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**Dated:** 22 December 2015

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

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**FRANCHISE AGREEMENT – TRANSPENNINE EXPRESS**

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**CONTENTS**

<b>Clause</b>		<b>Page</b>
1	INTERPRETATION.....	5
2	DEFINITIONS.....	8
3	COMMENCEMENT .....	80
4	TERM.....	81
5	GENERAL OBLIGATIONS .....	81
6	COMPLIANCE WITH LAWS .....	81
7	ENTIRE AGREEMENT.....	81
8	GOVERNING LAW.....	82
<b>Schedules</b>		
1	Passenger Service Obligations .....	84
	SCHEDULE 1.1.....	85
	Service Development.....	85
	SCHEDULE 1.2.....	97
	Operating Obligations .....	97
	SCHEDULE 1.3.....	104
	Not Used.....	104
	SCHEDULE 1.4.....	105
	Passenger Facing Obligations.....	105
	SCHEDULE 1.5.....	112
	Information about Passengers .....	112
	SCHEDULE 1.6.....	121
	Franchise Services.....	121
	SCHEDULE 1.7.....	126
	The Train Fleet.....	126
2	Assets, Leases, Third Parties, Other Franchise Operations and Schemes.....	131
	SCHEDULE 2.1.....	132
	Asset Vesting and Transfer .....	132
	SCHEDULE 2.2.....	133
	Security of Access Agreements, Rolling Stock Leases, Station and Depot Leases .....	133
	SCHEDULE 2.3.....	139
	Third Party Delivery of Passenger Services and Other Franchisees.....	139
	SCHEDULE 2.4.....	141
	Other Franchise Operations .....	141
	SCHEDULE 2.5.....	143
	Transport, Travel and Other Schemes .....	143
	APPENDIX TO SCHEDULE 2.5.....	147
	List of Transport, Travel and Other Schemes .....	147
3	Not Used.....	149
4	Persons with Disabilities and Disability Discrimination .....	150
	APPENDIX 1 TO SCHEDULE 4.....	156
	Minor Works .....	156
	APPENDIX 2 TO SCHEDULE 4.....	157
	Alternative Transport.....	157
5	Fares .....	158
	SCHEDULE 5.1.....	159
	Purpose, Structure and Construction.....	159

SCHEDULE 5.2..... 162  
 Franchisee's Obligation to Create Fares ..... 162  
 SCHEDULE 5.3..... 163  
 Allocation of Fares to the Protected Fares Basket ..... 163  
 SCHEDULE 5.4..... 164  
 Regulation of Protected Fares Basket Values ..... 164  
 SCHEDULE 5.5..... 166  
 Regulation of Individual Fares ..... 166  
 SCHEDULE 5.6..... 168  
 Exceeding the Regulated Value, Regulated Price or Regulated Child Price ..... 168  
 SCHEDULE 5.7 ..... 170  
 Changes to Fares and Fares Regulation ..... 170  
 SCHEDULE 5.8..... 174  
 Fares Regulation Information and Monitoring ..... 174  
 SCHEDULE 5.9..... 175  
 Smart Ticketing ..... 175  
 6 Committed Obligations and Franchise Specific Obligations ..... 177  
 PART 1 TO SCHEDULE 6.1 ..... 178  
 List of Committed Obligations ..... 178  
 PART 2 TO SCHEDULE 6.1 ..... 254  
 Miscellaneous Provisions ..... 254  
 SCHEDULE 6.2..... 258  
 TransPennine Express Franchise Specific Provisions ..... 258  
 7 Performance Benchmarks ..... 286  
 SCHEDULE 7.1 ..... 287  
 Performance Benchmarks ..... 287  
 APPENDIX 1 TO SCHEDULE 7.1 ..... 311  
 Cancellations Benchmarks and Annual Cancellations Benchmarks ..... 311  
 Part 1 – Cancellations Benchmark Table ..... 311  
 Part 2 – Annual Cancellations Benchmark Table ..... 314  
 Part 3 – Annual Cancellations Payment Table ..... 315  
 APPENDIX 2 TO SCHEDULE 7.1 ..... 316  
 TOC Minute Delay Benchmarks and Annual TOC Minute Delay Benchmarks ... 316  
 Part 1 – TOC Minute Delay Benchmark Table ..... 316  
 Part 2 – Annual TOC Minute Delay Benchmark Table ..... 321  
 Part 3 – Annual TOC Minute Delay Payment Table ..... 322  
 APPENDIX 3 TO SCHEDULE 7.1 ..... 323  
 Short Formation Benchmark and Annual Short Formation Benchmark Table .. 323  
 Part 1 – Short Formation Benchmark Table ..... 323  
 Part 2 – Annual Short Formation Benchmark Table ..... 326  
 Part 3 – Annual Short Formation Payment Table ..... 327  
 SCHEDULE 7.2..... 328  
 National Rail Passenger Surveys and Customer and Communities Improvement  
 Fund ..... 328  
 APPENDIX 1 TO SCHEDULE 7.2 ..... 335  
 NRPS Benchmark Table ..... 335  
 8 Payments ..... 336  
 SCHEDULE 8.1 ..... 337  
 Franchise Payments ..... 337  
 APPENDIX 1 TO SCHEDULE 8.1 ..... 345

Profit Share Thresholds ..... 345

APPENDIX 2 TO SCHEDULE 8.1 ..... 347

Components of AFA and DFR ..... 347

SCHEDULE 8.2 ..... 349

Annual Franchise Payments ..... 349

APPENDIX TO SCHEDULE 8.2 ..... 350

Figures for Calculation of Annual Franchise Payments ..... 350

SCHEDULE 8.3 ..... 351

Miscellaneous Payment Provisions ..... 351

SCHEDULE 8.4 ..... 352

Track Access Adjustments and Station Charge Adjustments ..... 352

9 Changes ..... 355

SCHEDULE 9.1 ..... 356

Financial and Other Consequences of Change ..... 356

APPENDIX 1 TO SCHEDULE 9.1 ..... 364

Summary Flow Chart ..... 364

APPENDIX 2 TO SCHEDULE 9.1 ..... 366

Agreement or Determination of Revised Inputs ..... 366

SCHEDULE 9.2 ..... 372

Identity of the Financial Model etc. .... 372

SCHEDULE 9.3 ..... 375

Secretary of State Risk Assumptions ..... 375

SCHEDULE 9.4 ..... 377

Specified Infrastructure Related Change ..... 377

SCHEDULE 9.5 ..... 384

Variations to the Franchise Agreement and Incentivising Beneficial Changes.. 384

10 Remedies, Termination and Expiry ..... 388

SCHEDULE 10.1 ..... 389

Remedial Plans and Remedial Agreements ..... 389

SCHEDULE 10.2 ..... 391

Termination and Expiry ..... 391

SCHEDULE 10.3 ..... 392

Events of Default and Termination Events ..... 392

SCHEDULE 10.4 ..... 398

Force Majeure ..... 398

SCHEDULE 10.5 ..... 403

Liability ..... 403

11 Agreement Management Provisions ..... 404

12 Financial Obligations and Covenants ..... 407

APPENDIX 1 TO SCHEDULE 12 ..... 417

Form of Performance Bond ..... 417

APPENDIX 2 TO SCHEDULE 12 ..... 422

Form of Season Ticket Bond ..... 422

13 Information and Industry Initiatives ..... 427

APPENDIX 1 TO SCHEDULE 13 ..... 451

Environmental Impact Monitoring Dataset ..... 451

APPENDIX 2 TO SCHEDULE 13 ..... 452

Key Assets ..... 452

APPENDIX 3 TO SCHEDULE 13 ..... 453

Operational Information ..... 453

APPENDIX 4 TO SCHEDULE 13 ..... 457

Estimated Turnover ..... 457

14 Preservation of Assets ..... 458

SCHEDULE 14.1 ..... 459

Maintenance of Franchise ..... 459

SCHEDULE 14.2 ..... 461

Maintenance of Operating Assets ..... 461

SCHEDULE 14.3 ..... 464

Key Contracts ..... 464

APPENDIX TO SCHEDULE 14.3 ..... 467

List of Key Contracts ..... 467

SCHEDULE 14.4 ..... 469

Designation of Franchise Assets ..... 469

APPENDIX TO SCHEDULE 14.4 ..... 478

Part 1 ..... 478

List of Primary Franchise Assets ..... 478

Part 2 ..... 479

List of the RV Assets ..... 479

SCHEDULE 14.5 ..... 481

Dealing with Franchise Assets ..... 481

15 Obligations Associated with Termination ..... 483

SCHEDULE 15.1 ..... 484

Reletting Provisions ..... 484

SCHEDULE 15.2 ..... 490

Last 12 or 13 Months of Franchise Period and other conduct of business provisions  
..... 490

SCHEDULE 15.3 ..... 495

Handover Package ..... 495

APPENDIX TO SCHEDULE 15.3 ..... 496

Form of Handover Package ..... 496

SCHEDULE 15.4 ..... 497

Provisions Applying on and after Termination ..... 497

APPENDIX 1 TO SCHEDULE 15.4 ..... 504

Form of Transfer Scheme ..... 504

APPENDIX 2 TO SCHEDULE 15.4 ..... 508

Form of Supplemental Agreement ..... 508

16 Pensions ..... 521

17 Confidentiality and Freedom of Information ..... 525

18 Additional Reporting Periods ..... 531

19 Other Provisions ..... 532

**THIS AGREEMENT** is dated

2015

**BETWEEN**

- (1) **THE SECRETARY OF STATE FOR TRANSPORT**, whose principal address is at 33 Horseferry Road, London SW1P 4DR (the "**Secretary of State**"); and
- (2) **FIRST TRANSPENNINE EXPRESS LIMITED** (Company Number 09111801), whose registered office is at 50 Eastbourne Terrace, Paddington, London W2 6LG (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 the Franchise Agreement, actively to seek, in all reasonable business ways, greatly improved performance over the Franchise Term from its employees, its Train Fleet and other assets, and from Network Rail and its other suppliers, so as to deliver to the passenger the best railway passenger service that can be obtained from the resources that are available to it.
- (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) The following provisions of this Agreement are intended to reflect and give effect to the matters referred to in Recitals (A) and (B) inclusive.

**1. INTERPRETATION**

1.1 In the Franchise Agreement, except to the extent the context otherwise requires:

- (a) words and expressions defined in Part I of the Act have the same meanings when used therein provided that, except to the extent expressly stated, "railway" shall not have the wider meaning attributed to it by Section 81(2) of the Act;
- (b) words and expressions defined in the Interpretation Act 1978 have the same meanings when used in the Franchise Agreement;
- (c) the words "include", "including" and "in particular" are to be construed without limitation;
- (d) references to any person include its successors, transferees or assignees;
- (e) the words "subsidiary", "subsidiary undertaking" and "parent undertaking" each have the same meaning in the Franchise Agreement as in Section 1162 of the Companies Act 2006;
- (f) references to documents "in the agreed terms" are references to documents initialled by or on behalf of the Secretary of State and the Franchisee. As at the date of this Agreement the documents "in the agreed terms" are as follows:

**ABD** Actual Benchmark Data;

<sup>1</sup>DELETION DELETION

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<sup>1</sup> Date of Deletion - 13/05/2016 – Agreed by the Secretary of State and Franchisee

<b>CSES</b>	Customer & Stakeholder Engagement Strategy;
<b>DL</b>	Depot Lease;
<b>ERTMSP</b>	Proposed ERTMS Implementation Plan;
<b>FF</b>	Financial Formats;
<b>FM</b>	Financial Model;
<b>IAC</b>	Innovation Account Charge;
<b>IAD</b>	Infrastructure Assumptions Document;
<b>ISDP</b>	Initial Sustainable Development Plan;
<b>IS</b>	Innovation Strategy;
<b>OM</b>	Operational Model;
<b>PC</b>	Passenger's Charter;
<b>PSM</b>	Passenger Survey Methodology;
<b>POA</b>	Power of Attorney;
<b>ROA</b>	Record of Assumptions;
<b>SCDP</b>	Social and Commercial Development Plan;
<b>SDS</b>	Sustainable Development Strategy;
<b>SL</b>	Station Lease;
<b>TCTSA(1)</b>	Train Crew Trading Services Agreement (Northern Buying);
<b>TCTSA(2)</b>	Train Crew Trading Services Agreement (TPE Buying); and
<b>TSR1, TSR2 and TSR3 (comprising of TSR 3A and TSR 3B)</b>	Train Service Requirements.

- (g) references in any of the agreements comprising the Franchise Agreement to Recitals, clauses, Schedules, Parts, paragraphs and Appendices are to Recitals, clauses, Schedules, Parts of Schedules, paragraphs of Schedules and Appendices of Schedules of that agreement, unless expressly specified to the contrary, and the Schedules and Appendices form part of the agreement in which they appear;
- (h) references in any Schedule in any of the agreements comprising the Franchise Agreement to a Part, paragraph or Appendix are references to a Part, paragraph or Appendix of that Schedule (or the relevant Part of a Schedule), unless expressly specified to the contrary;

- (i) headings and references to headings shall be disregarded in construing the Franchise Agreement;
- (j) references to any enactment include any subordinate legislation made from time to time under such enactment and are to be construed as references to that enactment as for the time being amended or modified or to any enactment for the time being replacing or amending it and references to any subordinate legislation are to be construed as references to that legislation as for the time being amended or modified or to any legislation for the time being replacing or amending it;
- (k) references to an agreement or any other document shall be construed as referring to that agreement or document as from time to time supplemented, varied, replaced, amended, assigned or novated;
- (l) references to any particular provisions of any agreement or any other document shall be construed to include any other provisions of, or incorporated in, that agreement or other document which the Secretary of State reasonably considers have an equivalent effect or are intended to fulfil the same function;
- (m) words importing the masculine gender include the feminine and vice-versa, and words in the singular include the plural and vice-versa;
- (n) wherever provision is made for the giving or issuing of any notice, endorsement, consent, approval, waiver, certificate or determination by any person, unless otherwise specified, such notice, endorsement, consent, approval, waiver, certificate or determination shall be in writing and the words "notify", "endorse", "consent", "approve", "waive", "certify" or "determine" and other cognate expressions shall be construed accordingly;
- (o) references to materials, information, data and other records shall be to materials, information, data and other records whether stored in electronic, written or other form;
- (p) references to the Franchisee bidding for Train Slots or a Timetable shall mean the final action incumbent on the Franchisee under the Network Code to confirm to Network Rail its interests in the Train Slots to which that confirmation relates, and "bid" shall be construed accordingly;
- (q) references to the period of validity of any Fare are references to its period of validity excluding any rights of any purchaser thereof to extend such period under the Passenger's Charter, any equivalent document, or the terms and conditions attaching to such Fare (including any applicable conditions of carriage) in the event of the cancellation or delay of any of the railway passenger services for which such Fare is valid;
- (r) references to stations at which any train calls include stations at which such train commences or terminates its journey;
- (s) references to "railway passenger services" are to be construed subject to Section 40 of the Railways Act 2005;
- (t) references to the provision of railway passenger services include the organisation of the relevant train movements and making the necessary arrangements with Network Rail or any other relevant Facility Owner;
- (u) references in lower case letters to terms defined in clause 2 shall be construed, where relevant, as being references to the terms defined as such in the franchise agreement or relevant agreement made under Section 30 of the Act or Section 6 of the Railways Act 2005 with any other Train Operator;



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

## 2. DEFINITIONS

- 2.1 In the Franchise Agreement, except to the extent the context otherwise requires, the following words and expressions have the following meanings:
- |                                    |   |
|------------------------------------|---|
| <b>"16 to 25 Railcard"</b>         | means a Discount Card issued under the Discount Fare Scheme referred to in paragraph (a)(ii) of the definition of Discount Fare Scheme; |
| <b>"2010 Nominal Ticket Sales"</b> | has the meaning given to it in paragraph 3 of Schedule 5.4 (Regulation of Protected Fares Basket Values);                               |
| <b>"2010 Ticket Revenue"</b>       | has the meaning given to it in paragraph 4 of Schedule 5.4 (Regulation of Protected Fares Basket Values);                               |
| <b>"Access Agreement"</b>          | has the meaning given to the term "access agreement" in Section 83(1) of the Act;   |

<b>"Account Balance"</b>	means, at any time, the amounts standing to the credit of the Innovation Account, including any interest accrued thereon;
<b>"ACoRP"</b>	means the Association of Community Rail Partnerships whose principle place of business is The Old Water Tower, Huddersfield Railway Station, St Georges Square, Huddersfield, HD1 1JF or any successor body whose purpose is to support Community Rail Partnerships;
<b>"Act"</b>	means the Railways Act 1993 and any regulations or orders made thereunder;
<b>"Actual CaSL Performance Level"</b>	means, in respect of a Franchisee Year, the moving annual average CaSL Figures most recently published by Network Rail for that Franchisee Year in relation to the Franchisee;
<b>"Actual Consist Data"</b>	means information as to the type of individual vehicles of rolling stock in the Train Fleet which are actually used to form a train on any particular Passenger Service and the manner in which they are configured, which may or may not be the same as the Scheduled Consist Data for the same service;
<b>"Actual Innovation Cost"</b>	means, in respect of any Innovation Scheme, the total actual cost to the Franchisee of developing and implementing that Innovation Scheme calculated in accordance with paragraph 19.10 of Schedule 13 (Information and Industry Initiatives);
<b>"Actual Operating Costs"</b>	means: <ul style="list-style-type: none"> <li>(a) the Franchisee's total operating expenses for the period being reviewed as stated in its profit and loss account, including any of the following operating expenses that are payable during that period: <ul style="list-style-type: none"> <li>(i) amounts payable to the Secretary of State and Network Rail;</li> <li>(ii) taxation;</li> <li>(iii) shareholder distributions including dividends;</li> <li>(iv) interest;</li> <li>(v) capital expenditure (net of grants received);</li> <li>(vi) lease payments in relation to on-balance sheet leased assets; and</li> <li>(vii) the Annual Innovation Account Contribution to be set aside for the period,</li> </ul> </li> </ul>

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

- (A) interest relating to on-balance sheet leased assets;
- (B) depreciation;
- (C) amortisation; and
- (D) bad debt provisions;
- (E) any Actual Innovation Cost (or part thereof) that the Franchisee is entitled to withdraw from the Innovation Account in accordance with paragraph 19.13 of Schedule 13 (Information and Industry Initiatives); and

(b) either:

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

where creditors:

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

	the purchase of fixed assets and the amounts contained in the Innovation Account;
<b>"Actual Passenger Demand"</b>	has the meaning given to it in paragraph 1.1 of Schedule 1.5 (Information about Passengers);
<b>"Actual PPM Performance Level"</b>	means, in respect of a Franchisee Year, the moving annual average PPM Figures most recently published by Network Rail for that Franchisee Year in relation to the Franchisee;
<b>"Actuary"</b>	has the meaning given to it in the Pension Trust;
<b>"Additional Expenditure"</b>	has the meaning given to it in paragraph 2.8 of Schedule 7.2 (National Rail Passenger Surveys and Customer and Communities Improvement Fund);
<b>"Additional Rolling Stock"</b>	means Specified Additional Rolling Stock and Unspecified Additional Rolling Stock;
<b>"Administration Fee"</b>	has the meaning given to it in paragraph 4.3 of Schedule 10.3 (Events of Default and Termination Events);
<b>"Advance Purchase Train-specific Fares"</b>	has the meaning given to it under the Ticketing and Settlement Agreement;
<b>"AFA/DFR Components"</b>	has the meaning given to it in paragraph 1.1(a)(ii) of Schedule 9.1 (Financial and Other Consequences of Change);
<b>"Affected Party"</b>	has the meaning given to it in paragraph 6.3 of Schedule 12 (Financial Obligations and Covenants);
<b>"Affected Train Fleet"</b>	has the meaning given to it in paragraph 3.1(a)(ii)(B) of Schedule 6.2 (TransPennine Express Franchise Specific Provisions);
<b>"Affiliate"</b>	means, in respect of any person, any person by which that person is Controlled or which is Controlled by that person, or any person which is Controlled by any other Affiliate of that person;
<b>"Aggregated Qualifying Change"</b>	means two or more Changes which: <ul style="list-style-type: none"> <li>(a) are notified or agreed (in the case of a Change which is a Variation pursuant to paragraph 1.1 of Schedule 9.5 (Variations to the Franchise Agreement and Incentivising Beneficial Changes)); and/or</li> <li>(b) a party has become aware of (in the case of any other kind of Change),</li> </ul> in a Franchisee Year (the " <b>Aggregation Year</b> ") which individually do not exceed the Threshold Amount for the Aggregation Year taken alone but do exceed it when taken together. For the avoidance of doubt, where the Changes arise in different Franchisee

