amount of the wash- up payment in respect of the previous Franchisee Year calculated in accordance with paragraph 17.3(f) where that wash-up payment falls due for payment in that Reporting Period.

17.4 The parties acknowledge that the Franchisee has been separately paid by the Secretary of State in respect of its costs and expenses related to the fit out of St Pancras International (Low Level) Station prior to the commencement of Passenger Services calling at that station and that accordingly those fit out costs and expenses do not form part of the calculations to be made under paragraph 17.3.

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¹³¹ 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 14

Recalibration of the Benchmarks (*Clause 8*)

1. CANCELLATIONS TARGET PERFORMANCE LEVEL FOR FIRST REPORTING PERIOD

In respect of each 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:
 - (i) a Previous Great Northern Passenger Service was cancelled in accordance with the definitions of Cancellation and Partial Cancellation during the Great Northern Performance Measurement Period; and
 - (ii) a Previous Thameslink Passenger Service was cancelled in accordance with the definitions of Cancellation and Partial Cancellation the Thameslink Performance Measurement Period,

where, in each case, a cancellation satisfying the definition of Cancellation shall count as 1 and a cancellation satisfying the definition of Partial Cancellation shall count as 0.5;

- (b) separately dividing the sum of each of those totals by 13; and
- (c) calculating a percentage in respect of each of those totals in accordance with the following:

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

where:

- A equals the relevant number determined in accordance with paragraph 1(a), as divided in accordance with paragraph 1(b); and
- B equals the total number of Previous Great Northern Passenger Services or Previous Thameslink Passenger Services (as appropriate) that were scheduled to be operated during the last Reporting Period prior to the Start Date.

2. CAPACITY TARGET PERFORMANCE LEVEL FOR FIRST REPORTING PERIOD

In respect of each Capacity 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 number of instances where:
 - (i) a Previous Great Northern Passenger Service operated in the period equivalent to the Peak was short formed in accordance with the definition of Short Formation during the Great Northern Performance Measurement Period; and

- (ii) a Previous Thameslink Passenger Service operated in the period equivalent to the Peak was short formed in accordance with the definition of Short Formation during the Thameslink Performance Measurement Period;
- (b) separately dividing the sum of each of those numbers by 13; and
- (c) calculating a percentage in respect of each of those numbers in accordance with the following:

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

where:

- A equals the relevant number determined in accordance with paragraph 2(a), as divided in accordance with paragraph 2(b);
- B equals the total number of Previous Great Northern Passenger Services or Previous Thameslink Passenger Services (as appropriate) operated in the period equivalent to the Peak that were scheduled to be formed of more than one rolling stock unit in the last Reporting Period prior to the Start Date;
- C equals the total number of Passenger Services scheduled in the first Reporting Period of the Franchise Term to be:
 - (i) operated on any Great Northern Route or on any Thameslink Route (as appropriate); and
 - (ii) formed of more than one rolling stock unit in the Train Plan; and
- D equals the total number of Passenger Services scheduled to be operated in the first Reporting Period of the Franchise Term on any Great Northern Route or on any Thameslink Route (as appropriate).

3. MINUTES DELAY TARGET PERFORMANCE LEVEL FOR FIRST REPORTING PERIOD

In respect of each 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 relevant Train Operator under its track access agreement with Network Rail in respect of:
 - (i) the Previous Great Northern Passenger Services for the Great Northern Performance Measurement Period; and
 - (ii) the Previous Thameslink Passenger Services for the Thameslink Performance Measurement Period;
- (b) separately dividing the sum of each of those numbers by 13.

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

The relevant Target Performance Level for the first Reporting Period of the Franchise Term, as determined pursuant to each of paragraphs 1 to 3 (inclusive), shall then be used to determine the relevant Target Performance Level for each Reporting Period during the remainder of the Franchise Term by calculating:

- (a) the relevant Target Performance Level for the last scheduled Reporting Period of the Franchise Term in accordance with the following formula:

$$\frac{(100 - (0.5 \times 9))}{100} \times \text{TPL}$$

where:

TPL equals the relevant Target Performance Level for the first Reporting Period of the Franchise Term as determined pursuant to paragraph 1, 2 or 3 (as appropriate); and

- (b) the relevant 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 last Reporting Period of the Franchise Term.

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

The Target Performance Levels for each Benchmark shall then be used to determine the relevant Improvement Plan Performance Level for each Reporting Period of the Franchise Term by calculating:

- (a) the relevant Improvement Plan Performance Level for each of the first Reporting Period and the last scheduled Reporting Period of the Franchise Term in accordance with the following formula:

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

where:

TPL equals the relevant Target Performance Level for the first Reporting Period or the last scheduled Reporting Period (as appropriate) as determined pursuant to this Appendix; and

- (b) the relevant Improvement Plan 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 last Reporting Period of the Franchise Term.

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

The Target Performance Levels for each Benchmark shall then be used to determine the relevant Breach Performance Level for each Reporting Period of the Franchise Term by calculating:

- (a) the relevant Breach Performance Level for each of the first Reporting Period and the last scheduled Reporting Period of the Franchise Term in accordance with the following formula:

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

where:

TPL equals the relevant Target Performance Level for the first Reporting Period or the last scheduled Reporting Period (as appropriate) as determined pursuant to this Appendix; and

- (b) the relevant Breach 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 last Reporting Period of the Franchise Term.

7. DEFAULT PERFORMANCE LEVELS FOR EACH BENCHMARK FOR ALL REPORTING PERIODS

The Target Performance Levels for each Benchmark shall then be used to determine the relevant Default Performance Level for each Reporting Period of the Franchise Term by calculating:

- (a) the relevant Default Performance Level for each of the first Reporting Period and the last scheduled Reporting Period of the Franchise Term in accordance with the following formula:

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

where:

TPL equals the relevant Target Performance Level for the first Reporting Period or the last scheduled Reporting Period (as appropriate) as determined pursuant to this Appendix; and

- (b) the relevant Default 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 last Reporting Period of the Franchise Term.