Years, for the purposes of determining whether in aggregate they exceed the Threshold Amount:

- (i) the net present value of the adjustment in Franchise Payments which would result from a Run of the Financial Model (where Schedule 9.1 (Financial and Other Consequences of Change) applies) in respect of each Change shall be calculated in accordance with the process described in the definition of Qualifying Change; and
- (ii) there will be an Aggregated Qualifying Change where the aggregate of the net present values of those Changes exceeds the Threshold Amount for the Aggregation Year;

<b>"Alliance Agreement"</b>	has the meaning given to such term in paragraph 11.2 of Schedule 13 (Information and Industry Initiatives);
<b>"Alternative NRPS"</b>	has the meaning given to such term in paragraph 1.6 of Schedule 7.2 (National Rail Passenger Surveys and Customer and Communities Improvement Fund);
<b>"Alternative Scheme"</b>	means a Committed Obligation proposed by the Franchisee in place of a Specimen Scheme in accordance with paragraph 8 of Part 2 of Schedule 6.1 (Committed Obligations and Related Provisions);
<b>"Ancillary Service"</b>	means any service specified in paragraph 5 of Schedule 1.6 (Franchise Services);
<b>"Annual Audited Accounts"</b>	means the accounts of the Franchisee which: <ul style="list-style-type: none"> <li>(a) comply with paragraph 3.11 of Schedule 13 (Information and Industry Initiatives); and</li> <li>(b) are delivered to the Secretary of State by the Franchisee in accordance with paragraph 3.9(a) of Schedule 13 (Information and Industry Initiatives) and certified by the Franchisee's auditors as true and fair;</li> </ul>
<b>"Annual Benchmark"</b>	means any of the Annual Cancellations Benchmark, the Annual TOC Minute Delay Benchmark or the Annual Short Formation Benchmark;
<b>"Annual Benchmark Table"</b>	means, in relation to: <ul style="list-style-type: none"> <li>(a) any Annual Cancellations Benchmark, the Annual Cancellations Benchmark Table;</li> </ul>

- (b) any Annual TOC Minute Delay Benchmark, the Annual TOC Minute Delay Benchmark Table; and
- (c) any Annual Short Formation Benchmark, the Annual Short Formation Benchmark Table;

**“Annual Business Plan”** means the plan to be provided by the Franchisee to the Secretary of State in accordance with paragraph 2.3 of Schedule 13 (Information and Industry Initiatives);

**“Annual Cancellations Benchmark”** means for each Franchisee Year, each of the benchmarks specified in the Annual Cancellations Benchmark Table for that Franchisee Year provided that where a Franchisee Year is shorter than 13 Reporting Periods then the Annual Cancellations Benchmark for that Franchisee Year shall be as determined pursuant to paragraph 5.1(a) of Schedule 7.1 (Performance Benchmarks);

**“Annual Cancellations Benchmark Table”** means the table set out in Part 2 (Annual Cancellations Benchmark Table) of Appendix 1 (Cancellations Benchmarks and Annual Cancellations Benchmarks) of Schedule 7.1 (Performance Benchmarks);

**“Annual Cap Performance Level”** means, in relation to an Annual Cancellations Benchmark or an Annual TOC Minute Delay Benchmark (as the case may be) for any Franchisee Year, the number set out in Column 2 of the Annual Cancellations Benchmark Table or the Annual TOC Minute Delay Benchmark Table (as the case maybe) for that Franchisee Year;

**“Annual CaSL Target Performance Level”** means, in respect of a Franchisee Year, the number set out in Column 5 of the Annual Cancellation Benchmark Table and in the row in that table for that Franchisee Year provided that where a Franchisee Year is shorter than 13 Reporting Periods then the Annual CaSL Target Performance Level for that Franchisee Year shall be as determined pursuant to paragraph 5.1(d) of Schedule 7.1 (Performance Benchmarks);

**“Annual Delay Repay Saving”** means, in respect of a Franchisee Year, any saving in the overall cost to the Franchisee of delay repay payments to customers calculated in accordance with the following formula:

$$ADRS = FDRC - ADRC$$

where:

**ADRS** means Annual Delay Repay Saving;

**FDRC** means FDRA x RPI

where:

**FDRA** is the forecast aggregate cost of delay repay compensation payments in respect of that Franchisee Year, as set out in "C Misc" worksheet of Financial Model cells M291 to U291 of the Financial Model and section 8.2.4 of the Record of Assumptions; and

**RPI** has the meaning given to it in the definition of Threshold Amount;

**ADRC** means the actual cost incurred by the Franchisee in respect of delay repay compensation payments during that Franchisee Year;

**"Annual Financial Statements"** means the final draft financial statements of the Franchisee which:

- (a) comply with paragraph 3.11 of Schedule 13 (Information and Industry Initiatives); and
- (b) are delivered to the Secretary of State by the Franchisee in accordance with paragraph 3.7 of Schedule 13 (Information and Industry Initiatives);

**"Annual Floor Performance Level"** means, in relation to:

- (a) an Annual Cancellations Benchmark or an Annual TOC Minute Delay Benchmark (as the case may be) for any Franchisee Year, the number set out in Column 4 of the Annual Cancellations Benchmark Table or the Annual TOC Minute Delay Benchmark Table (as the case maybe) for that Franchisee Year; and
- (b) an Annual Short Formation Benchmark for any Franchisee Year, the number set out in Column 3 of the Annual Short Formation Benchmark Table for that Franchisee Year;

**"Annual Franchise Payment Components"** means the values of "FXD", "VCRPI", "VCAWE", "PRPI" and "RRPI" specified for each Franchisee Year in the table set out in the Appendix (Figures for Calculation of Annual Franchise Payments) to Schedule 8.2 (Annual Franchise Payments);

**"Annual Franchise Payment"** means, in relation to any Franchisee Year, the amount determined in accordance with Schedule 8.2 (Annual Franchise Payments);

**"Annual Innovation Account Contribution"** has the meaning given to it in paragraph 19.2 of Schedule 13 (Information and Industry Initiatives);

**"Annual Management Accounts"** means the management accounts of the Franchisee which:

- (a) comply with paragraph 3.10 of Schedule 13 (Information and Industry Initiatives); and
- (b) are delivered to the Secretary of State by the Franchisee in accordance with

paragraph 3.6 of Schedule 13 (Information and Industry Initiatives);

**“Annual PPM Target Performance Level”**

means, in respect of a Franchisee Year, the number set out in Column 5 of the Annual TOC Minute Delay Benchmark Table and in the row of that table for that Franchisee Year provided that where a Franchisee Year is shorter than 13 Reporting Periods then the Annual PPM Target Performance Level for that Franchisee Year shall be as determined pursuant to paragraph 5.1(e) of Schedule 7.1 (Performance Benchmarks);

**“Annual Season Ticket”**

means a Season Ticket Fare which is valid in Standard Class Accommodation from (and including) the day on which it first comes into effect until (but excluding) the day which falls 12 months after such day;

**“Annual Short Formation Benchmark”**

means, for each Franchisee Year, each of the benchmarks specified in the Annual Short Formation Benchmark Table for that Franchisee Year provided that where a Franchisee Year is shorter than 13 Reporting Periods then the Annual Short Formation Benchmark for that Franchisee Year shall be as determined pursuant to paragraph 5.1(c) of Schedule 7.1 (Performance Benchmarks);

**“Annual Short Formation Benchmark Table”**

means the table set out in Part 2 (Annual Short Formation Benchmark Table) of Appendix 3 (Short Formation Benchmark and Annual Short Formation Benchmark Table) of Schedule 7.1 (Performance Benchmarks)

**“Annual Target Performance Level”**

means, in relation to:

- (a) an Annual Cancellations Benchmark or an Annual TOC Minute Delay Benchmark (as the case may be) for any Franchisee Year, the number set out in Column 3 of the Annual Cancellations Benchmark Table or the Annual TOC Minute Delay Benchmark Table (as the case maybe) for that Franchisee Year; and
- (b) an Annual Short Formation Benchmark for any Franchisee Year, the number set out in Column 2 of the Annual Short Formation Benchmark Table for that Franchisee Year;

**“Annual TOC Minute Delay Benchmark”**

means, for each Franchisee Year, each of the benchmarks specified in the Annual TOC Minute Delay Benchmark Table for that Franchisee Year provided that where a Franchisee Year is shorter than 13 Reporting Periods then the Annual TOC Minute Delay Benchmark for that Franchisee Year shall be as determined pursuant to paragraph 5.1(b) of Schedule 7.1 (Performance Benchmarks);

**“Annual TOC Minute Delay Benchmark Table”**

means the table set out in Part 2 (Annual TOC Minute Delay Benchmark Table) of Appendix 2 (TOC Minute Delay Benchmarks and Annual TOC Minute Delay



Benchmarks) of Schedule 7.1 (Performance Benchmarks);

<b>"Approved CCIF Scheme"</b>	means a CCIF Scheme approved by the Secretary of State in accordance with paragraph 3.6 of Schedule 7.2 (National Rail Passenger Surveys and Customer and Communities Improvement Fund);
<b>"Approved Innovation Scheme"</b>	means an Innovation Scheme which is approved by the Secretary of State in accordance with paragraph 19.11 of Schedule 13 (Information and Industry Initiatives);
<b>"Arcturus II Rolling Stock Arrangement"</b>	means a rolling stock lease, sub lease, hire agreement or other arrangement for the provision of rolling stock with a term expiring on the Passenger Change Date in December 2017 which the Secretary of State has identified to the Franchisee as being within the scope of this definition;
<b>"ATOC"</b>	means the Association of Train Operating Companies including any of its successors and assigns;
<b>"Average Weekly Earnings"</b>	means the United Kingdom average weekly earnings measure excluding bonuses as published from time to time by the Office for National Statistics or, if such measure shall cease to be published or if, in the reasonable opinion of the Secretary of State, there is a material change in the basis of such measure, such other alternative index as the Secretary of State may, after consultation with the Franchisee, determine to be appropriate in the circumstances;
<b>"Background Intellectual Property"</b>	means Intellectual Property Rights in existence and belonging to the Franchisee or a Collaborator prior to the date of notification by the Secretary of State to the Franchisee in writing that the Franchisee may undertake the relevant Innovation Scheme;
<b>"Bank"</b>	means a person which has a permission under Part 4A of the Financial Services and Markets Act 2000 to carry on the regulated activity of accepting deposits thereunder and which is reasonably acceptable to the Secretary of State;
<b>"Bank Holiday"</b>	means any day other than a Saturday or Sunday on which banks in the City of London are not open for business;
<b>"Benchmark"</b>	means any of the Cancellations Benchmark, the TOC Minute Delay Benchmark or the Short Formation Benchmark (as the context may require);
<b>"Benchmark Table"</b>	means, in relation to: <ul style="list-style-type: none"> <li>(a) any Cancellations Benchmark, the Cancellations Benchmark Table;</li> <li>(b) any TOC Minute Delay Benchmark, the TOC Minute Delay Benchmark Table; and</li> </ul>

- (c) any Short Formation Benchmark, the Short Formation Benchmark Table;

**“Bid Profit Stream”**

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

**“Bond Provider”**

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

- (a) a Bank; or  
 (b) an insurance company,

in each case with the Relevant Credit Rating;

**“Bond Year”**

means the period beginning on the Start Date and ending on 31 March 2017 and any subsequent period of 13 Reporting Periods beginning on the day after the end of the preceding Bond Year provided that:

- (a) the Franchisee and the Secretary of State may agree to vary the Reporting Period in which a Bond Year ends from time to time; and  
 (b) the last Bond Year shall expire on the expiry of the Franchise Period and may be a period of less than 13 Reporting Periods;

**“Brand Licence”**

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

**“Breach Performance Level”**

means, in relation to a Benchmark for any Reporting Period, the number set out in the relevant column of the Benchmark Table to Schedule 7.1 (Performance Benchmarks) relating to that Benchmark and in the row of that table for that Reporting Period;

**“Breach Period Performance Level”**

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

**“Breach Reporting Period”**

means any of the 6<sup>th</sup> to 12<sup>th</sup> Reporting Periods in the first Franchisee Year;

<b>"British Transport Police"</b>	means the British Transport Police created pursuant to Section 18 of the Railways and Transport Safety Act 2003 (or any successor or successors to its statutory policing functions);
<b>"Business Action Plan"</b>	means an action plan produced by the Franchisee in relation to the delivery of any aspect of the Franchise Services (including in respect of any outcome anticipated by its Business Plan, in accordance with paragraph 2.7 of Schedule 13 (Information and Industry Initiatives));
<b>"Business Continuity Plan" and "BCP"</b>	means a business continuity and disaster recovery plan (including a Force Majeure Events recovery plan) required to be produced, maintained and implemented by the Franchisee in accordance with paragraph 3.3 of Schedule 10.4 (Force Majeure);
<b>"Business Plan"</b>	means the Initial Business Plan or any Annual Business Plan, as the context requires, to be delivered in accordance with paragraphs 2.1 and 2.3 of Schedule 13 (Information and Industry Initiatives);
<b>"Cancellation"</b>	means a Passenger Service: <ul style="list-style-type: none"> <li>(a) which is included in the Enforcement Plan of the Day and which is cancelled for reasons attributed to the Franchisee pursuant to its Track Access Agreement; or</li> <li>(b) which is included in the Enforcement Plan of the Day and which operates less than 50 per cent of its scheduled mileage (as prescribed in the Enforcement Plan of the Day) for reasons attributed to the Franchisee pursuant to its Track Access Agreement;</li> </ul>
<b>"Cancellations Benchmark"</b>	means any of the performance levels in respect of Cancellations and Partial Cancellations set out in the Cancellations Benchmark Table;
<b>"Cancellations Benchmark Table"</b>	means the table set out in Part 1 (Cancellations Benchmark Table) of Appendix 1 (Cancellations Benchmarks and Annual Cancellations Benchmarks) of Schedule 7.1 (Performance Benchmarks);
<b>"Cancellations Figures"</b>	means the number of: <ul style="list-style-type: none"> <li>(a) Cancellation and Partial Cancellation; and</li> <li>(b) Network Rail Cancellation and Network Rail Partial Cancellation,</li> </ul> <p>in each case, relating to the Passenger Services operated in each Reporting Period;</p>
<b>"Cancellations Performance Sum"</b>	means an amount determined in accordance with paragraph 3.2 of Schedule 7.1 (Performance Benchmarks);

<b>“Capacity Mitigation Plan”</b>	has the meaning given to it in paragraph 8.1(a) of Schedule 1.1 (Service Development);
<b>“Capital Expenditure”</b>	has the meaning given to it in paragraph 2.4 of Schedule 9.5 (Variations to the Franchise Agreement and Incentivising Beneficial Changes);
<b>“Cascaded Rolling Stock”</b>	has the meaning given to it in paragraph 2.5 of Schedule 2.2 (Security of Access Agreements, Rolling Stock Leases, Station and Depot Leases);
<b>“CaSL”</b>	means the measure of the proportion of trains (expressed as a percentage of Passenger Services which are scheduled to be provided under the Plan of the Day) which are cancelled, or arrive significantly late at their final scheduled destination measured on the basis that for this purpose, “significantly late” means arriving thirty minutes or more after the scheduled public arrival time at destination, as produced and/or published by Network Rail;
<b>“CaSL Figures”</b>	means the moving annual average percentage published by Network Rail in respect of CaSL;
<b>“CCIF Amount”</b>	means the sum of £700,000 (indexed by the Retail Prices Index in the same way as variable costs are indexed in Schedule 8.2 (Annual Franchise Payments)) per Franchisee Year within a CCIF Period (reduced pro-rata in respect of any Franchisee Year within a CCIF Period of less than 365 days) as adjusted in accordance with paragraph 3.10(a) of Schedule 7.2 (National Rail Passenger Surveys and Customer and Communities Improvement Fund);
<b>“CCIF Period”</b>	means each of the following periods: <ul style="list-style-type: none"> <li>(a) 1 April 2019 – 31 March 2021; and</li> <li>(b) 1 April 2021 – the Expiry Date;</li> </ul>
<b>“CCIF Scheme”</b>	has the meaning given in paragraph 3.3 of Schedule 7.2 (National Rail Passenger Surveys and Customer and Communities Improvement Fund);
<b>“CCIF Scheme Cost”</b>	means in respect of any CCIF Scheme, the total cost to the Franchisee of developing and implementing that CCIF Scheme;
<b>“CCIF Scheme Margin”</b>	means 5% of the applicable CCIF Scheme Costs;
<b>“CCIF Scheme Revenue”</b>	means in respect of any CCIF Scheme, the revenue earned by the Franchisee from that CCIF Scheme;
<b>“CCIF Scheme Shortfall”</b>	means, in relation to a CCIF Scheme, the amount (if any) by which the CCIF Scheme Revenue is less than the aggregate of the CCIF Scheme Costs and the CCIF Scheme Margin;
<b>“CCIF Underspend”</b>	has the meaning given in paragraph 3.8 of Schedule 7.2 (National Rail Passenger Surveys and Customer and Communities Improvement Fund);

- “Central Government Body”** has the meaning given to it in paragraph 2.3 of Schedule 17 (Confidentiality and Freedom of Information);
- “Certificate of Commencement”** means the certificate to be issued by the Secretary of State pursuant to the Conditions Precedent Agreement;
- “Change”** means if and whenever any of the following occurs:
- (a) an event set out in any Secretary of State Risk Assumption specified in Schedule 9.3 (Secretary of State Risk Assumptions);
  - (b) a Charge Variation;
  - (c) a Change of Law (excluding any Change of Law to the extent that it results in an adjustment to the Franchise Payments pursuant to Schedule 8.4 (Track Access Adjustments and Station Charge Adjustments));
  - (d)
    - (i) the Secretary of State issues a TSR (TDR) Amendment pursuant to paragraph 5.7 of Schedule 1.1 (Service Development) but only to the extent that the Franchisee makes a saving as a consequence of the issue of such TSR (TDR) Amendment; or
    - (ii) the circumstances contemplated in paragraph 5.10(b) of Schedule 1.1 (Service Development) occur,

except that a Change shall not occur where a TSR (TDR) Amendment has been issued by the Secretary of State in consequence of Network Rail exercising the rights referred to in any of paragraphs 5.6(b) or 5.6(c) of Schedule 1.1.
  - (e) a change to the Train Service Requirement previously in force pursuant to the issue of an amended or new Train Service Requirement in accordance with paragraph 9.4 of Schedule 1.1 (Service Development);
  - (f) the Franchisee is required to take any action pursuant to paragraph 12.1(a) and/or paragraph 12.1(b) of Schedule 1.1 (Service Development);
  - (g) not used;
  - (h) the Secretary of State effects an amendment to a Discount Fare Scheme, introduces a new Discount Fare Scheme or

ceases to approve a Discount Fare Scheme for the purposes of Section 28 of the Act;

- (i) the Secretary of State approves an amendment or proposed amendment to an Inter-Operator Scheme, as referred to in paragraph (a) of the definition of Inter-Operator Scheme to the extent and only to the extent that the Franchisee makes a saving as a consequence of such amendment or proposed amendment;
- (j) the imposition, subject to the provisions of paragraph 2.6 of Schedule 4 (Persons with Disabilities and Disability Discrimination), of any increased access charges in respect of EA Requirements at Franchisee Access Stations;
- (k) the Secretary of State exercises his power pursuant to paragraph 5 of Schedule 5.7 (Changes to Fares and Fares Regulation) to alter the obligations of and restrictions on the Franchisee under Schedule 5 (Fares);
- (l) the Franchisee is obliged to charge Value Added Tax on a Fare or there is an increase or decrease in the rate of Value Added Tax which it must charge on such Fare, in either case due to a change in the Value Added Tax treatment of the provision of Passenger Services;
- (m) the exercise by the Secretary of State of his rights pursuant to paragraph 1.7 of Schedule 7.1 (Performance Benchmarks);
- (n) the exercise by the Secretary of State of his rights pursuant to paragraph 17.2 of Schedule 13 (Information and Industry Initiatives);
- (o) the Secretary of State exercises his rights pursuant to paragraph 19.23 of Schedule 13 (Information and Industry Initiatives) occur;
- (p) a Variation to the terms of the Franchise Agreement pursuant to paragraph 1.1 of Schedule 9.5 (Variations to the Franchise Agreement and Incentivising Beneficial Changes);
- (q) the Start Date is a date that is later than 0200 on 1 April 2016 for reasons solely attributable to any act or omission by the Secretary of State including the exercise of his right to amend the Start Date pursuant to paragraph 1.10(a) of Schedule 9.5 (Variations to the Franchise Agreement and Incentivising Beneficial Changes) except where:

- (i) the Secretary of State exercises his rights pursuant to Clauses 4.2 or 4.3 of the Conditions Precedent Agreement to alter such Start Date; or
- (ii) the relevant acts or omissions of the Secretary of State arise as a result of or in connection with any failure by the Franchisee to satisfy any of the conditions precedent set out in the Conditions Precedent Agreement;
- (r) the Expiry Date is a date that is later than 0159 on 1 April 2023 in consequence of the Secretary of State exercising his right to amend the Start Date pursuant to paragraph 1.10(a) of Schedule 9.5 (Variations to the Franchise Agreement and Incentivising Beneficial Changes);
- (s) the circumstances set out in paragraph 2.6 of Schedule 2.2 (Security of Access Agreements, Rolling Stock Leases, Station and Depot Leases) occur;
- (t) any of the events specified in paragraphs 3.1, 3.3 or 4.9 of Schedule 9.4 (Specified Infrastructure Related Change) occurs; or
- (u) any two or more of the foregoing that the Secretary of State groups together in accordance with any procedures issued by him pursuant to paragraph 1.4 of Schedule 9.5 (Variations to the Franchise Agreement and Incentivising Beneficial Changes) occur;

**“Change of Control”**

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

**“Change of Law”**

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

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

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

- (i) excluding any changes in Taxation;

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

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

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

**"Charge Variation"**

means a variation:

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

**"Charging Review"**

means:



- (a) the exercise by the ORR of its powers under:
  - (i) Part 7 of Schedule 7 of the Track Access Agreement to which the Franchisee is a party on the Start Date or any Replacement Agreement which is or is deemed to be a Relevant Agreement in accordance with the definition of that term;
  - (ii) Condition F11.4 of the Station Access Conditions in relation to any station which is not an Independent Station; or
  - (iii) Condition 42.5 of the Independent Station Access Conditions in relation to any station which is an Independent Station;
- (b) the following by the ORR of the procedure in Schedule 4A of the Act;
- (c) the exercise by the ORR of any of its powers or the following of any other procedure, which, in the Secretary of State's reasonable opinion:
  - (i) has an equivalent effect to; or
  - (ii) is intended to fulfil the same function as,

any of the powers referred to in paragraphs (a) or (b) in relation to any Relevant Agreement. For this purpose, Relevant Agreement includes any Relevant Agreement which is not the subject of any previous Charging Review; or
- (d) any amendment to a Relevant Agreement, or entry into a new Relevant Agreement which is approved by the ORR to the extent that it relates to an Incremental Output Statement Charge or a scheme to which that charge relates;

**“Charter Service”**

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

- (a) which is not reflected in the Timetable;
- (b) which does not conform to the pattern of railway passenger services normally provided by the Franchisee;
- (c) for which the advance booking or booking arrangements for seats on the relevant service are, in the reasonable opinion of the Secretary of State, materially different from

those generally applicable to the Passenger Services;

- (d) for which tickets are available on a restricted basis or on terms and conditions which, in the reasonable opinion of the Secretary of State, are materially different from those generally applicable to the Passenger Services; and/or
- (e) for which the departure time, journey time and calling pattern are, in the reasonable opinion of the Secretary of State, materially different from those of the Passenger Services,

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

**“Child Price”**

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

**“Chiltern Sub Lease”**

means a sub lease entered into in March 2015 between The Chiltern Railway Company Limited and First/Keolis TransPennine Limited in relation to four two car Class 170/3 diesel multiple units;

**“Closed Scheme Employees”**

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

**“Closure”**

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

**“Code of Practice”**

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

**“Collaborator”**

means a person from whom the Franchisee requires a licence (express or implied) in order for the Franchisee to use the Innovation Scheme Output and whether or not such person is referred to by the Franchisee in the initiative, work or proposal proposed by the Franchisee as an Innovation Scheme;

**“Collateral Agreement”**

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

**“Commercial Return”**

a CCIF Scheme will have a “Commercial Return” where the CCIF Scheme Revenue equals or exceeds the aggregate of the CCIF Scheme Costs and the CCIF Scheme Margin;

<b>"Committed Obligations"</b>	means any of the Franchisee's obligations listed in Part 1 (List of Committed Obligations and Related Provisions) to Schedule 6.1 (Committed Obligations and Related Provisions);
<b>"Community Rail Partnership"</b>	means any not-for-profit organisation of the same name that has an interest in the development of responsive and good quality railway passenger services;
<b>"Community Rail Route"</b>	means any Route in respect of which the Secretary of State determines that any relevant Community Rail Partnership has an interest;
<b>"Compulsory Inter-available Flow"</b>	has the meaning given to it in the Ticketing and Settlement Agreement;
<b>"Computer System"</b>	means computer hardware and computer software, including licensed third party software and data protocols;
<b>"Conditions Precedent Agreement"</b>	means the agreement between the Secretary of State and the Franchisee of even date herewith specifying certain conditions to be satisfied or waived by the Secretary of State prior to the issue of a Certificate of Commencement;
<b>"Confidential Information"</b>	has the meaning given to it in paragraph 1 of Schedule 17 (Confidentiality and Freedom of Information);
<b>"Connection"</b>	means a connection (however described) between any of the Passenger Services provided by the Franchisee and any other railway passenger service provided by it or any other Train Operator or any bus, ferry or shipping service and cognate phrases shall be construed accordingly;
<b>"Connection Agreement"</b>	means any agreement entered into by the Franchisee and Network Rail on or before the Start Date relating to the connection of a Depot to the relevant part of the network;
<b>"Contingency Plan"</b>	has the meaning given to it in paragraph 1(a)(iv) of Schedule 10.4 (Force Majeure);
<b>"Continuation Document"</b>	means any franchise agreement, direct award, interim franchise agreement or other arrangement pursuant to which the Franchisee is required to provide services for the carriage of passengers by railway which is entered into by the Franchisee in respect of some or all of the same Passenger Services by way of direct or indirect continuation of the arrangement currently in place under the Franchise Agreement;
<b>"Contract Manager"</b>	means a person appointed from time to time by the Franchisee to fulfil certain duties including to manage the Franchise Agreement on behalf of the Franchisee and to facilitate the performance by the Franchisee of its obligations under the Franchise Agreement;

**“Control”**

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

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

and **“Controlled”** shall be construed accordingly;

**“Controlled Emission Toilet”**

means a toilet fitted on a rolling stock unit and which retains effluent in retention tanks such that effluent is not discharged on the rail tracks;

**“Creating”**

has the meaning given to it in the Ticketing and Settlement Agreement and cognate expressions shall be construed accordingly;

**“CRM Data”**

means Personal Data (including any or all of name, address, e-mail address and ticket purchasing history, credit and debit card details) collected by or on behalf of the Franchisee relating to persons

	travelling on or purchasing tickets for travel on the Passenger Services or other services for the carriage of passengers by railway;
<b>"CRM Data Processor"</b>	means any Data Processor who, from time to time, is processing or has processed CRM Data on behalf of the Franchisee;
<b>"CRM Obligations"</b>	has the meaning given to it in paragraph 3.4 of Schedule 1.5 (Information about Passengers);
<b>"CRM System"</b>	means any system (whether a Computer System or otherwise) for the collection of CRM Data and/or onto which CRM Data is input, processed and/or held as such system may be amended or altered from time to time;
<b>"Current Franchisee Year"</b>	has the meaning given to it in paragraph 3.4 of Schedule 8.1 (Franchise Payments);
<b>"Customer and Stakeholder Engagement Strategy"</b>	means the Customer and Stakeholder Engagement Strategy in the agreed terms marked <b>CSES</b> and any replacement Customer and Stakeholder Engagement Strategy revised in accordance with paragraph 3.11 of Schedule 7.2 (National Rail Passenger Surveys and Customer and Communities Improvement Fund);
<b>"Customer Report"</b>	means a report in the format and providing the information specified in the Customer and Stakeholder Engagement Strategy published in accordance with paragraph 3.2 of Schedule 7.2 (National Rail Passenger Surveys and Customer and Communities Improvement Fund);
<b>"Data Controller"</b>	has the same meaning as in the Data Protection Act;
<b>"Data Processor"</b>	has the same meaning as in the Data Protection Act;
<b>"Data Protection Act"</b>	means the Data Protection Act 1998 and any guidance issued from time to time by the Information Commissioner's Office;
<b>"Data Site Information"</b>	has the meaning given to it in paragraph 2.2(e) of Schedule 15.1 (Reletting Provisions);
<b>"Data Subject"</b>	has the same meaning as in the Data Protection Act;
<b>"Dataset"</b>	means the data specified in Appendix 1 (Environmental Impact Monitoring Dataset) to Schedule 13 (Information and Industry Initiatives) as the same may be amended from time to time by the Secretary of State (acting reasonably);
<b>"Default Performance Level"</b>	means, in relation to a Benchmark for any Reporting Period, the number set out in the relevant column of the Benchmark Table to Schedule 7.1 (Performance Benchmarks) relating to that Benchmark and in the row of that table for that Reporting Period;

<b>“Delayed Cascade Mitigation Plan”</b>	has the meaning given to it in paragraph 2.7(c) of Schedule 2.2 (Security of Access Agreements, Rolling Stock Leases, Station and Depot Leases);
<b>“Departure Station”</b>	has the meaning given to it in paragraph 2(b) of Appendix 2 (Alternative Transport) to Schedule 4 (Persons with Disabilities and Disability Discrimination);
<b>“Depot”</b>	means a depot in respect of which the Franchisee has entered into a Depot Lease;
<b>“Depot Access Conditions”</b>	has the meaning given to it in the relevant Access Agreement to which it relates;
<b>“Depot Lease”</b>	means: <ul style="list-style-type: none"> <li>(a) any lease of a depot to which the Franchisee is a party as at the Start Date; or</li> <li>(b) any other lease of a depot in relation to which the Franchisee becomes the Facility Owner at any time during the Franchise Period;</li> </ul>
<b>“Derivative Output”</b>	means Intellectual Property Rights that are derived from or generated by the RPC Database or the Preliminary Database when querying such database (which includes, but is not limited to, the format of all reports and analysis);
<b>“Designated Employer”</b>	has the meaning given to it in the Pension Trust;
<b>“Destination Station”</b>	has the meaning given to it in paragraph 2(b) of Appendix 2 (Alternative Transport) to Schedule 4 (Persons with Disabilities and Disability Discrimination);
<b>“Direct Agreement”</b>	means any agreement made, or to be made, from time to time between the Secretary of State and the counterparty of a Key Contract in relation to such Key Contract, including any agreement entered into by the Secretary of State under Schedule 14.3 (Key Contracts);
<b>“Disabled People’s Protection Policy”</b>	means the Franchisee’s policy for the protection of persons with disabilities which the Franchisee is required to establish and review from time to time in accordance with the conditions of its Licences in respect of the operation of railway passenger services and/or stations;
<b>“Disabled Person”</b>	is a reference to a person who has a disability as defined in the EA;
<b>“Disaster”</b>	means, other than those specified in paragraphs 1(a) or 1(b) of Schedule 10.4 (Force Majeure), any unplanned interruption or event which significantly prevents or impairs the ability of the Franchisee to provide the Franchise Services (in whole or in part) or the ability of the Franchisee to operate systems or

equipment relevant to the provision of the Franchise Services (in whole or in part);

**“Discount Card”**

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

**“Discount Fare Scheme”**

means:

(a) each of the following discount fare schemes:

(i) ATOC Disabled Persons Railcard Scheme dated 23 July 1995 between the participants therein;

(ii) ATOC Young Persons Railcard Scheme dated 23 July 1995 between the participants therein; and

(iii) ATOC Senior Railcard Scheme dated 23 July 1995 between the participants therein; or

(b) any other discount fare scheme approved from time to time by the Secretary of State for the purposes of Section 28 of the Act,

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

**“Dispute Resolution Rules”**

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

**“Disputed Cancellation”**

means a Passenger Service:

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

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

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

**“Disputed Partial Cancellation”**

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

(a) misses a stop; or

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

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

<b>"Disputes Secretary"</b>	means the person appointed as disputes secretary from time to time in accordance with the Dispute Resolution Rules;
<b>"DOTAS"</b>	has the meaning given to it in paragraph 6.3 of Schedule 12 (Financial Obligations and Covenants);
<b>"EA"</b>	means the Equality Act 2010;
<b>"EA Claim"</b>	has the meaning given to it in paragraph 3.1 of Schedule 4 (Persons with Disabilities and Disability Discrimination);
<b>"EA Requirements"</b>	means the duties of a provider of services under Sections 20(3), 20(5) and Sections 20(9)(a) and 20(9)(b) in relation to Section 20(4), of the EA;
<b>"Efficiency Benefit Share Mechanism" or "EBS"</b>	means the route level efficiency benefit sharing mechanism introduced by the ORR in its determination for the control period commencing on 1 April 2014 or any similar arrangement under which the benefits of any outperformance (or downsides of failure to achieve efficiency targets) are to be shared between Network Rail and train operators whether or not at route level;
<b>"Emergency Events"</b>	has the meaning given to it in paragraph 1.2(e) of Schedule 10.4 (Force Majeure);
<b>"EMV"</b>	means contactless payment cards that conform to the international standards issued by EMVCo (owned by American Express, Discover, JCB, MasterCard, UnionPay and Visa) which manages, maintains and enhances the EMV1 integrated circuit card specifications;
<b>"Enforcement Plan of the Day"</b>	<p>means the Plan of the Day except for any:</p> <ul style="list-style-type: none"> <li>(a) additions to such Plan of the Day of any railway passenger services which are not included in the Timetable;</li> <li>(b) omissions from such Plan of the Day of any Passenger Services included in the Timetable; and/or</li> <li>(c) rescheduling in such Plan of the Day of any Passenger Services from their scheduling in the Timetable,</li> </ul> <p>in each case:</p> <ul style="list-style-type: none"> <li>(i) as proposed by the Franchisee in breach of its obligations in paragraph 4 of Schedule 1.2 (Operating Obligations); or</li> </ul>



	(ii)	as agreed by the Franchisee in breach of its obligations in paragraph 3 of Schedule 1.2 (Operating Obligations);
<b>"Environmental Data Implementation Plan"</b>		has the meaning given to it in paragraph 17.1(c) of Schedule 13 (Information and Industry Initiatives);
<b>"Environmental Information Regulations"</b>		means the Environmental Information Regulations 2004;
<b>"Equipment"</b>		means any load-weigh, infrared, CCTV or other type of equipment as may from time to time be installed on any train in the Train Fleet for the purposes of (amongst other things) passenger counting, including that specified in paragraph 1.6 of Schedule 1.5 (Information about Passengers);
<b>"Equivalent Fare"</b>		has the meaning given to it in paragraph 6.1 of Schedule 5.7 (Changes to Fares and Fares Regulation);
<b>"Equivalent Flow"</b>		has the meaning given to it in paragraph 6.1(b) of Schedule 5.7 (Changes to Fares and Fares Regulation);
<b>"ERTMS"</b>		means the European Rail Traffic Management System;
<b>"ERTMS Enabled Network"</b>		has the meaning given to it in paragraph 3.1(a)(iv) of Schedule 6.2 (TransPennine Express Franchise Specific Provisions);
<b>"ERTMS Programme"</b>		means the implementation of ERTMS on the routes specified in the Proposed ERTMS Implementation Plan;
<b>"Escrow Documents"</b>		means those documents and other items referred to in paragraph 1.1 of Schedule 9.2 (Identity of the Financial Model etc.);
<b>"Estimated Profit Stream"</b>		means estimated total operating profit of the Franchisee from the date that the Change of Control (pursuant to paragraph 2.3 of Schedule 10.3 (Events of Default and Termination Events)) is to occur until the Expiry Date as reasonably determined by the Secretary of State. In reasonably determining the Estimated Profit Stream the Secretary of State shall: <ul style="list-style-type: none"> <li>(a) take into account all relevant circumstances and have due regard to the Financial Model, the profit and loss forecast in the Initial Business Plan and the most recent Annual Business Plan and the assumptions in the Record of Assumptions;</li> <li>(b) use the accounting policies and standards set out in the Record of Assumptions and applied through the Financial Model;</li> </ul>

- (c) estimate profit:
  - (i) before taking into account:
    - (A) interest, finance income and finance charges (other than finance items recognised in respect of retirement benefits) and dividends and other distributions of profit;
    - (B) any taxation on profits including corporation tax;
    - (C) shares of the profit of any Affiliate of the Franchisee, except dividends received in cash;
    - (D) non cash entries in respect of the Franchise Section and any other pension schemes to the extent connected with the Franchise, excluding accruals or prepayments of any normal pension contributions due; and
  - (ii) after taking into account:
    - (A) Franchise Payments;
    - (B) all extraordinary and exceptional items, as defined under GAAP;
    - (C) the Franchisee's normal pension contributions in relation to the Franchise Section and any other pension schemes to the extent connected with the Franchise;
    - (D) any payments to Affiliates of the Franchisee (including management fees and royalty fees) except to the extent that such payments exceed the amount

- determined in accordance with the formula set out in paragraph (a)(v) of the definition of Relevant Profit in paragraph 3 of Schedule 8.1 (Franchise Payments); and
- (E) any sums capitalised in relation to maintenance expenditure on rolling stock or other capital equipment; and
- (d) calculate amounts in real terms as at the date of the Change of Control and apply the prevailing discount rate per annum (in real terms) stated in HM Treasury's "Green Book Appraisal Guidelines" (such rate being as at the date of the Franchise Agreement 3.5 per cent. per annum (in real terms));
- "Estimated Revisions"** has the meaning given to it in paragraph 9.3 of Schedule 9.1 (Financial and Other Consequences of Change);
- "Estimated Turnover"** means, in respect of each Innovation Year, an amount equal to the estimated Turnover for that Innovation Year calculated by reference to the Franchisee's Business Plan and Financial Model as determined by the Secretary of State and as set out in Appendix 4 (Estimated Turnover) to Schedule 13 (Information and Industry Initiations);
- "Evening Peak"** means, in relation to any Passenger Service, the period between 1600 and 1859 (inclusive) during a Weekday or such other continuous three hour period between 1200 and 2359 (inclusive) as the Secretary of State may specify from time to time;
- "Event of Default"** means any of the events set out in paragraph 2 of Schedule 10.3 (Events of Default and Termination Events);
- "Excess Amount"** has the meaning given to it in paragraph 19.3(b) of Schedule 13 (Information and Industry Initiatives);
- "Excluded Data"** has the meaning given to it in paragraph 17.1(a) of Schedule 13 (Information and Industry Initiatives);
- "Existing Expenditure"** has the meaning given to it in paragraph 2.8(f)(i) of Schedule 7.2 (National Rail Passenger Surveys and Customer and Communities Improvement Fund);
- "Expiry Date"** means the later of:
- (a) 01:59 on 1 April 2023;

- (b) any such later date that is specified by the Secretary of State pursuant to paragraph 1.10 of Schedule 9.5 (Variations to the Franchise Agreement and Incentivising Beneficial Changes)); or
- (c) any other time and date to which the Franchise Agreement is continued in accordance with paragraph 1.2 of Schedule 18 (Additional Reporting Periods);

**“Facilitation Fee”**

has the meaning given to it in paragraph 4.2 of Schedule 10.3 (Events of Default and Termination Events);

**“Facility Owner”**

has the meaning given to the term facility owner in Section 17(6) of the Act;

**“Fare”**

means:

- (a) the right, exercisable against one or more Train Operators, subject to any applicable rights or restrictions and the payment of the relevant price, to make one or more journeys on the network or to carry on such a journey an item of luggage or an animal (where this right does not arise under the relevant conditions of carriage except on the payment of a fee) and, where applicable, to obtain goods or services from a person; and
- (b) for the purposes only of Schedules 5.3 (Allocation of Fares to the Protected Fares Basket) to 5.8 (Fares Regulation Information and Monitoring) (inclusive) and the definitions of Protected Fare, Return Fare, Single Fare, Protected Weekly Season Ticket, Protected Return Fare and paragraph (b) of the definition of Season Ticket Fare, a Fare as defined under paragraph (a) that is:
  - (i) valid for a journey or journeys on the Passenger Services included in the Timetable or other railway passenger services which are required to be included in another relevant Train Operator’s passenger timetable by the Secretary of State;
  - (ii) sold under the Travelcard Agreement; or
  - (iii) a Cross London Ticket (as defined in the Through Ticketing (Non Travelcard) Agreement);

**“Fare Year”**

means the period from 1 January in any year to 31 December in the same year;

<b>"Fares Setting Round"</b>	has the meaning given to it in the Ticketing and Settlement Agreement;
<b>"Financial Action Plan"</b>	means any action plan produced by the Franchisee pursuant to paragraph 3.3(f) of Schedule 13 (Information and Industry Initiatives), where the level of its financial performance specified in the Management Accounts is worse than forecast by the Franchisee in its current Business Plan;
<b>"Financial Conduct Authority"</b>	means the UK Financial Conduct Authority of 25 The North Colonnade, Canary Wharf, London E14 5HS and with company registered number 01920623 or such other regulatory body which may succeed or replace it from time to time;
<b>"Financial Model"</b>	means the Franchisee's financial model in the agreed terms marked <b>FM</b> deposited with the Secretary of State on the date of the Franchise Agreement in accordance with Schedule 9.2 (Identity of the Financial Model etc.), as may be subsequently revised in accordance with Schedule 9.2 (Identity of the Financial Model etc.);
<b>"Financial Ratios"</b>	means the financial ratios specified in paragraph 2 of Schedule 12 (Financial Obligations and Covenants);
<b>"First Expenditure Franchisee Year"</b>	has the meaning given to it in paragraph 2.8(f)(i) of Schedule 7.2 (National Rail Passenger Surveys and Customer and Communities Improvement Fund);
<b>"First in Class Unit"</b>	has the meaning given to it in paragraph 3.1(a)(i) of Schedule 6.2 (TransPennine Express Franchise Specific Provisions);
<b>"First Profit Share Threshold"</b>	has the meaning given to it in paragraph 3.1 of Schedule 8.1 (Franchise Payments);
<b>"Flow"</b>	has the meaning given to it in the Ticketing and Settlement Agreement;
<b>"Force Majeure Event"</b>	means any of the events described as such in paragraph 1 of Schedule 10.4 (Force Majeure) where the conditions specified in paragraph 2 of Schedule 10.4 (Force Majeure) are satisfied;
<b>"Forecast Modified Revenue"</b>	means, in relation to any Reporting Period, the items specified in the definition of Modified Revenue, as most recently forecast for that Reporting Period pursuant to paragraph 3.4 of Schedule 13 (Information and Industry Initiatives);
<b>"Forecast Operating Costs"</b>	means, in relation to any Reporting Period, the items specified in the definition of Actual Operating Costs, as most recently forecast for that Reporting Period pursuant to paragraph 3.4 of Schedule 13 (Information and Industry Initiatives) adjusted for any movement in creditors arising from deemed PCS borrowings pursuant to clause 18 of the Funding Deed;

- “Forecast Passenger Demand”** means the forecast prepared by the Franchisee pursuant to paragraph 5.2 of Schedule 1.1 (Service Development) in respect of:
- (a) the number of passengers travelling in each class of accommodation:
    - (i) on each Passenger Service;
    - (ii) on each Route; and/or
    - (iii) at any station or between any stations; and
  - (b) the times of day, week or year at which passengers travel,
- for the period in respect of which the next Timetable is to apply;
- “Franchise”** means the rights tendered by the Secretary of State in February 2015 to operate railway passenger services over the routes prescribed in paragraph 2.2 of Schedule 1.6 (Franchise Services);
- “Franchise Agreement”** means this Agreement and the Conditions Precedent Agreement which together constitute a single agreement which is a “franchise agreement” for the purposes of the Act;
- “Franchise Assets”** means the property, rights and liabilities designated as such pursuant to paragraph 1 of Schedule 14.4 (Designation of Franchise Assets) but excluding such property, rights or liabilities as shall, in accordance with the terms of the Franchise Agreement, cease to be so designated;
- “Franchise Documents”** means:
- (a) the Franchise Agreement, Train Service Requirement, Funding Deed and Conditions Precedent Agreement; and
  - (b) any other agreement signed by the Franchisee at the time of the award of the Franchise which is in the possession of the Secretary of State and which is notified by the Secretary of State to the Franchisee as being required for publication;
- “Franchise Employee”** means:
- (a) any employee of the Franchisee from time to time; and
  - (b) any other person who is an employee of any of its Affiliates or is an employee of any party to whom the Franchise Services or services which are in support of or ancillary to the Franchise Services have been

subcontracted (at any tier) or delegated by the Franchisee; and

- (c) in the case of (a) or (b), whose contract of employment would (subject to the exercise of such person's right to object to the transfer) be transferred to a Successor Operator following the expiry of the Franchise Period by virtue of the operation of Law (including the Transfer of Undertakings (Protection of Employment) Regulations 2006) or in respect of whom liabilities arising from a contract of employment or employment relationship may be so transferred;

**"Franchise Letting Process Agreement"**

means the agreement so entitled dated 3 July 2014 between the Secretary of State and the Franchisee entered into by the Franchisee as part of its proposal to secure the provision and operation of the Franchise Services;

**"Franchise Manager"**

means a person appointed from time to time by the Secretary of State to fulfil certain duties including to manage the Franchise Agreement on behalf of the Secretary of State and to monitor the Franchisee's performance of its obligations under the Franchise Agreement;

**"Franchise Payment"**

means, in relation to any Reporting Period, the amount determined in accordance with paragraph 1.1 of Schedule 8.1 (Franchise Payments);

**"Franchise Performance Meeting"**

means a meeting between the Secretary of State and the Franchisee to be held in accordance with paragraph 4 of Schedule 11 (Agreement Management Provisions);

**"Franchise Period"**

means the period commencing on the Start Date and ending on the Expiry Date or, if earlier, the date of termination of the Franchise Agreement pursuant to Clauses 4.2(b) or 4.3(b) of the Conditions Precedent Agreement or Schedule 10 (Remedies, Termination and Expiry);

**"Franchise Section"**

has the meaning given to it in paragraph 1 of Schedule 16 (Pensions);

**"Franchise Services"**

means such of the Passenger Services, the Light Maintenance Services, the Station Services and the Ancillary Services as the Franchisee may provide or operate from time to time, including any of such services as the Franchisee may delegate or subcontract or otherwise secure through any other person from time to time in accordance with the Franchise Agreement;

**"Franchise Term"**

means the period commencing on the Start Date and expiring on the Expiry Date;

<b>“Franchisee Access Station”</b>	means any station at which the Passenger Services call (other than any Station);
<b>“Franchisee ERTMS Plan”</b>	has the meaning given to it in paragraph 3.1(a)(ii) of Schedule 6.2 (TransPennine Express Franchise Specific Provisions);
<b>“Franchisee Owned RV Asset”</b>	<p>means each of the assets listed in Column 1 of the table set out in Part 2 of the Appendix to Schedule 14.4 (Designation of Franchise Assets) which:</p> <ul style="list-style-type: none"> <li>(a) are not annotated in Column 4 of such table as Network Rail Fixture Assets; and</li> <li>(b) are designated as Primary Franchise Assets in accordance with paragraph 2.1(h) of Schedule 14.4 such that they can be transferred to a Successor Operator at the applicable value specified in Column 2 of the table in Part 2 of the Appendix Schedule 14.4 (as such value may be amended during the Franchise Term in accordance with the provisions of paragraphs 13.4 or 13.6);</li> </ul>
<b>“Franchisee Year”</b>	means any period of 12 months during the Franchise Period, beginning on 1 April and ending on 31 March, except that the first and last Franchisee Years may be for a period of less than 12 months and the first Franchisee Year shall begin on the Start Date and the last Franchisee Year shall end on the last day of the Franchise Period;
<b>“Freedom of Information Act”</b>	means the Freedom of Information Act 2000;
<b>“Funded Authorisations”</b>	has the meaning given to such term in the IAD (as defined in Schedule 9.4);
<b>“Funding Deed”</b>	means the deed made between the Secretary of State, the Franchisee and the Guarantor dated on or about the date of the Franchise Agreement specifying arrangements relating to the funding for the Franchisee by the Parent and giving rights to the Secretary of State in relation to such funding;
<b>“GAAP”</b>	means generally accepted accounting principles in the United Kingdom, as derived from and including the accounting requirements of the Companies Act 2006, ‘Financial Reporting Standards 100, 101 and 102’, abstracts issued by the Urgent Issues Task Force of the Accounting Standards Board and, where appropriate, International Financial Reporting Standards and the listing rules of the Financial Conduct Authority, in each case, as amended from time to time;
<b>“General Anti-Abuse Rule”</b>	has the meaning given to it in paragraph 6.3 of Schedule 12 (Financial Obligations and Covenants);
<b>“Geographical Area”</b>	means that area of the United Kingdom bounded by a reasonably drawn line running through the railway stations at the following places:



- (a) Milngavie – North Berwick – Berwick upon Tweed – Scarborough – Cleethorpes – Retford – Buxton – West Kirkby – Milngavie (Northwest – East – South – West – North) and including all of the land area within which the Routes are located; or
- (b) as redefined from time to time by agreement with the Secretary of State, or in the absence of such as agreement, as determined by the Secretary of State;

**“Gross Revenue”**

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

**“Guarantor”**

has the meaning given to such term under the Funding Deed;

**“Halifax Abuse Principle”**

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

**“Handover Package”**

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

**“Hot Standby”**

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

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

**“HS2 Project”**

means the project for the construction and development of a proposed high speed railway from London to Birmingham and the north known as “HS2” or “High Speed Two” and all related infrastructure works;

<b>“Incremental Output Statement Charge”</b>	means the charge to which that description is commonly given, first introduced into Relevant Agreements in April 2001;
<b>“Independent Station”</b>	has the meaning given to it in paragraph 2.6 of Schedule 8.4 (Track Access Adjustments and Station Charge Adjustments);
<b>“Independent Station Access Conditions”</b>	has the meaning given to it in the Access Agreement to which it relates;
<b>“Indexation Sum”</b>	means, in respect of each Innovation Year, an amount equal to the Innovation Year Underspend indexed by the Retail Prices Index in the same way as variable costs are indexed in Schedule 8.2 (Annual Franchise Payments) less the Innovation Year Underspend;
<b>“Individual Station Charge Adjustment”</b>	has the meaning given to it in paragraph 2 of Schedule 8.4 (Track Access Adjustments and Station Charge Adjustments);
<b>“Industrial Action”</b>	has the meaning given to it in paragraph 1(f) of Schedule 10.4 (Force Majeure);
<b>“Industry Schemes”</b>	has meaning given to it in paragraph 10 of Schedule 13 (Information and Industry Initiatives);
<b>“Initial Business Plan”</b>	means the business plan to be provided by the Franchisee to the Secretary of State as described in paragraph 2.1 of Schedule 13 (Information and Industry Initiatives);
<b>“Initial Dataset”</b>	has the meaning given in paragraph 17.1 of Schedule 13 (Information and Industry Initiatives);
<b>“Initial Performance Bond”</b>	means the performance bond issued or to be issued on or prior to the date of this Franchise Agreement by a Bond Provider to the Secretary of State which complies with the requirements of paragraph 4.2 of Schedule 12 (Financial Obligations and Covenants);
<b>“Initial Period”</b>	has the meaning given to it in paragraph 7.5 of Schedule 9.1 (Financial and Other Consequences of Change);
<b>“Initial Permanent Fare”</b>	has the meaning given to it in the Ticketing and Settlement Agreement;
<b>“Initial Sustainable Development Plan”</b>	means the initial sustainable development plan in the agreed terms marked <b>ISDP</b> ;
<b>“Innovation Account”</b>	means an account in the name of the Franchisee charged in favour of the Secretary of State, as more particularly defined in the Innovation Account Charge;
<b>“Innovation Account Charge”</b>	means the charge granted by the Franchisee in favour of the Secretary of State in respect of the Innovation Account and in the agreed terms marked <b>IAC</b> ;

<b>“Innovation Board”</b>	means the board from time to time nominated by the Rail Delivery Group Operations Steering Group to review innovation proposals in accordance with guidance issued by the Secretary of State from time to time or such other substitute board or person as the Secretary of State may nominate from time to time;
<b>“Innovation Deliverables”</b>	means all software or other documentation or materials in any form produced by or on behalf of the Franchisee in connection with any Innovation Scheme;
<b>“Innovation Guidelines”</b>	means the guidelines issued by the Secretary of State to the Innovation Board (with a copy to the Franchisee) from time to time;
<b>“Innovation Implementation Plan”</b>	means the plan to be provided by the Franchisee to the Secretary of State in accordance with paragraph 19.1 of Schedule 13 (Information and Industry Initiative) in accordance with its Innovation Strategy;
<b>“Innovation Intellectual Property”</b>	means Intellectual Property Rights which are (i) created or developed by or on behalf of the Franchisee or a Collaborator in connection with any Innovation Scheme or (ii) otherwise required by an Innovation Scheme User to use the Innovation Scheme Output;
<b>“Innovation Milestone”</b>	means any milestone and in this context may specifically include input to an Innovation Scheme or Innovation Scheme Output;
<b>“Innovation Period”</b>	means a period of three years commencing on 1 April 2017 and ending on 31 March 2020, unless extended in accordance with paragraph 19.23 of Schedule 13 (Information and Industry Initiatives);
<b>“Innovation Period Underspend”</b>	has the meaning given to it in paragraph 19.22 of Schedule 13 (Information and Industry Initiatives);
<b>“Innovation Scheme”</b>	has the meaning given to it in paragraph 19.6 of Schedule 13 (Information and Industry Initiatives);
<b>“Innovation Scheme Output”</b>	means any technology, method or process which forms the output (intended or otherwise and howsoever arising) of an Innovation Scheme;
<b>“Innovation Scheme Underspend”</b>	means, in respect of any Innovation Scheme where the Actual Innovation Cost is less than the Projected Innovation Cost, the amount by which the Actual Innovation Cost was less than the Projected Innovation Cost;
<b>“Innovation Scheme User”</b>	means a person who uses the Innovation Scheme Output;
<b>“Innovation Strategy”</b>	means the Innovation Strategy in the agreed terms marked <b>IS</b> ;
<b>“Innovation Year”</b>	means each of the following years:

- (a) 1 April 2017 to 31 March 2018;
- (b) 1 April 2018 to 31 March 2019; and
- (c) 1 April 2019 to 31 March 2020,

and where the Innovation Period is extended in accordance with paragraph 19.23 of Schedule 13 (Information and Industry Initiatives), each year or part year within such extended period;

<b>“Innovation Year Underspend”</b>	means, in respect of each Innovation Year, any portion of the Annual Innovation Account Contribution for that Innovation Year which has not been spent or committed to an Innovation Scheme by the end of that Innovation Year;
<b>“Integrated Transport Schemes”</b>	means those schemes which relate to the integration of any form of transport with the Franchise Services;
<b>“Intellectual Property Rights”</b>	means all intellectual and industrial property rights of any kind including (without limitation) patents, supplementary protection certificates, rights in Know-How, registered trade marks, registered designs, unregistered design rights, unregistered trade marks, rights to prevent passing off or unfair competition and copyright (whether in drawings, plans, specifications, designs and computer software or otherwise), database rights, topography rights, any rights in any invention, discovery or process, and applications for and rights to apply for any of the foregoing, in each case in the United Kingdom and all other countries in the world and together with all renewals, extensions, continuations, divisions, reissues, re-examinations and substitutions;
<b>“Interest Rate”</b>	means a rate equivalent to two per cent per annum above the base lending rate published by Royal Bank of Scotland plc (or such other bank as the Secretary of State may, after consultation with the Franchisee, determine from time to time) during any period in which an amount payable under the Franchise Agreement remains unpaid;
<b>“Inter-Operator Schemes”</b>	means: <ul style="list-style-type: none"> <li>(a) each of the following schemes which relate to arrangements between the Franchisee and other participants in the railway industry: <ul style="list-style-type: none"> <li>(i) ATOC Staff Travel Scheme dated 23 July 1995 between the participants named therein;</li> <li>(ii) Ticketing and Settlement Agreement;</li> <li>(iii) ATOC LRT Scheme dated 23 July 1995 between the participants named therein;</li> </ul> </li> </ul>

- (iv) Travelcard Agreement dated 15 October 1995 between London Regional Transport and the parties named therein;
  - (v) Through Ticketing (Non-Travelcard) Agreement dated 15 October 1995 (as amended and restated) between London Regional Transport and the parties named therein; and
  - (vi) National Rail Enquiry Scheme dated 11 June 1996 between the participants named therein; and
- (b) any other scheme, agreement and/or contract of a similar or equivalent nature as may from time to time during the Franchise Period amend, replace or substitute, in whole or in part, any of such schemes, agreements and/or contracts; and
- (c) any Discount Fare Scheme;
- “Investment Asset”** means the Franchise Assets designated as such pursuant to paragraph 2.2 of Schedule 14.4 (Designation of Franchise Assets);
- “Investment Asset Request Date”** means each anniversary of the Start Date provided that the final Investment Asset Request Date shall be the date 13 months prior to the end of the Franchise Term and there shall not be an Investment Asset Request Date on the anniversary of the Start Date where this would occur within 12 months of such final Investment Asset Request Date;
- “Invitation to Tender”** means the Invitation to Tender issued by the Secretary of State in February 2015 as part of the procurement process pursuant to which the Franchise Agreement was entered into;
- “ISO55001:2014”** means the International Standard for Standardisation (ISO) 55001 “Asset Management”;
- “ITSO”** means (as the context may require) both:
- (a) the non profit distributing organisation run by its members for the benefit of members and users of smartcards, supported by the Department for Transport (“**DfT**”); and
  - (b) the common specification it has created to enable the use of interoperable smartcards in transport and other areas;
- “ITSO Certified Smartmedia”** means the contactless smartcards, devices or other media designed to hold fare and travel information with the monetary or other value encoded which have been fully certified by ITSO;

<b>“Key Contacts List”</b>	means the list which contains the name, address, home, office and mobile telephone numbers, and a brief description of the person’s role and responsibilities in the business in respect of all directors (statutory or otherwise) and the managers with responsibility for a department/function within the Franchisee’s business (and in particular managers in the operations, commercial, personnel and public affairs departments (or in each case their nearest equivalents));
<b>“Key Contract”</b>	means: <ul style="list-style-type: none"> <li>(a) each agreement and contract listed in the Appendix (List of Key Contracts) to Schedule 14.3 (Key Contracts) as at the date of the Franchise Agreement; and</li> <li>(b) any other agreement, contract, licence or other arrangement to which the Franchisee is a party or under which the Franchisee is the beneficiary from time to time which is designated as such pursuant to Schedule 14.3 (Key Contracts),</li> </ul> but excluding any such agreement, contract, licence or other arrangement which ceases, in accordance with the terms of the Franchise Agreement, to be designated as a Key Contract;
<b>“Key Personnel”</b>	means those persons identified by the Franchisee in accordance with paragraph 2.1 of Schedule 11 (Agreement Management Provisions);
<b>“Know-How”</b>	means formulae, methods, plans, inventions, discoveries, improvements, processes, performance methodologies, techniques, specifications, technical information, tests, results, reports, component lists, manuals and instructions;
<b>“Law”</b>	includes any enactment, subordinate legislation, rule, regulation, order, directive or other provision, including those of the European Community, and any judicial or administrative interpretation or application thereof, which has, in each case, the force of law in the United Kingdom or any part of it (including the Act, the Transport Act, the Transport Safety Act 2003 and the Railways Act 2005);
<b>“Lead Operator”</b>	has the meaning given to it in the Ticketing and Settlement Agreement;
<b>“Legislation”</b>	means any enactment or subordinate legislation, rule, regulation, order, directive or other provision including those of the European Community, which has, in each case, the force of Law in the United Kingdom or any part of it, but excluding any order under Section 1 of the Transport and Works Act 1992;
<b>“Licence for Permitted Use”</b>	means a licence (in respect of Intellectual Property Rights) to any person (a) for exceptional use including without limitation a licence for military or police use or a licence to meet a commitment of the