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 Benchmark percentages 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).

9. FIRST REPORTING PERIOD

9.1 In performing the calculations pursuant to paragraphs 2.2, 2.4 and 2.8 of Schedule 7.1 (*Performance Benchmarks*) of the Terms prior to the recalibration contemplated by this Appendix 14, the Secretary of State shall assume that the Franchisee's performance in respect of each Benchmark for the first Reporting Period of the Franchise Term is equal to the relevant pre-recalibrated Target Performance Level.

9.2 Following that recalibration, the Secretary of State shall recalculate the Franchisee's performance in respect of the recalibrated Benchmarks for the first Reporting Period of the Franchise Term by including the Franchisee's actual performance against those Benchmarks during that Reporting Period in substitution for the assumption made pursuant to paragraph 9.1.

9.3 The outcome of that calculation pursuant to paragraph 9.2:

- (a) may, in respect of the first Reporting Period of the Franchise Term, give rise to the Franchisee's obligations to submit an Improvement Plan or the Secretary of State's rights pursuant to Schedule 10.1 (*Remedial Plans and Remedial Agreements*) of the Terms; and
- (b) shall be utilised in further relevant calculations pursuant to paragraphs 2.2, 2.4 and 2.8 of Schedule 7.1 (*Performance Benchmarks*) of the Terms.

APPENDIX 15**List of Documents in the Agreed Terms (Clause 9)**

<i>319SL</i>	<i>Class 319 Sub Lease</i>
<i>377SL</i>	<i>Electrostar Lot 10A Sub Lease</i>
<i>377SH</i>	<i>Class 377 Sub Hire Agreement</i>
<i>DAA</i>	Depot Access Agreement
<i>DL</i>	Depot Lease
<i>FCCTT</i>	<i>Southern 377 Training Agreement</i>
<i>FM</i>	Financial Model
<i>IBP</i>	Initial Business Plan
<i>LULSL</i>	LUL station lease
<i>MSAA</i>	Multiple Station Access Agreement
<i>MSAL</i>	Major Station Area Lease
<i>OM</i>	Operational Model
<i>PC</i>	Passenger's Charter
<i>POA</i>	Power of Attorney
<i>ROA</i>	Record of Assumptions
<i>SAA</i>	Station Access Agreement
<i>SL</i>	Station Lease
<i>SLC1</i>	First Service Level Commitment
<i>SLC2</i>	Second Service Level Commitment
<i>SL377TT</i>	<i>Class 377 Spot Hire Agreement</i>
<i>SQAP</i>	Service Quality Audit Programme
<i>SQMS</i>	Service Quality Management System
<i>SQS</i>	Service Quality Standards
<i>TLKRSU</i>	<i>Rolling Stock Utilisation Agreement</i>

<i>TLKTCFCC</i>	<i>Train Crew Trading Agreement FCC</i>
<i>TLKTCLSER</i>	<i>Train Crew Trading Agreement LSER</i>
<i>TLKTA</i>	<i>FCC Training Agreement</i>
<i>TP</i>	Train Plan

*Note: The scheduled Expiry Date can occur in any of 2010, 2012, 2013, 2014 or 2015. Whilst the parties agree that the **LULSL** documents referred to above are Agreed Form documents, the parties agree that the Franchisee shall not be precluded from further discussions with LUL on the following issues:*

- (a) LUL's entitlement to close the stations or withdraw any amenities and/or services for specific projects contemplated by (a) the PPP contracts between LUL and Metronet Rail SSL Limited, Metronet Rail BCV Limited and Tubelines Limited and/or (b) PFI contracts between LUL and Citylink Telecommunications Limited, Transaction Systems Limited and EDF Energy Powerlink Limited;*
- (b) the amounts of any Common Charges, Exclusive Charges and or Long Term Charges (as each such term is defined in any LULSL) and provisions dealing with any review of these charges in the event of changes in numbers of vehicle departures;*
- (c) the East London Line Project (as such term is defined in any LULSL); and/or*
- (d) the Thameslink Programme.*

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Dated _____ December 2005

THE SECRETARY OF STATE FOR TRANSPORT

and

FIRST GNTL LIMITED

**THAMESLINK/GN
FRANCHISE AGREEMENT**

**incorporating by reference the
National Rail Franchise Terms (First Edition)**



FRESHFIELDS BRUCKHAUS DERINGER

Derogations

ⁱ ~~By virtue of a derogation, the Secretary of State has granted the Franchise Operator the following:
Owing to outside supplier problems, the completion date for the PLD fitment requirements will not be met by December 07.~~

~~Start Date 31/12/07 End Date 31/03/08~~

^{b, b} ~~By virtue of a derogation the Secretary of State has granted the Franchise Operator the following: to enable FCC to refresh the exterior presentation of all of the rolling stock vehicles within the Train Fleet. This has been extended until July 09 to allow for the units to be reliveried during the delayed C6 programme.~~

~~Start Date 31 March 2009 End Date 31 July 2009.~~

^e ~~By virtue of a derogation the Secretary of State has granted the Franchise Operator the following: A further derogation against this commitment to allow for the units to be reliveried during the delayed C6 programme~~

~~Start Date 31.3.2009 End Date 31.7.2009²~~

^d ~~By virtue of a derogation, the Secretary of State has granted the Franchise Operator the following:
Two unrefreshed units to continue to operate beyond the Franchise Commitment deadline for a period of three months.~~

~~Start Date 31/12/08 End Date 31/03/09~~