United Kingdom government such as to reduce climate change; or (b) a licence for such other use or purpose as the Innovation Board recommends in respect of a specific Innovation Scheme or generally from time to time;

**“Licences”**

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

**“Light Maintenance Service”**

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

**“Local Authority”**

means:

- (a) in England, a county council, a district council, a unitary authority, a passenger transport executive, a London borough council, the common council of the City of London, or a council which is established under the Local Government Act 1992 and which is either an authority responsible for expenditure on public passenger transport services within the meaning of Section 88 of the Transport Act 1985 or a local authority for the purposes of Section 93 of the Transport Act 1985;
- (b) in Wales, a county council, a district council or a council which is established under the Local Government Act 1972 or the Local Government (Wales) Act 1994;
- (c) in Scotland, the Strathclyde Passenger Transport Executive, or a district council or a unitary authority which is established under the Local Government (Scotland) Act 1973 or the Local Government, etc. (Scotland) Act 1994;
- (d) in London, the Mayor of London and Transport for London established under the Greater London Authority Act 1999;
- (e) any local enterprise partnership;
- (f) any other body or council replacing any of the above from time to time; and
- (g) any other body or instrument of local or regional government specified by the Secretary of State from time to time;

**“Local Authority Decrement Scheme”**

means any scheme proposed by a Local Authority involving decremental de-specification to a part of the Passenger Services provided under contract with such

	Local Authority which does not conflict with the Train Service Requirement;
<b>“Local Authority Increment Scheme”</b>	means any scheme proposed by a Local Authority involving incremental additions and improvements to a part of the Passenger Services which does not conflict with the Train Service Requirement pursuant to a contract with such Local Authority;
<b>“Lock-up Period”</b>	has the meaning given to it in paragraph 3.2 of Schedule 12 (Financial Obligations and Covenants);
<b>“London Station”</b>	means any station served by the Railway Passenger Services in the Zones and any Zone to or from which a passenger may travel from or to such station;
<b>“Maintenance Contract”</b>	means any contract or arrangement to which the Franchisee is a party, which includes the carrying out for the Franchisee of any maintenance work (including light maintenance services) or service provision in respect of rolling stock vehicles used by the Franchisee in the provision of the Passenger Services or for the enforcement of warranties or other rights against a manufacturer in respect of any such rolling stock vehicles;
<b>“Major Flow Operator”</b>	has the meaning given to it in the Ticketing and Settlement Agreement;
<b>“Managed Station”</b>	means any station used in connection with the provision of the Franchise Services where Network Rail is the Facility Owner or becomes the Facility Owner during the Franchise Period;
<b>“Managed Station Area”</b>	means the premises comprising part or parts of a Managed Station to be occupied by the Franchisee on or after the Start Date and to be used for or in connection with the provision of the Franchise Services;
<b>“Management Accounts”</b>	means, in relation to any Reporting Period, the Franchisee’s management accounts which: <ul style="list-style-type: none"> <li>(a) comply with paragraph 3.10 of Schedule 13 (Information and Industry Initiatives); and</li> <li>(b) are required to be delivered to the Secretary of State by the Franchisee in accordance with paragraphs 3.2 and 3.3 of Schedule 13 (Information and Industry Initiatives);</li> </ul>
<b>“Mandatory Modification”</b>	means a modification or addition to any rolling stock vehicle which is required to be made under any applicable Law or any directive of the Rail Safety and Standards Board or any government authority;
<b>“Marks”</b>	means such trade marks as the Franchisee may apply to any Primary Franchise Asset or other asset used by it under a Key Contract, which are applied on the expiry of the Franchise Period and are not the subject of a Brand Licence;



<b>“Minor Works”</b>	has the meaning given to it in paragraph 2.7(a) of Schedule 4 (Persons with Disabilities and Disability Discrimination);
<b>“Minor Works’ Budget”</b>	<p>means £100,000 for each Franchisee Year allocated by the Franchisee for the purpose of facilitating Minor Works at Stations to improve accessibility of the Stations to persons with disabilities, save that:</p> <p>(a) for any Franchisee Year which is shorter than 12 months, the amount shall be reduced pro rata; and</p> <p>(b) for each Franchisee Year after the first Franchisee Year, the amount shall be subject to adjustment as follows:</p> <p style="padding-left: 40px;">Minor Works’ Budget x RPI</p> <p style="padding-left: 40px;">Where:</p> <p style="padding-left: 80px;">RPI has the meaning given to it in Schedule 8.2 (Annual Franchise Payments);</p>
<b>“Minor Works’ Programme”</b>	means the Franchisee’s programme of Minor Works at Stations to improve accessibility of the Stations to persons with disabilities, developed prior to the start of each Franchisee Year pursuant to paragraph 2.7(b) of Schedule 4 (Persons with Disabilities and Disability Discrimination);
<b>“Minutes Delay”</b>	means the minutes of delay to the Passenger Services that are attributed to the Franchisee or Network Rail (as the case may be) pursuant to the Track Access Agreement and disregarding any minutes of delay that are attributed to Passenger Services that were cancelled;
<b>“Model Changes”</b>	has the meaning given in paragraph 4.3 of Schedule 9.1 (Financial and Other Consequences of Change);
<b>“Modified Revenue”</b>	<p>means:</p> <p>(a) the sum of:</p> <p style="padding-left: 40px;">(i) the Franchisee’s total revenue for the period being reviewed as stated in its profit and loss account:</p> <p style="padding-left: 80px;">(A) including any amounts receivable from the Secretary of State, Network Rail and any interest; but</p> <p style="padding-left: 80px;">(B) excluding the proportion of income recognised in the profit and loss account in relation to grants received in</p>

- respect of capital expenditure; and
- (ii) the opening cash balance for the period being reviewed excluding:
  - (A) any cash held for the exclusive purpose of the provision of the Performance Bond; and
  - (B) the amount equivalent to:
    - (1) any cash that is held pursuant to any restrictive terms under any agreement and that, consequently, cannot be used for general operating purposes (including funds held in the Innovation Account);
    - (2) any cash capable of being drawn down but not actually received,
 including, in both cases, under any loan or funding agreement or arrangements (including the Funding Deed) entered into with an Affiliate of the Franchisee; and
  - (C) the amount of the opening season ticket liabilities which relate to Passenger Services yet to be delivered; and

(b) either:

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

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

**“Monthly Season Ticket”**

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

**“Morning Peak”**

means, in relation to any Passenger Service, the period between 0700 and 0959 (inclusive) during a Weekday or such other continuous three hour period between 0000 and 1159 as the Secretary of State may specify from time to time;

**“National Rail Enquiry Scheme”**

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

**“National Rail Passenger Survey”**

means a passenger satisfaction survey in respect of the Franchise Services to be carried out by the Passengers’ Council as described in paragraph 1 of Schedule 7.2 (National Rail Passenger Surveys and Customer and Communities Improvement Fund) and shall include any Alternative NRPS as referred to in paragraph 1.6 of Schedule 7.2 (National Rail Passenger Surveys and Customer and Communities Improvement Fund);

**“National Rail Timetable”**

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

**“Network Change”**

has the meaning given to it in the Network Code;

**“Network Change Compensation Claims”**

has the meaning given to it in paragraph 3.4(a) of Schedule 6.2 (TransPennine Express Franchise Specific Provisions);

**“Network Code”**

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

**“Network Rail”**

means in respect of:

- (a) the network or any relevant facility:
  - (i) Network Rail Infrastructure Limited, a company registered in England with registered number 02904587 whose registered

office is 1 Eversholt Street,  
London NW1 2DN; and

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

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

**“Network Rail Cancellation”**

means a Passenger Service:

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

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

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

**“Network Rail Data”**

means any information, data and materials that may be provided to the Secretary of State by NR that relates to the Franchisee and which the Secretary of State decides (in his absolute discretion) to add to the RPC Database;

**“Network Rail Fixture Asset”**

means a tangible asset annotated as such in Column 4 of the table in Part 2 of the Appendix to Schedule 14.4 (Designation of Franchise Assets) which is:

(a) funded by the Franchisee and affixed to a Station or Depot (as the case may be) such that it is regarded as a fixture to and part of such Station or Depot (as the case may be); and

(b) designated as a Primary Franchise Assets in accordance with paragraph 2.1(h) of Schedule 14.4 such that it can be transferred as the unencumbered property of the Franchisee to a Successor Operator at the applicable value specified in Column 2 of the table in Part 2 of the Appendix Schedule 14.4 (as such value may be amended during the Franchise Term in accordance with the provisions of paragraphs 13.4 or 13.6);

**“Network Rail Partial Cancellation”**

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

(a) misses a stop; or

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

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

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

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

- (a) the restated values of FXD, VCRPI, VCAWE, PRPI and RRPI to be specified for each Franchisee Year in the Appendix (Figures for Calculation of Annual Franchise Payments) to Schedule 8.2 (Annual Franchise Payments);
- (b) the restated values of FPST, SPST and TPST to be specified for each Franchisee Year in paragraphs 1, 2 and 3 (respectively) of Appendix 1 to Schedule 8.1 (Franchise Payments); and
- (c) the restated values of AFA and DFR to be specified for each Franchisee Year in paragraphs 1 and 2 (respectively) of Appendix 2 to Schedule 8.1 (Franchise Payments);

**“New Station”** means:

- (a) a station not served by railway passenger services as at February 2003, but which has since that time been, or is subsequently, served by railway passenger services which have been, or are subsequently to be, included in the Timetable or in another relevant Train Operator’s timetable; and/or
- (b) if the Secretary of State requires, a station, other than a Station, at which, with the consent of the Secretary of State (whether by amendment to the Franchise Agreement or otherwise) railway passenger services operated by the Franchisee call;

**“No Breach Reporting Period”** has the meaning given to such term in paragraph 2.2A of Schedule 7.1 (Performance Benchmarks);

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

<b>“North Trans Pennine Upgrade”</b>	<p>means the rail infrastructure upgrade of the route between Stalybridge and York and Leeds and Selby (with a possible extension to Hull if the business case is approved) involving some or all of the following components:</p> <ul style="list-style-type: none"> <li>(a) electrification;</li> <li>(b) signalling works;</li> <li>(c) line speed enhancements;</li> <li>(d) capacity enhancements; and</li> <li>(e) other miscellaneous rail infrastructure works;</li> </ul> <p>it being acknowledged that each such rail infrastructure upgrade may be completed in one or more phases with each such phase being, for the purposes of the Franchise Agreement, a North TransPennine Upgrade</p>
<b>“North Trans Pennine Upgrade Franchise Services Proposal”</b>	<p>means a proposal from the Franchisee in response to a Request for the North Trans Pennine Upgrade Franchise Services Proposal;</p>
<b>“North Trans Pennine Upgrade Infrastructure Outputs”</b>	<p>means the enhanced infrastructure outputs to be available to the Franchisee for the purposes of operating Passenger Services following completion of a North Trans Pennine Upgrade;</p>
<b>“Northern Franchise”</b>	<p>means the rights tendered by the Secretary of State to operate certain railway passenger services identified by him as the Northern passenger services (or such other name as he may notify to the Franchisee for this purpose from time to time);</p>
<b>“Northern Franchisee”</b>	<p>means the franchisee appointed by the Secretary of State on or about the date of the Franchise Agreement to operate the Northern Franchise;</p>
<b>“NR”</b>	<p>means Network Rail Limited (company number 04402220), Network Rail Infrastructure Limited (company number 2904587) whose registered offices are both at 1, Eversholt Street, London NW1 2DN or any Affiliate thereof from time to time;</p>
<b>“NRPS Benchmark”</b>	<p>means in relation to any Franchisee Year, each of the benchmarks relating to each NRPS Measure as set out in the relevant columns of the NRPS Benchmark Table;</p>
<b>“NRPS Benchmark Table”</b>	<p>means the table set out in Appendix 1 (NRPS Benchmark Table) of Schedule 7.2 (National Rail Passenger Surveys and Customer and Communities Improvement Fund);</p>
<b>“NRPS Measure”</b>	<p>means each of the factors set out in the Passenger Survey Methodology and grouped as “Stations”, “Trains” and “Customer Services”;</p>

<b>"Occasion of Tax Non-Compliance"</b>	has the meaning given to it in paragraph 6.3 of Schedule 12 (Financial Obligations and Covenants);
<b>"Off-Peak"</b>	means, in relation to any Passenger Service, the period of time outside of the Peak;
<b>"Old Results"</b>	<p>means in relation to any Change, the following as produced in accordance with Schedule 9.1 (Financial and Other Consequences of Change) by or following the Run of the Financial Model in respect of the immediately preceding Change (or, in relation to the first Change only, the following as at the date hereof:</p> <ul style="list-style-type: none"> <li>(a) the values of FXD, VCRPI, VCAWE, PRPI and RRPI specified for each Franchisee Year in the Appendix (Figures for Calculation of Annual Franchise Payments) to Schedule 8.2 (Annual Franchise Payments);</li> <li>(b) the values of FPST, SPST and TPST specified for each Franchisee Year in paragraphs 1, 2 and 3 (respectively) of Appendix 1 to Schedule 8.1 (Franchise Payments); and</li> <li>(c) the values of AFA and DFR specified for each Franchisee Year in paragraphs 1 and 2 (respectively) of Appendix 2 to Schedule 8.1 (Franchise Payments);</li> </ul>
<b>"Operating Assets"</b>	has the meaning given to it in paragraph 1.1 of Schedule 14.2 (Maintenance of Operating Assets);
<b>"Operational Model"</b>	<p>means the following models in the agreed terms marked <b>OM</b>:</p> <ul style="list-style-type: none"> <li>(a) the revenue model;</li> <li>(b) the performance model;</li> <li>(c) all cost models; and</li> <li>(d) any other relevant models that have generated input to the Financial Model;</li> </ul>
<b>"Option EMUs"</b>	means [from 7 up to 22] 6 or 8 car New EMUs;
<b>"Ordsall Chord Funded Authorisations"</b>	has the meaning defined in the IAD as that term is defined in Schedule 9.4;
<b>"Original Rolling Stock"</b>	has the meaning given to it in paragraph 1.1(a) of Schedule 1.7 (The Train Fleet);
<b>"ORR"</b>	means the Office of Rail Regulation established by Section 15 of the Railways and Transport Safety Act 2003 and having duties and obligations as set out in the Act;
<b>"Other Passenger Route Within the Geographical Area"</b>	means any route which is not a Route but is a principal route (being a route reasonably selected as being such by the Franchisee or nominated by the Secretary of State) in the Geographical Area over which a passenger train operator other than the

	Franchisee operates passenger services included in the National Rail Timetable;
<b>"Parent"</b>	means FirstGroup plc (company registration number SC157176);
<b>"Partial Cancellation"</b>	means a Passenger Service which is included in the Enforcement Plan of the Day and which: <ul style="list-style-type: none"> <li>(a) misses a stop; or</li> <li>(b) completes 50 per cent or more, but less than 100 per cent of its scheduled journey as prescribed in the Enforcement Plan of the Day,</li> </ul> in each case, for reasons which are attributed to the Franchisee pursuant to its Track Access Agreement;
<b>"Participating Employer"</b>	has the meaning given to it in the Pension Trust;
<b>"Passenger Assistance"</b>	means the passenger assistance service provided by train operating companies and referred to by the ORR as "Passenger Assist", as such service may be further described by the ORR from time to time at: <a href="http://orr.gov.uk/info-for-passengers/passengers-with-disabilities">http://orr.gov.uk/info-for-passengers/passengers-with-disabilities</a> (or such other applicable web address that is adopted by the ORR for these purposes from time to time);
<b>"Passenger Carrying Capacity"</b>	means, in relation to a Passenger Service, the capacity of the rolling stock vehicles (as stated in Schedule 1.7 (The Train Fleet) or determined by the Secretary of State in accordance with paragraph 2.4 of Schedule 1.7 (The Train Fleet)) from which the Passenger Service is formed;
<b>"Passenger Change Date"</b>	means a date upon which significant changes may be made to the Timetable in accordance with or by virtue of the Network Code;
<b>"Passenger Services"</b>	means the Franchisee's railway passenger services as specified in any Timetable and/or Plan of the Day including those railway passenger services which the Franchisee may delegate or subcontract or otherwise secure through any other person from time to time in accordance with the Franchise Agreement;
<b>"Passenger Survey Methodology"</b>	has the meaning given to such term in paragraph 1.4 of Schedule 7.2 (National Rail Passenger Surveys and Customer and Communities Improvement Fund);
<b>"Passenger's Charter"</b>	means the Franchisee's service commitments to its passengers in the agreed terms marked <b>PC</b> , as amended or replaced from time to time with the prior written consent of the Secretary of State in accordance with paragraph 4 of Schedule 1.4 (Passenger Facing Obligations);
<b>"Passengers' Council"</b>	means the passengers' council established under Section 19 of the Railways Act 2005;



<b>“Payment Date”</b>	means the date for the payment of Franchise Payments in accordance with paragraph 2.3 of Schedule 8.1 (Franchise Payments);
<b>“Peak”</b>	means the Morning Peak and the Evening Peak;
<b>“Pension Trust”</b>	means the pension trust governing the Railways Pension Scheme;
<b>“Pensions Committee”</b>	has the meaning given to it in the Railways Pension Scheme;
<b>“Percentage Allocation”</b>	has the meaning given to it in the Ticketing and Settlement Agreement;
<b>“Performance Bond”</b>	means the Initial Performance Bond and any Replacement Performance Bond, which in each case, shall comply with the requirements of paragraph 4.2 of Schedule 12 (Financial Obligations and Covenants);
<b>“Performance Strategy Plan”</b>	has the meaning given to it in the Network Code;
<b>“Performance Sum Adjustment Date”</b>	means in the case of each Cancellations Performance Sum or TOC Minute Delay Performance Sum determined pursuant to paragraph 3 of Schedule 7.1 (Performance Benchmarks) and payable by the Secretary of State, the first Payment Date falling no less than seven days after that determination;
<b>“Permanent Fare”</b>	has the meaning given to it in the Ticketing and Settlement Agreement;
<b>“Permitted Aggregate Increase”</b>	has the meaning given to it in paragraph 4.2 of Schedule 5.4 (Regulation of Protected Fares Basket Values);
<b>“Permitted Individual Increase”</b>	has the meaning given to it in paragraph 2.2 of Schedule 5.5 (Regulation of Individual Fares);
<b>“Personal Data”</b>	has the same meaning as in the Data Protection Act and includes Sensitive Personal Data as defined therein;
<b>“Personal Data Legislation”</b>	has the meaning given to it in paragraph 5.1 of Schedule 1.5 (Information about Passengers);
<b>“Placed in Escrow”</b>	means: <ul style="list-style-type: none"> <li>(a) in respect of the Financial Model, delivery of the Financial Model: <ul style="list-style-type: none"> <li>(i) dated the date of the Franchise Agreement; and</li> <li>(ii) adjusted to the extent necessary to reflect any time elapsed between the actual Start Date and the date assumed to be the Start Date in the Initial Business Plan; and</li> </ul> </li> </ul>

- (iii) where Schedules 9.1 (Financial and Other Consequences of Change) and 9.2 (Identity of the Financial Models etc.) apply, audited following a Run of the Financial Model and updated with any Revised Inputs; and
- (b) in respect of the Operational Model, delivery of:
  - (i) the Operational Model dated the date of the Franchise Agreement;
  - (ii) the Operational Model adjusted to the extent necessary to reflect any time elapsed between the actual Start Date and the date assumed to be the Start Date in the Initial Business Plan; and
  - (iii) where Schedules 9.1 (Financial and Other Consequences of Change) and 9.2 (Identity of the Financial Models etc.) apply, the inputs to the Financial Model derived therefrom following an audit of a Run of the Financial Model; and
- (c) in respect of the Record of Assumptions, delivery thereof,

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

**“Plan of the Day”**

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

**“Power of Attorney”**

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

**“PPM Figures”**

means the moving annual average percentage published by Network Rail in respect of PPM, rounded to one decimal place;

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

means the public performance measure as produced and/or published by Network Rail;

**“Preceding 13 Reporting Periods”**

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

**“Preceding Year Ticket Price”**

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

<b>“Preliminary Database”</b>	means such database as may reasonably be put in place by the Secretary of State prior to making any RPC Database available to the Franchisee, as part of the development of the RPC Database;
<b>“Preston to Manchester Funded Authorisations”</b>	has the meaning defined in the IAD as that term is defined in Schedule 9.4;
<b>“Previous Franchise Agreement”</b>	means any franchise agreement under which services equivalent to the Franchise Services (or a material proportion thereof) were provided by a Train Operator on or about the day prior to the Start Date;
<b>“Price”</b>	means, in respect of any Fare, the price of such Fare before the deduction of any applicable discount to which a purchaser may be entitled, as notified to RSP in accordance with Schedule 5 to the Ticketing and Settlement Agreement;
<b>“Primary Franchise Assets”</b>	<p>means:</p> <ul style="list-style-type: none"> <li>(a) the property, rights and liabilities of the Franchisee listed in the Appendix (List of Primary Franchise Assets) to Schedule 14.4 (Designation of Franchise Assets); and</li> <li>(b) any other property, rights and liabilities of the Franchisee which is or are designated as such pursuant to Schedule 14.4 (Designation of Franchise Assets),</li> </ul> <p>but excluding such property, rights or liabilities as may, in accordance with the terms of the Franchise Agreement, cease to be so designated;</p>
<b>“Principles of Inclusive Design”</b>	means planning, designing, building and managing places, while having due regard and a proportionate response to stakeholder views obtained through consultation or otherwise, so that they work better for everybody and reflect the diversity of the people who use them;
<b>“Prior Train Operator”</b>	has the meaning given to it in paragraph 2.5 of Schedule 2.2 (Security of Access Agreements, Rolling Stock Leases, Station and Depot Leases);
<b>“Process”</b>	has the same meaning as in the Data Protection Act 1998;
<b>“Profit Share Components”</b>	has the meaning given to it in paragraph 1.1(a)(i) of Schedule 9.1 (Financial and Other Consequences of Change);
<b>“Projected Innovation Cost”</b>	means, in respect of any Innovation Scheme, the total projected cost to the Franchisee of developing and implementing that Innovation Scheme calculated in accordance with paragraph 19.10 of Schedule 13 (Information and Industry Initiatives);
<b>“Projected Revenue”</b>	means the revenue in any Fare Year which is projected to be attributable to any Fare, determined

in accordance with paragraph 3 of Schedule 5.4 (Regulation of Protected Fares Basket Values);

**“Property Lease”**

means any Depot Lease, any lease in respect of a Managed Station Area, any lease in respect of Shared Facilities or any Station Lease and any agreement or lease of a similar or equivalent nature (whether in respect of any such facility or otherwise) which the Franchisee may enter into with a person who has an interest in a network or a railway facility which is to be used for or in connection with the provision or operation of the Franchise Services;

**“Proposed ERTMS Implementation Plan”**

means Network Rail’s plans for the implementation of the ERTMS Programme as more particularly described in the document in agreed terms marked **ERTMSP**;

**“Protected Fare”**

means a Protected Return Fare or a Protected Weekly Season Ticket;

**“Protected Fares Basket”**

means the grouping of Protected Fares:

- (a) determined by the Secretary of State pursuant to Schedule 5.3 (Allocation of Fares to the Protected Fares Basket);
- (b) for the purposes of regulating their aggregate Prices or Child Prices, as the case may be, in accordance with Schedule 5.4 (Regulation of Protected Fares Basket Values);
- (c) amended by the Secretary of State from time to time in accordance with Schedule 5.7 (Changes to Fares and Fares Regulation); and
- (d) set out in the Protected Fares Document;

**“Protected Fares Document”**

means the document to be issued by the Secretary of State to the Franchisee on or before the Start Date and in accordance with the requirements of Schedule 5.3 (Allocation of Fares to the Protected Fares Basket), as the same may be amended from time to time in accordance with Schedule 5.7 (Changes to Fares and Fares Regulation);

**“Protected Proposal”**

has the meaning given to it in paragraph 1.8 of Schedule 9.5 (Variations to the Franchise Agreement and Incentivising Beneficial Changes);

**“Protected Return Fare”**

means in respect of a Fare for a Flow:

- (a) for which there was a Saver Return Fare in February 2003, a Return Fare for each such Flow in respect of which the Franchisee is entitled or obliged from time to time to set the Price or Child Price under the Ticketing and Settlement Agreement, subject to the following additional rights and restrictions:

- (i) it shall be valid for no less than one month;
- (ii) it shall be valid all day on a Saturday or Sunday and from no later than 1030 on any other day;
- (iii) it need not be valid for any journey:
  - (A) beginning between 1500 and 1900 on any day other than a Saturday or Sunday;
  - (B) where such journey begins from a London Station or any station between any London Station and Reading station, Watford station, Luton station, or Stevenage station (inclusively); and
  - (C) which is in a direction away from London; or

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

**“Protected Weekly Season Ticket”**

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

**“Public Sector Operator”**

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

**“Qualifying Change”**

means a Change which:

- (a) following a Run of the Financial Model (where Schedule 9.1 (Financial and Other Consequences of Change) applies) in accordance with Schedule 9 (Changes) results in adjustments in Franchise Payments over the remaining life of the Franchise Agreement that have a net present value as at the date of the Change in excess of the Threshold Amount for the Franchisee Year during which the relevant

Change arises. For the purposes of ascertaining a net present value of the amount of any adjustment in any Franchise Payment, the amount of the adjustment shall be discounted at the prevailing discount rate per annum (in real terms) stated in HM Treasury's "Green Book Appraisal Guidelines", counting back from the date of receipt of that adjusted Franchise Payment to the date of the Change. As at the date of the Franchise Agreement that rate is 3.5%; or

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

<b>"Quarterly Season Ticket"</b>	means a Season Ticket Fare which is valid in Standard Class Accommodation from (and including) the day it first comes into effect until (but excluding) the day which falls three months after such day;
<b>"Rail North"</b>	means Rail North Limited (company number 9229441) whose registered office is at Transport for Greater Manchester, 2 Piccadilly Place, Manchester M1 3BG;
<b>"Rail North Agreement"</b>	means an agreement dated 20 March 2015 and made between the Secretary of State and Rail North;
<b>"Rail Safety and Standards Board"</b>	means Rail Safety and Standards Board Limited, a company registered in England with registered number 04655675 whose registered office is at Block 2, Angel Square, 1 Torrens Street, London EC1V 1NY;
<b>"Railway Group"</b>	means the committee responsible for cross industry co-ordination in respect of rail safety legislation and industry safety standards chaired by the Rail Safety and Standards Board;
<b>"Railway Operational Code"</b>	has the meaning given to it in Condition H of the Network Code;
<b>"Railway Passenger Services"</b>	means, for the purposes of Schedule 5 (Fares) only, services for the carriage of passengers by railway which are provided by a person who is bound by the Ticketing and Settlement Agreement, or any part of it, and including the Franchisee and any other Train Operator from time to time;
<b>"Railways Pension Scheme"</b>	means the pension scheme established by the Railways Pension Scheme Order 1994 (No. 1433);
<b>"Reconciliation Amount"</b>	has the meaning given to it in paragraph 9.9 of Schedule 9.1 (Financial and Other Consequences of Change);
<b>"Record of Assumptions"</b>	means a document in the agreed terms marked <b>ROA</b> prepared by the Franchisee (and/or, where Schedule 9.1 (Financial and Other Consequences of Change) applies) as may be revised in accordance with

Schedule 9 (Changes)) and Placed in Escrow providing:

- (a) detailed assumptions, explanations of assumptions and parameters underlying the Financial Model;
- (b) details of how Franchise Payments have been calculated (including by reference to a defined annual profit margin);
- (c) a description of the functionality, operation and structure of the Financial Model; and
- (d) a description of each input cell, its requirements and its inter-relationship with the Financial Model;

<b>"Redactions"</b>	has the meaning given to it in paragraph 10.1 of Schedule 17 (Confidentiality and Freedom of Information);
<b>"Reference Fare"</b>	has the meaning given to it in paragraph 6.1(a) of Schedule 5.7 (Changes to Fares and Fares Regulation);
<b>"Reference Flow"</b>	has the meaning given to it in paragraph 6.1(a) of Schedule 5.7 (Changes to Fares and Fares Regulation);
<b>"Reference Revenue"</b>	means the aggregate Gross Revenue recorded by RSP as attributable to sales of all Protected Fares for the period of 12 months which ended 31 March 2010 or such other reference period as the Secretary of State may require pursuant to paragraph 3.1(a) of Schedule 5.7 (Changes to Fares and Fares Regulation);
<b>"Regulated Child Price"</b>	means the Child Price that is permitted to be charged by the Franchisee in respect of any Fare in any Fare Year, determined in accordance with paragraph 2.1 of Schedule 5.5 (Regulation of Individual Fares);
<b>"Regulated Price"</b>	means the Price that is permitted to be charged by the Franchisee in respect of any Fare in any Fare Year, determined in accordance with paragraph 2.1 of Schedule 5.5 (Regulation of Individual Fares);
<b>"Regulated Value"</b>	means the Value of the Protected Fares Basket that is permitted in any Fare Year, determined in accordance with paragraph 4.1 of Schedule 5.4 (Regulation of Protected Fares Basket Values);
<b>"Regulations"</b>	has the meaning given to it in paragraph 2.2 of Schedule 2.5 (Transport, Travel and Other Schemes);
<b>"Relevant Agreement"</b>	means any Property Lease or Access Agreement in relation to any stations or network which may be used from time to time by the Franchisee in connection with the Franchise Services, as replaced or amended from time to time. If and to the extent that:

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

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

**“Relevant Credit Rating”**

means a credit rating of:

- (a) A - (or better) by Standard and Poor's Corporation or Fitch Ratings Limited in respect of long term senior debt; or
- (b) A3 (or better) by Moody's Investors Service Inc. in respect of long term senior debt; or
- (c) if any credit rating specified in paragraph (a) or (b) ceases to be published or made available or there is a material change in the basis of any such credit rating, such other rating or standard as the Secretary of State may, after consultation with the Franchisee, determine to be appropriate in the circumstances;

**“Relevant Delay”**

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

**“Relevant Profit”**

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

**“Relevant Reporting Period”**

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

**“Relevant Rolling Stock”**

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

**“relevant State”**

has the meaning given to it in paragraph 10.2 of Schedule 19 (Other Provisions);

**“Relevant Tax Authority”**

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

**“Relevant Term”**

has the meaning given to it in paragraph 1.2(a) of Schedule 10.1 (Remedial Plans and Remedial Agreements);



<b>“Remapped Diagram”</b>	has the meaning given to it in paragraph 14.6(d) of Schedule 6.2 (TransPennine Express Franchise Specific Provisions);
<b>“Remedial Agreement”</b>	has the meaning given to it in paragraph 1.5 of Schedule 10.1 (Remedial Plans and Remedial Agreements);
<b>“Remedial Plan”</b>	has the meaning given to it in paragraph 1.2(b) of Schedule 10.1 (Remedial Plans and Remedial Agreements);
<b>“Remedial Plan Notice”</b>	has the meaning given to it in paragraph 1.1 of Schedule 10.1 (Remedial Plans and Remedial Agreements);
<b>“Replacement Agreement”</b>	means an agreement entered into as a replacement for any Relevant Agreement;
<b>“Replacement Copy”</b>	has the meaning given to it in paragraph 2.2(b) of Schedule 9.2 (Identity of the Financial Model etc.);
<b>“Replacement Performance Bond”</b>	means any performance bond issued or to be issued following the issue of the Initial Performance Bond by a Bond Provider to the Secretary of State which complies with the requirements of paragraph 4.2 of Schedule 12 (Financial Obligations and Covenants);
<b>“Reporting Period”</b>	means: <ul style="list-style-type: none"> <li>(a) for the purposes of the Season Ticket Bond, any consecutive seven-day period or any other period, each within a Reporting Period (as defined in paragraph (b)) agreed in accordance with paragraph 5.12 of Schedule 12 (Financial Obligations and Covenants); or</li> <li>(b) for all other purposes, a period of 28 days, provided that: <ul style="list-style-type: none"> <li>(i) the first such period during the Franchise Period shall exclude any days up to but not including the Start Date;</li> <li>(ii) the first and last such period in any Reporting Year may be varied by up to seven days by notice from the Secretary of State to the Franchisee;</li> <li>(iii) each such period shall start on the day following the last day of the preceding such period; and</li> <li>(iv) the last such period during the Franchise Period shall end at the end of the Franchise Period;</li> </ul> </li> </ul>

<b>“Reporting Year”</b>	means a period normally commencing on 1 April in each calendar year, comprising 13 consecutive Reporting Periods;
<b>“Request for Information”</b>	means a request for information or an apparent request under the Freedom of Information Act or the Environmental Information Regulations;
<b>“Request for a North Trans Pennine Upgrade Franchise Services Proposal”</b>	means a request issued by the Secretary of State to the Franchisee requiring the Franchisee to deliver a proposal to amend the Franchise Services to utilise the North Trans Pennine Upgrade Infrastructure Outputs;
<b>“Required Improvement”</b>	has the meaning given to it in paragraph 2.8 of Schedule 7.2 (National Rail Passenger Surveys and Customer and Communities Improvement Fund);
<b>“Required Performance Improvement”</b>	has the meaning given to it in paragraph 3.7 of Schedule 7.1 (Performance Benchmarks);
<b>“Retail Prices Index”</b>	means the retail prices index for the whole economy of the United Kingdom and for all items as published from time to time by the Office for National Statistics as “RPI” or, if such index shall cease to be published or there is, in the reasonable opinion of the Secretary of State, a material change in the basis of the index or if, at any relevant time, there is a delay in the publication of the index, such other retail prices index as the Secretary of State may, after consultation with the Franchisee, determine to be appropriate in the circumstances;
<b>“Return Fare”</b>	means a Fare which entitles the purchaser to make, without further restrictions as to the time of day for which the Fare is valid, a journey in each direction in Standard Class Accommodation between the stations and/or the zones for which such Fare is valid and which expires no earlier than 0200 hours on the day after the day of the outward journey or, if later, the time the relevant return journey may be completed if commenced before 0200 hours;
<b>“Review Date”</b>	means: <ul style="list-style-type: none"> <li>(a) 18<sup>th</sup> February 2016; or</li> <li>(b) such later date as may be notified to the Franchisee by the Secretary of State pursuant to Clause 4.2 or Clause 4.3 of the Conditions Precedent Agreement;</li> </ul>
<b>“Revised Inputs”</b>	has the meaning given to it in paragraph 4.2 of Schedule 9.1 (Financial and Other Consequences of Change);
<b>“Right Time Figures”</b>	means the moving annual average percentage published by Network Rail in respect of the Right Time Measure, rounded to one decimal place;
<b>“Right Time Measure”</b>	means the Right Time Measure as produced and/or published by Network Rail and/or the ORR showing

the number of Passenger Services (expressed as a percentage of the number of Passenger Services which are scheduled to be provided under the Plan of the Day) which arrive at their final scheduled destination in the Plan of the Day either early or no more than 59 seconds late;

**“Rolling Stock Lease”**

means any agreement for the leasing of rolling stock vehicles to which the Franchisee is a party as at the Start Date and any agreement of a similar or equivalent nature (including, any agreement or arrangement for the subleasing, hiring, licensing or other use of rolling stock vehicles) to which the Franchisee is a party from time to time during the Franchise Term whether in addition to, or replacement or substitution for, in whole or in part, any such agreement;

**“Rolling Stock Quality Requirements”**

means each of the following requirements:

- (a) air conditioning and heating systems that are designed to operate effectively and reliably within the range of ambient temperatures normally experienced in the north of England and southern Scotland throughout the year;
- (b) fixed or folding tables at a minimum of 90% of seats;
- (c) power sockets and USB charging points with a minimum of one socket and one charging point provided for every two seats;
- (d) adequate space for luggage which takes account of the fact that the Passenger Services shall be operated to and from airports and other significant tourist venues;
- (e) toilet facilities (including, baby-change facilities and toilets which are Controlled Emission Toilets);
- (f) full compliance with the accessibility requirements in the Railways (Interoperability) Regulations 2011 notwithstanding that compliance is not required by law until 1 January 2020;
- (g) real time information able to be provided via the passenger information system; and
- (h) “infotainment” available from media servers via the Wi-Fi and ethernet systems;

**“Rolling Stock Related Contract”** means any Rolling Stock Lease, Maintenance Contract or Technical Support Contract;

<b>"Rolling Stock Unit"</b>	means the smallest number of rolling stock vehicles which are normally comprised in a train used by the Franchisee in the provision of the Passenger Services;
<b>"Route"</b>	means any route specified in the Timetable over which the Franchisee has permission to operate the Passenger Services pursuant to any Track Access Agreement;
<b>"Route Map"</b>	means a map meeting the requirements set out in paragraphs 7.1, 7.2 and 7.3 of Schedule 1.4 (Passenger Facing Obligations);
<b>"RPC Database"</b>	means a database to be provided by the Secretary of State pursuant to and on the terms of paragraph 6.1 of Schedule 1.5 (Information about Passengers) containing rail passenger counts information and providing analytical reporting tools or such other functionality as the Secretary of State may decide from time to time;
<b>"RSP"</b>	means Rail Settlement Plan Limited;
<b>"RSPS3002"</b>	means the RSP document with reference RSPS3002, version 02.00 published June 2013 which specifies standards for issuing, checking and validating rail products on ITSO Certified Smartmedia and defines the rail specific rules required to ensure interoperability across the rail network;
<b>"Run of the Financial Model"</b>	means an operation of the Financial Model with the Revised Inputs and which complies with the requirements of Schedule 9.1 (Financial and Other Consequences of Change);
<b>"RV Asset"</b>	means: <ul style="list-style-type: none"> <li>(a) a Franchisee Owned RV Asset; or</li> <li>(b) a Network Rail Fixture Asset,</li> </ul>
<b>"Safety Authorisation"</b>	means the authorisation issued by the ORR under the Safety Regulations authorising the Franchisee's safety management system (as defined in those regulations) and the provisions adopted by the Franchisee to meet the requirements that are necessary to ensure safe design, maintenance and operation of the relevant infrastructure on the Routes;
<b>"Safety Certificate"</b>	means the certificate issued by the ORR under the Safety Regulations, certifying its acceptance of the Franchisee's safety management system (as defined in those regulations) and the provisions adopted by the Franchisee to meet the requirements that are necessary to ensure safe operation on the Routes;
<b>"Safety Regulations"</b>	means The Railways and Other Guided Transport Systems (Safety) Regulations 2006;

<b>"Saver Return Fare"</b>	means a return fare which is shown as a saver fare in the fares manuals and systems of the RSP as at the date of such manuals;
<b>"Scheduled Consist Data"</b>	means information as to the type of individual vehicles of rolling stock that have been scheduled by the Franchisee to form a train in the Train Fleet for any particular Passenger Service and the manner in which they are scheduled to be configured;
<b>"Season Ticket Bond"</b>	means the season ticket bond to be provided to the Secretary of State in respect of the Franchisee's liabilities under certain Fares and Season Ticket Fares in the form set out in Appendix 2 (Form of the Season Ticket Bond) to Schedule 12 (Financial Obligations and Covenants) and such other bond as may replace it from time to time under Schedule 12 (Financial Obligations and Covenants);
<b>"Season Ticket Fare"</b>	means: <ul style="list-style-type: none"> <li>(a) for the purposes of Schedule 12 (Financial Obligations and Covenants) and the definition of Season Ticket Bond only, a Fare which entitles the purchaser to make an unlimited number of journeys in any direction during the period for which, and between the stations and/or the zones for which, such Fare is valid; and</li> <li>(b) for all other purposes, a Fare which entitles the purchaser to make, without further restriction except as to class of accommodation, an unlimited number of journeys in any direction during the period for which, and between the stations and/or the zones for which, such Fare is valid;</li> </ul>
<b>"Second Profit Share Threshold"</b>	has the meaning given to it in paragraph 3.1 of Schedule 8.1 (Franchise Payments);
<b>"Secretary of State Risk Assumptions"</b>	means those assumptions set out in Schedule 9.3 (Secretary of State Risk Assumptions);
<b>"Security Breach"</b>	has the meaning given to it in paragraph 5.3(c)(i) of Schedule 1.5 (Information about Passengers);
<b>"Security Interest"</b>	means any mortgage, pledge, lien, hypothecation, security interest or other charge or encumbrance or any other agreement or arrangement having substantially the same economic effect;
<b>"Service Group"</b>	has the meaning given to it in the Passenger's Charter when used in relation to the Passenger's Charter, and when used in the Franchise Agreement it has the meaning given to it in the Track Access Agreement, or as specified by the Secretary of State from time to time;
<b>"Service Option Scheme Fund"</b>	has the meaning given to it in paragraph 19.2 of Schedule 6.2 (TransPennine Express Franchise Specific Provisions);

- “Service Option Scheme Proposal”** has the meaning given to it in paragraph 19.4 of Schedule 6.2 (TransPennine Express Franchise Specific Provisions);
- “Service Option Scheme Report”** has the meaning given to it in paragraph 19.12 of Schedule 6.2 (TransPennine Express Franchise Specific Provisions);
- “Service Option Scheme”** has the meaning given to it in paragraph 19.4 of Schedule 6.2 (TransPennine Express Franchise Specific Provisions);
- “Service Recovery Plan”** means, in the event of a prevention or restriction of access to the track or a section of the track (howsoever caused) which results in any Cancellation, Partial Cancellation, and/or any Passenger Service being operated with less Passenger Carrying Capacity than the Passenger Carrying Capacity specified for such Passenger Service in the Train Plan, a plan implemented by the Franchisee:
- (a) to minimise the disruption arising from such prevention or restriction of access by operating, during such period of disruption, the best possible level of service given such disruption, including by:
    - (i) keeping service intervals to reasonable durations;
    - (ii) keeping extended journey times to reasonable durations; and
    - (iii) managing any resulting overcrowding;
  - (b) to:
    - (i) return the level of service to that level specified in the Timetable as soon as reasonably practicable; and
    - (ii) prior to the attainment of the level of service specified in paragraph (b)(i), operate any reduced level of service agreed with Network Rail for the purpose of minimising such disruption pursuant to paragraph (a);
  - (c) in accordance with the principles of service recovery set out in the ATOC “Approved Code of Practice: Contingency Planning for Train Service Recovery – Service Recovery 2013” or any document of a similar or equivalent nature; and

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

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

**“Settlement Proposal”**

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

**“Shared Facilities”**

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

**“Short Formation Benchmark”**

means any of the performance levels in respect of the Passenger Carrying Capacity operated in delivering the Short Formation Passenger Services as set out in the Short Formation Benchmark Table;

**“Short Formation Benchmark Table”**

means the table set out in part 1 of Appendix 3 (Short Formation Benchmark and Annual Short Formation Benchmark Table) to Schedule 7.1 (Performance Benchmarks);

**“Short Formation Passenger Service”**

means any Passenger Service that:

- (a) arrives at Manchester Piccadilly or Manchester Victoria station at any time during its journey; or
- (b) departs from Manchester Piccadilly or Manchester Victoria station at any time during its journey;

**“Short Formation Performance Sum”**

means an amount determined in accordance with paragraph 3.4 of Schedule 7.1 (Performance Benchmarks);

**“Short Formations Figures”**

means the number of Passenger Services in any Reporting Period formed with fewer vehicles than specified in the Train Plan;

**“Significant Alterations”**

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

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

**“Single Fare”**

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

**“Small and Medium-sized Enterprises (“SMEs”)**

means any individual micro, small or medium sized enterprise meeting the requirements set out in EU Recommendation 2003/36 and broadly falling into one of three categories, based on a combination of:

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

The three categories are:

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

**“Spares”**

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

**“Specifically Included Change of Law”**

has the meaning given to it in the definition of Change of Law;

**“Specified Additional Rolling Stock”**

has the meaning given in paragraph 1.1(b) of Schedule 1.7 (The Train Fleet);

**“Specimen Scheme”**

means the Committed Obligations identified as such in Part 1 of Schedule 6.1 (Committed Obligations and Related Provisions), if any;

**“Specimen Scheme Output”**

means, for each Specimen Scheme, the output intended to be achieved by that Specimen Scheme, as set out in the relevant paragraph of Part 1 of



Schedule 6.1 (Committed Obligations and Related Provisions);

**“Stakeholder”**

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

**“Standard Class Accommodation”**

means, in respect of any train or service, accommodation which is available to the purchaser of any Fare which, taking into account any rights or restrictions relating to that Fare (other than restrictions relating to accommodation on that train or service), entitles such purchaser to make a journey on that train or service (provided that any accommodation on such train which may have been reserved by such purchaser shall be deemed to have been made so available if, had it not been so reserved, it would have been available for use by such purchaser);

**“Start Date”**

means the time and date stated in the Certificate of Commencement as being the time at and date on which the Franchisee is to commence operating the Franchise Services, which shall either be:

- (a) 02:00 on 1 April 2016; or
- (b) such later time and date as may be notified to the Franchisee by the Secretary of State pursuant to:
  - (i) Clause 4.2 of the Conditions Precedent Agreement;
  - (ii) Clause 4.3 of the Conditions Precedent Agreement; or
  - (iii) paragraph 1.10 of Schedule 9.5 (Variations to the Franchise Agreement and Incentivising Beneficial Change);

**“Start Date Transfer Scheme”**

has the meaning given to it in Clause 5.1 of the Conditions Precedent Agreement;

**“Station Access Conditions”**

has the meaning given to it in the relevant Station Lease or Access Agreement (as the case may be) to which it relates;

**“Station Asset Management Plan”**

means the station asset management plan to be created by the Franchisee pursuant to paragraph 4.1(a) of Schedule 6.2 (TransPennine Express Franchise Specific Provisions), as such plan may be updated in accordance with the provisions of paragraphs 4.4 and 4.5 of Schedule 6.2 (TransPennine Express Franchise Specific Provisions);

<b>"Station Asset Management Plan Accreditation"</b>	has the meaning given to it in paragraph 4.1(a) of Schedule 6.2 (TransPennine Express Franchise Specific Provisions);
<b>"Station Change"</b>	has the meaning given to the term "Proposal for Change" under the Station Access Conditions;
<b>"Station Charge Adjustment"</b>	means any adjustment to payments under an Access Agreement determined in accordance with paragraph 2 of Schedule 8.4 (Track Access Adjustments and Station Charge Adjustments);
<b>"Station Lease"</b>	means: <ul style="list-style-type: none"> <li>(a) any lease of a station that the Franchisee is a party to as at the Start Date; or</li> <li>(b) a lease of any other station to which the Franchisee becomes the Facility Owner at any time during the Franchise Period;</li> </ul>
<b>"Station Service"</b>	means any service specified in paragraph 3 of Schedule 1.6 (Franchise Services) which may be provided by the Franchisee at the Stations;
<b>"Station Social and Commercial Development Plan"</b>	means the station social and commercial development plan in the agreed terms marked SCDP, as such plan may be updated in accordance with the provisions of paragraphs 4.6 and 4.7 of Schedule 6.2 (TransPennine Express Franchise Specific Provisions);
<b>"Station Sublease"</b>	means a lease or sub lease of premises comprising part or parts of a Station exclusively occupied by another Train Operator;
<b>"Station"</b>	means: <ul style="list-style-type: none"> <li>(a) any station in respect of which the Franchisee has entered into a Station Lease; or</li> <li>(b) any New Station at which the Franchisee becomes the Facility Owner;</li> </ul>
<b>"Stored Credit Balance"</b>	means any monetary amount held by the Franchisee which a passenger can apply at a future date to the purchase of a Fare (and stored in any medium);
<b>"Successor Operator"</b>	means a Train Operator succeeding or intended by the Secretary of State to succeed (and whose identity is notified to the Franchisee by the Secretary of State) the Franchisee in the provision or operation of all or any of the Franchise Services including, where the context so admits, the Franchisee where it is to continue to provide or operate the Franchise Services following termination of the Franchise Agreement;
<b>"Successor Operator Timetable"</b>	has the meaning given to it in paragraph 8(a) of Schedule 14.1 (Maintenance of Franchise);

<b>"Supplemental Agreement"</b>	means a supplemental agreement between the Franchisee and a Successor Operator to be entered into pursuant to a Transfer Scheme, being substantially in the form of Appendix 2 (Form of Supplemental Agreement) to Schedule 15.4 (Provisions Applying on and after Termination), but subject to such amendments as the Secretary of State may reasonably make thereto as a result of any change of circumstances (including any Change of Law) affecting such supplemental agreement between the date of the Franchise Agreement and the date on which the relevant Transfer Scheme is made and subject further to paragraph 3.2 of Schedule 15.4;
<b>"Sustainable Development Plan"</b>	means the sustainable development plan agreed or determined in accordance with paragraph 18.3 of Schedule 13 (Information and Industry Initiatives), as the same may be updated in accordance with paragraph 18.5 of Schedule 13 (Information and Industry Initiatives);
<b>"Sustainable Development Strategy"</b>	means the Sustainable Development Strategy in the agreed terms marked <b>SDS</b> ;
<b>"Target Passenger Demand"</b>	means the higher of Actual Passenger Demand and Forecast Passenger Demand or any other level of passenger demand specified by the Secretary of State not being greater than the higher of Actual Passenger Demand or Forecast Passenger Demand;
<b>"Target Performance Level"</b>	means, in relation to any Benchmark for any Reporting Period, the number set out in the relevant column of the Benchmark Table to Schedule 7.1 (Performance Benchmarks) relating to that Benchmark and in the row of that table for that Reporting Period;
<b>"Taxation"</b>	means any kind of tax, duty, levy or other charge whether or not similar to any in force at the date of the Franchise Agreement and whether imposed by a local, governmental or other competent authority in the United Kingdom or elsewhere;
<b>"Technical Support Contract"</b>	means a contract for technical support to which the Franchisee is a party, relating to the rolling stock vehicles used in the provision of the Passenger Services;
<b>"Tendering/Reletting Process"</b>	means either of the processes described in paragraph 1.1 and 1.2 of Schedule 15.1 (Reletting Provisions);
<b>"Termination Event"</b>	has the meaning given to it in paragraph 3 of Schedule 10.3 (Events of Default and Termination Events);
<b>"Termination Notice"</b>	means a notice from the Secretary of State to the Franchisee terminating the Franchise Agreement following an Event of Default or a Termination Event in accordance with Schedule 10.2 (Termination and Expiry);

<b>“Third Party Data”</b>	means any information, data and materials that may be provided to the Secretary of State by any third party that relates to the Franchisee and which the Secretary of State decides (in his absolute discretion) to add to the RPC Database;
<b>“Third Profit Share Threshold”</b>	has the meaning given to it in paragraph 3.1 of Schedule 8.1 (Franchise Payments);
<b>“Threshold Amount”</b>	<p>means £500,000 (pounds sterling five hundred thousand) subject to indexation as follows:</p> <p>£500,000 x RPI</p> <p>Where:</p> <p>RPI is ascertained as follows:</p> $\frac{\text{CRPI}}{\text{ORPI}}$ <p>where:</p> <p>CRPI means the Retail Prices Index published in the January immediately preceding the commencement of that Franchisee Year; and</p> <p>ORPI means the Retail Prices Index for January 2015;</p>
<b>“Through Ticketing (Non-Travelcard) Agreement”</b>	means the agreement of that name referred to in paragraph (a)(v) of the definition of Inter-Operator Schemes;
<b>“Ticketing and Settlement Agreement”</b>	means the Ticketing and Settlement Agreement dated 23 July 1995 between RSP, the Franchisee and the other Train Operators named therein, as amended from time to time with the approval of the Secretary of State;
<b>“Timetable”</b>	<p>means the timetable which reflects the working timetable issued by Network Rail at the conclusion of its timetable development process, containing the departure and arrival times of:</p> <p>(a) all Passenger Services which call at Stations and/or Franchisee Access Stations; and</p> <p>(b) principal Connections at those stations and other stations;</p>
<b>“Timetable Development Rights”</b>	<p>means all or any of the rights of the Franchisee under any Track Access Agreement to:</p> <p>(a) operate Passenger Services and ancillary movements by virtue of that Track Access Agreement;</p>

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

<b>"Timetable Planning Rules"</b>	has the meaning given to it in the Network Code;
<b>"Timetabled Services"</b>	means a particular Passenger Service characterised by the day of the week (including Saturday and Sunday), time of day, origin station and destination and calling pattern which is scheduled to operate (such as the 0930 service from London Euston to Birmingham New Street on a Monday; the 1254 service from London Euston to Birmingham New Street on a Sunday etc);
<b>"Timetabling and Train Planning Compliance Investigation"</b>	has the meaning set out in paragraph 2.1 of Schedule 1.2 (Operating Obligations);
<b>"TOC Minute Delay Benchmark"</b>	means any of the performance levels in respect of Minutes Delay attributable to the Franchisee set out in the TOC Minute Delay Benchmark Table;
<b>"TOC Minute Delay Benchmark Table"</b>	means the table set out in Appendix 2 (TOC Minute Delay Benchmarks and Annual TOC Minute Delay Benchmarks) to Schedule 7.1 (Performance Benchmarks);
<b>"TOC Minute Delay Performance Sum"</b>	means an amount determined in accordance with paragraph 3.3 of Schedule 7.1 (Performance Benchmarks);
<b>"Total Actual Operating Costs"</b>	means the sum of the Actual Operating Costs for the relevant Reporting Period and each of the 12 preceding Reporting Periods during the Franchise Term (or the sum of the Actual Operating Costs for the relevant Reporting Period and all of the Reporting Periods that have elapsed since the Start Date where insufficient Reporting Periods have elapsed to enable the former calculation to be made);

<b>"Total Forecast Modified Revenue"</b>	means the sum of the Forecast Modified Revenue for each of the 13 Reporting Periods following the relevant Reporting Period (or, where there are less than 13 Reporting Periods remaining in the Franchise Term, the remaining Reporting Periods);
<b>"Total Forecast Operating Cost"</b>	means the sum of the Forecast Operating Cost for each of the 13 Reporting Periods following the relevant Reporting Period (or, where there are less than 13 Reporting Periods remaining in the Franchise Term, the remaining Reporting Periods);
<b>"Total Modified Revenue"</b>	means the sum of the Modified Revenue for the relevant Reporting Period and each of the 12 preceding Reporting Periods during the Franchise Term (or the sum of the Modified Revenue for the relevant Reporting Period and all of the Reporting Periods that have elapsed since the Start Date where insufficient Reporting Periods have elapsed to enable the former calculation to be made);
<b>"TPE/Northern Rolling Stock Hire Agreement"</b>	has the meaning given to it in paragraph 14.6(a) of Schedule 6.2 (TransPennine Franchise Specific Provisions);
<b>"Track Access Adjustment"</b>	means any adjustment to payments under a Track Access Agreement determined in accordance with paragraph 1 of Schedule 8.4 (Track Access Adjustments and Station Charge Adjustments);
<b>"Track Access Agreement"</b>	means each Access Agreement between Network Rail and the Franchisee which permits the Franchisee to provide the Passenger Services on track operated by Network Rail;
<b>"Train Fleet"</b>	means: <ul style="list-style-type: none"> <li>(a) the rolling stock vehicles described in or required by Schedule 1.7 (The Train Fleet); and</li> <li>(b) any other rolling stock vehicles the Secretary of State consents to in accordance with paragraph 2 of Schedule 1.7 (The Train Fleet) from time to time;</li> </ul>
<b>"Train Mileage"</b>	means, in relation to any period, the aggregate train mileage covered during such period by each train used in the provision of the Passenger Services (excluding, any train mileage covered as a result of positioning or other movements of rolling stock vehicles outside the Timetable) and <b>"Train Miles"</b> shall be construed accordingly;
<b>"Train Operator"</b>	means a franchisee or franchise operator, either of which operate railway passenger services pursuant to a franchise agreement or a Public Sector Operator;
<b>"Train Plan"</b>	means the Initial Train Plan (as such term is defined in paragraph 2.4 of Schedule 1.1 (Service Development)) and any other Train Plan developed in accordance with Schedule 1.1 (Service Development)

except that when used in Schedule 7.1 (Performance Benchmarks), it shall have the meaning given to it in paragraph 2.17 of Schedule 7.1 (Performance Benchmarks);

<b>“Train Service Requirement”</b>	means the train service requirement more particularly described in paragraph 1 of Schedule 1.1 (Service Development) as such train service requirement may subsequently be amended or replaced in accordance with Schedule 1.1 (Service Development);
<b>“Train Slots”</b>	shall have the meaning given to it in the Network Code;
<b>“Transfer Scheme”</b>	means a transfer scheme made by the Secretary of State under Section 12 and Schedule 2 of the Railways Act 2005 (or equivalent statutory provision) pursuant to paragraph 3.1 of Schedule 15.4 (Provisions Applying on and after Termination), being substantially in the form of Appendix 1 (Form of Transfer Scheme) to Schedule 15.4 (Provisions Applying on and after Termination), but subject to such amendments as the Secretary of State may make thereto as a result of any change of Law affecting such transfer scheme or other change of circumstances between the date of the Franchise Agreement and the date on which such scheme is made;
<b>“Transport Act”</b>	means the Transport Act 2000;
<b>“Transport Direct”</b>	means the website offering free information for door to door travel for both public transport and car journeys around Great Britain;
<b>“Transport for London” or “TfL”</b>	means Transport for London as established under the Greater London Authority Act 1999;
<b>“Travelcard Agreement”</b>	means the agreement of that name referred to in paragraph (a)(iv) of the definition of Inter-Operator Schemes;
<b>“Traveline”</b>	means the telephone enquiry service providing information on all public transport across the United Kingdom;
<b>“Trustee”</b>	has the meaning given to it in paragraph 3.1 of Schedule 16 (Pensions);
<b>“TSI”</b>	means any Technical Standard for Interoperability with which the Franchisee is required to comply pursuant to Directives EU 96/48 and EU 2001/16 and related legislation;
<b>“TSR (TDR) Amendment”</b>	has the meaning given to it in paragraph 5.7 of Schedule 1.1 (Service Development);
<b>“Turnaround Time”</b>	means the time specified in the Train Plan between the completion of a Passenger Service in accordance with the Timetable and the commencement of the next Passenger Service in accordance with the

	Timetable on the same day using some or all of the same rolling stock vehicles;
<b>"Turnover"</b>	means, in relation to any period, the aggregate revenue (excluding any applicable Value Added Tax) accruing to the Franchisee from the sale of Fares, the receipt of other revenue and the receipt of Franchise Payments during such period;
<b>"Underspend"</b>	has the meaning given to it in paragraph 3.4 of Part 2 (Miscellaneous Provisions) of Schedule 6.1 (Committed Obligations and Related Provisions);
<b>"Unspecified Additional Rolling Stock"</b>	has the meaning given in paragraph 1.2 of Schedule 1.7 (The Train Fleet);
<b>"Value"</b>	means at any time the aggregate of the Projected Revenue of each Fare in the Protected Fares Basket at that time;
<b>"Value Added Tax"</b>	means value added tax as provided for in the Value Added Tax Act 1994;
<b>"Variation"</b>	means a variation to the terms of the Franchise Agreement pursuant to paragraph 1 of Schedule 9.5 (Variations to the Franchise Agreement and Incentivising Beneficial Changes);
<b>"Weekday"</b>	means any day other than a Saturday, a Sunday or a Bank Holiday;
<b>"Weekly Season Ticket"</b>	means a Season Ticket Fare which is valid in Standard Class Accommodation from (and including) the day it first comes into effect until (but excluding) the day which falls seven days after such day;
<b>"Yield Management Data"</b>	means data collected by or on behalf of the Franchisee for the purpose of or in connection with managing or setting the prices at which any tickets for travel on the Passenger Services are sold and/or any quotas and/or restrictions applying to such tickets including: <ul style="list-style-type: none"> <li>(a) the number of passengers travelling upon any particular Passenger Service;</li> <li>(b) the ticket types held by such passengers;</li> <li>(c) the prices paid by such passengers for such tickets; and</li> <li>(d) the dates and/or times between which such tickets were made available to purchase at such prices;</li> </ul>
<b>"Yield Management System"</b>	means any system (whether a Computer System or otherwise) for the collection of Yield Management Data and/or onto which Yield Management Data is input, processed and/or held as such system may be amended or altered from time to time; and



**“Zone”** means a zone set out in the map in Schedule 2 of the Travelcard Agreement on the date such agreement came into effect or as amended by agreement with the Secretary of State.

### 3. COMMENCEMENT

3.1 The clauses of this Agreement and the following Schedules of this Agreement shall take effect and be binding upon each of the Secretary of State and the Franchisee immediately upon signature of this Agreement:

- (a) paragraph 2.4 of Schedule 1.1 (Service Development);
- (b) paragraph 2 of Schedule 2.1 (Asset Vesting and Transfer);
- (c) paragraph 2 of Schedule 2.2 (Security of Access Agreements, Rolling Stock Leases, Station and Depot Leases);
- (d) paragraph 2 of Schedule 2.3 (Third Party Delivery of Passenger Services and Other Franchisees);
- (e) paragraph 4.3 of Schedule 4 (Persons with Disabilities and Disability Discrimination);
- (f) Schedule 5.1 (Purpose, Structure and Construction);
- (g) Schedule 5.3 (Allocation of Fares to the Protected Fares Basket);
- (h) Schedule 5.7 (Changes to Fares and Fares Regulation);
- (i) <sup>2</sup>**paragraphs 26.1, 29 and 31 of Part 1 of Schedule 6.1 (Committed Obligations and Related Provisions);**
- (j) paragraphs 14.4, 14.5 and 14.6 of Schedule 6.2 (TransPennine Express Franchise Specific Provisions);
- (k) Schedule 9 (Changes);
- (l) Schedule 10 (Remedies, Termination and Expiry);
- (m) paragraph 2 of Schedule 11 (Agreement Management Provisions);
- (n) paragraph 4 of Schedule 12 (Financial Obligations and Covenants);
- (o) paragraphs 1, 5, 6, 7 and 8 of Schedule 13 (Information and Industry Initiatives);
- (p) Schedule 14.3 (Key Contracts);
- (q) Schedule 15.1 (Reletting Provisions);
- (r) Schedule 17 (Confidentiality and Freedom of Information); and
- (s) Schedule 19 (Other Provisions).

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<sup>2</sup> Date of contract change – 31/03/2016 - Agreed by the Secretary of State and Franchisee

3.2 The other provisions of this Agreement 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.

#### 4. **TERM**

This Agreement shall terminate on the Expiry Date or on the date of any earlier termination pursuant to Clauses 4.2(b) or 4.3(b) of the Conditions Precedent Agreement or pursuant to Schedule 10 (Remedies, Termination and Expiry).

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

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

5.2 Any obligation on the part of the Franchisee to use all reasonable endeavours shall extend to consequent obligations adequately to plan and resource its activities, and to implement those plans and resources, with all due efficiency and economy.

5.3 The Franchisee shall co-operate with the Secretary of State and act reasonably and in good faith in and about the performance of its obligations and the exercise of its rights pursuant to this Franchise Agreement.

5.4 The Secretary of State shall act reasonably and in good faith in and about the performance of his obligations and the exercise of his rights pursuant to the Franchise Agreement.

#### 6. **COMPLIANCE WITH LAWS**

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

#### 7. **ENTIRE AGREEMENT**

7.1 This Agreement and the Conditions Precedent Agreement contain the entire agreement between the parties in relation to the subject matter of the Franchise 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 the Franchise Agreement.

7.2 The Franchisee hereby acknowledges that it is not entering into this Agreement and the Conditions Precedent Agreement in reliance on any warranties, representations or undertakings howsoever or to whomsoever made except in so far as such warranties, representations or undertakings are contained in the Franchise Agreement.

7.3 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 disclaimers of liability which are contained in Section 3.2 of the Invitation to Tender and the section entitled "Important Notice" contained in any document supplied by or on behalf of the Secretary of State in connection with the Franchise Agreement, the process leading to the entering into of the Franchise Agreement, or the Franchise Services (including any Invitation to Tender issued in connection therewith).

7.4 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 Conditions Precedent Agreement on the basis of any warranty, representation (whether negligent or otherwise, and whether made prior to and/or in this Agreement or the Conditions Precedent Agreement) or undertaking howsoever or to whomsoever made unless and to the extent that such warranty, representation or undertaking was made fraudulently.

**8. GOVERNING LAW**

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

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

**SEAL REF No.**

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

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)  
)

\_\_\_\_\_  
Authenticated by authority of the  
Secretary of State for Transport  
\_\_\_\_\_

SIGNED BY  
**FIRST TRANSPENNINE EXPRESS LIMITED**  
ACTING BY A DIRECTOR

)  
)

Director:

\_\_\_\_\_

IN THE PRESENCE OF A WITNESS:

\_\_\_\_\_

WITNESS NAME:

WITNESS ADDRESS:

**SCHEDULE 1**

**Passenger Service Obligations**

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

## SCHEDULE 1.1

### Service Development

#### 1. Train Service Requirement - Purpose And Responsibility

- 1.1 A Train Service Requirement is a minimum specification of Passenger Services and capacity to be provided by the Franchisee.
- 1.2 The Train Service Requirement as at the date of the Franchise Agreement is comprised in the following, all in agreed terms marked as follows:
- (a) **TSR1** being the Train Service Requirement applicable from the Start Date until the Passenger Change Date in December 2017;
  - (b) **TSR2** being the Train Service Requirement applicable from the Passenger Change Date in December 2017 until the Passenger Change Date in December 2018; and
  - (c) **TSR3** comprising of:
    - (i) **TSR 3A** (being the Train Service Requirement applicable from the Passenger Change Date in December 2018 until the Passenger Change Date in December 2019); and
    - (ii) **TSR 3B** (being the Train Service Requirement applicable from the Passenger Change Date in December 2019 until the end of the Franchise Term),

and for the purposes of this Schedule 1.1, such Train Service Requirement shall remain in force unless and until amended or replaced pursuant to this Schedule 1.1. The Train Service Requirement does not in any way limit the Franchisee's obligations pursuant to paragraph 7 of this Schedule 1.1. The Secretary of State and the Franchisee agree that the replacements of:

- (i) TSR1 by TSR2; or
- (ii) TSR2 by TSR3A; or
- (iii) TSR3A by TSR3B,

at the time and for the period specified in this paragraph 1.2 shall not constitute a Change for the purposes of paragraph (e) of the definition of Change unless:

- (A) the Secretary of State alters the date as specified in this paragraph 1.2 upon which such Train Service Requirement is to come into effect; or
- (B) from the relevant date from which such Train Service Requirement is to apply the Secretary of State issues a replacement Train Service Requirement which is different from such Train Service Requirement,

(in each case to be known as the "**Alternative TSR**") in which case a Change under paragraph (e) of the definition of Change shall occur provided that in respect of the circumstance specified in paragraph 1.2(B) such Change shall only apply in respect of the differences between the Alternative TSR and the relevant Train Service Requirement which would otherwise be in force. The Secretary of State shall issue an Alternative TSR if the Timetable as inherited from the Train Operator under the Previous Franchise Agreement and to be operated by the

Franchisee during the period from the Start Date until the Passenger Change Date in December 2017 is materially inconsistent with TSR 1 in relation to the period during which TSR 1 is to apply as specified in paragraph 1.2(a).

1.3 A Train Service Requirement may be expressed in whole or in part at any level of generality or to any level of detail the Secretary of State considers appropriate.

## 2. Train Plan

2.1 A Train Plan is the plan or diagram of the Franchisee for the operation of trains and train formations under the Timetable.

2.2 The Franchisee shall submit to the Secretary of State a Train Plan in respect of each Timetable in accordance with this Schedule 1.1 (Service Development).

2.3 In preparing any Train Plan, the Franchisee shall do so by reference to the timetable that it envisages operating in order to comply with the Train Service Requirement and paragraph 7.

2.4 It is acknowledged that as at the date of the Franchise Agreement Network Rail will have published the working timetable on which the Timetable applicable at the Start Date is to be based. Accordingly the Franchisee shall, as soon as reasonably practicable after the date of the Franchise Agreement, either:

(a) confirm to the Secretary of State that it intends to adopt, from the Start Date until the next Passenger Change Date, the train plan used by the Train Operator under the Previous Franchise Agreement immediately prior to the Start Date; or

(b) <sup>3</sup>**submit its proposed train plan for the period from the Start Date until the next Passenger Change Date to the Secretary of State, in which case the provisions of paragraph 7.5 of this Schedule 1.1 shall apply in relation to any such train plan.**

The train plan applicable in relation to the Timetable as at the Start Date as may be adopted by the Franchisee pursuant to paragraph 2.4(a) or submitted and certified by the Franchisee pursuant to paragraph 2.4(b) (as the case may be) shall, for the purposes of the Franchise Agreement be known as the Initial Train Plan.

2.5 Each Train Plan is to set out for each railway passenger service in the Timetable to which it relates:

(a) its start point and departure time;

(b) its terminating point and arrival time;

(c) the number and class of rolling stock vehicles allocated to each such railway passenger service;

(d) the Passenger Carrying Capacity that each such railway passenger service, as formed, is to have; and

(e) its Forecast Passenger Demand and, where this has been requested by the Secretary of State and is capable of calculation, Actual Passenger Demand.

2.6 A Train Plan shall be in any format that the Secretary of State may reasonably specify for this purpose.

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<sup>3</sup> Date of contract change – 31/03/2016 - Agreed by the Secretary of State and Franchisee

3. **Not Used**

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

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

- (a) it intends that any future Timetable shall contain Significant Alterations compared to the Timetable then in force; and
- (b) such Significant Alterations are likely to have, in the reasonable opinion of the Franchisee, a materially adverse effect on:
  - (i) the ability of passengers using any station served by the Passenger Services to make journeys relating to work or education at reasonably convenient times; and/or
  - (ii) the trading prospects of commercial enterprises located in any community in which a station served by the Passenger Services is located in consequence of it being more difficult for customers or employees to access such commercial enterprises through travel on the Passenger Services,

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

4.2 Accordingly the Franchisee shall where the circumstances described in paragraph 4.1 apply:

- (a) as soon as reasonably practicable provide to the Secretary of State and all Stakeholders a comprehensive summary of the proposed changes from the Timetable then in force specifying the proposed Timetable changes, the reasons for them and the likely impact on passengers;
- (b) carry out the consultation in relation to such proposed changes using a reasonable range of communication channels (taking into account the scale of the proposed changes) and in a manner that can be reasonably expected to encourage responses from a broad range of affected Stakeholders;
- (c) give consultees such time as is reasonable under all the circumstances to respond (it being agreed that it shall normally be reasonable to give at least 12 weeks to respond in relation to major proposed Timetable changes);
- (d) take due account of the responses of consultees;
- (e) within six weeks of the close of the consultation (or such longer period as the Secretary of State may agree, such agreement not to be unreasonably withheld or delayed) publish a report containing a summary of the main issues raised by respondents (including quantitative analysis of the responses received), the reasoned response of the Franchisee to them and notification of how the Franchisee will now seek to exercise relevant Timetable Development Rights in the context of its obligation to take due account of the results of the consultation;
- (f) ensure that the published report is promptly provided to the Secretary of State and all respondents who submitted written responses to the consultation and published in a widely accessible form; and
- (g) ensure that the relevant Timetable Development Rights to implement the proposed Timetable change are not exercised prior to the publication of the report and exercise such Timetable Development Rights in the manner indicated in the report.



## 5. **Timetable Development Rights**

- 5.1 The Franchisee shall use all reasonable endeavours to amend and/or enter into such Access Agreements as may be necessary or desirable from time to time to obtain the timetable development rights that it requires to secure a Timetable that enables it to operate railway passenger services that comply with the Train Service Requirement and otherwise comply with its obligations under the Franchise Agreement.
- 5.2 Prior to exercising any Timetable Development Rights to secure a Timetable the Franchisee shall make an informed estimate of Forecast Passenger Demand and in doing so shall make reasonable assumptions based on available evidence and making proper use of recognised railway industry systems and forecasting tools as these may develop over the Franchise Period, with the estimate being in such format and to such level of disaggregation as the Secretary of State may reasonably require.
- 5.3 The Franchisee shall exercise its Timetable Development Rights so as to secure a Timetable that enables it to operate railway passenger services that comply with the Train Service Requirement, paragraph 5.11 and paragraph 7 of this Schedule 1.1 in accordance with its obligations under paragraph 10 of this Schedule 1.1.
- 5.4 Where the Franchisee proposes to exercise its Timetable Development Rights so that the Timetable in force after the relevant Passenger Change Date contains Significant Alterations to that in force prior to such Passenger Change Date the Franchisee shall, without prejudice to its obligation to consult pursuant to paragraph 4, act reasonably with the intention of obtaining a Timetable which enables paragraphs 7.1(a) and 7.1(b) of this Schedule 1.1 to be achieved in relation to each Passenger Service in the Timetable to the greatest extent reasonably practicable. It is agreed that in acting reasonably the Franchisee shall take full and proper account of its calculation of Forecast Passenger Demand made pursuant to paragraph 5.2.
- 5.5 Unless the Secretary of State otherwise directs, the Franchisee shall, for the purposes of securing a Timetable that complies with the Train Service Requirement, paragraph 5.11 and paragraph 7 of this Schedule, exercise its rights under the Track Access Agreement (including the Network Code) to object, to make representations and to withhold consent in respect of any actual or proposed act or omission by Network Rail in relation to such agreement in respect of its Timetable Development Rights.
- 5.6 Subject to the Franchisee complying with its obligations under paragraph 5.5, it shall not be liable for any failure to secure a Timetable that enables the Franchisee to operate railway passenger services that comply with the Train Service Requirement, paragraph 5.11 and paragraph 7 of this Schedule, to the extent that such failure is caused by:
- (a) the Franchisee's Timetable Development Rights being inadequate to enable it to secure the requisite Train Slots, provided that the Franchisee has exercised and, unless otherwise agreed by the Secretary of State, is continuing to exercise all reasonable endeavours to obtain the requisite timetable development rights in accordance with paragraph 5.1;
  - (b) Network Rail exercising its flexing rights from time to time under the Track Access Agreement or the Network Code in respect of such Train Slots;
  - (c) Network Rail exercising its other rights from time to time under the Track Access Agreement or the Network Code; or
  - (d) the exercise by the ORR of its powers pursuant to Section 22C of the Act.
- 5.7
- (a) If and to the extent that the Franchisee is not able to secure a Timetable enabling it to operate railway passenger services that comply with the Train Service Requirement as a result of it not being able to obtain the timetable development rights that it requires for that purpose, then the Secretary of State shall (subject

to paragraphs 5.7(b) and 5.7 (c) below) issue to the Franchisee such amendments to the Train Service Requirement ("**TSR (TDR) Amendment**") as the Secretary of State considers necessary such that the Franchisee is able to secure a Timetable in compliance with the Train Service Requirement as amended by the TSR (TDR) Amendments by exercise of the Timetable Development Rights that the Franchisee does have.

- (b) The Secretary of State shall have an unfettered discretion as to whether or not to issue a TSR (TDR) Amendment in circumstances where the Franchisee:
    - (i) has failed to exercise all reasonable endeavours to obtain the requisite timetable development rights in accordance with paragraph 5.1; and
    - (ii) is not relieved by paragraph 5.6 from liability for such failure to secure a Timetable that enables the Franchisee to operate railway passenger services that comply with the Train Service Requirement.
  - (c) Where the Secretary of State reasonably considers that the failure to secure a Timetable that enables the Franchisee to operate the Train Service Requirement is partly due to the default of the Franchisee in not properly complying with its obligations under the Franchise Agreement in relation to securing timetable development rights any TSR (TDR) Amendment shall not relieve the Franchisee of the obligation to comply with the Train Service Requirement to the extent that the Secretary of State determines that the failure is due to such default of the Franchisee and the Franchisee may be in contravention of the Franchise Agreement accordingly.
- 5.8 Following issue of any TSR (TDR) Amendment pursuant to paragraph 5.7 the Franchisee shall, unless otherwise agreed by the Secretary of State, continue to use all reasonable endeavours to amend and/or enter into such Access Agreements as may be necessary or desirable from time to time to obtain the timetable development rights that it requires to secure a Timetable that enables it to operate railway passenger services that comply with the Train Service Requirement without such TSR (TDR) Amendment.
- 5.9 Any TSR (TDR) Amendment issued pursuant to paragraph 5.7 shall:
- (a) unless otherwise required by the Secretary of State, cease to have effect on the date (if any) on which the first Timetable comes into effect after the Franchisee has obtained the Timetable Development Rights that it requires to secure a Timetable that enables it to operate railway passenger services that comply with the Train Service Requirement without any such TSR (TDR) Amendment; and
  - (b) amount to a Change but only to the extent that the Franchisee makes a saving as a consequence of such TSR (TDR) Amendment) or unless such TSR (TDR) Amendment has been issued in consequence of Network Rail exercising the rights referred to in paragraphs 5.6(b) or 5.6(c) in which case there shall be no Change.
- 5.10 With effect from the date on which any TSR (TDR) Amendment ceases to have effect in accordance with paragraph 5.9:
- (a) the Train Service Requirement without such TSR (TDR) Amendment shall thereafter apply; and
  - (b) there shall be a further Change (which for these purposes shall be deemed to be a Qualifying Change) from the date that the TSR (TDR) Amendment ceases to have effect so as, with effect from such date, to disapply the effect of the Change referred to in paragraph 5.9(b) from such date to take into account the fact that the Franchisee will have ceased to make a saving.

5.11 The Franchisee shall exercise its Timetable Development Rights so as to ensure, so far as reasonably practicable that:

- (a) the stopping patterns of Passenger Services are placed at approximately evenly-spaced intervals, taking into account the reasonable needs of passengers; and
- (b) journey times between stations are minimised.

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

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

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

6.3 The Franchisee shall:

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

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

### 7.1 Capacity and Timetable Planning

The Franchisee shall, in preparing its Timetable and Train Plan, unless the Secretary of State otherwise agrees, provide for at least the capacity specified in the Train Service Requirement and use all reasonable endeavours to:

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

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

If at the time it prepares its Timetable and/or Train Plan, having exercised all reasonable endeavours, the Franchisee is unable to prepare a Timetable and/or Train Plan having the Passenger Carrying Capacity and/or meeting the reasonable expectations referred to in

paragraphs 7.1(a) and 7.1(b), then the Timetable and/or the Train Plan shall specify the best allocation of Passenger Services and rolling stock vehicles to Passenger Services that is reasonably practicable with a view to:

- (a) minimising, so far as is possible, the amount by which Target Passenger Demand exceeds the provision of Passenger Carrying Capacity on the affected Passenger Services;
- (b) ensuring, so far as is possible, that such excess is not unduly concentrated on any particular Route or Passenger Service; and
- (c) minimising, so far as is possible, the extent to which passengers are required to stand:
  - (i) on boarding any Passenger Service during each Off-Peak; and
  - (ii) 20 minutes after boarding (or such other time period as the Secretary of State may stipulate) any Passenger Service during each Peak.

### 7.3

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

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

7.5 The Franchisee shall submit its final Train Plan to the Secretary of State prior to the commencement of the Timetable to which it relates. It shall be certified by a statutory director of the Franchisee as being true and accurate and including the minimum capacity specified in the Train Service Requirement.

## 8. **Capacity Mitigation Plan**

### 8.1

- (a) Without prejudice to the obligation of the Franchisee to include in the Train Plan the capacity specified in the Train Service Requirement, if at any time the Franchisee is unable to prepare a Timetable and/or a Train Plan which meets the requirements of paragraph 7.1 (regardless of whether the Franchisee has used all reasonable endeavours to do so), the Secretary of State may serve a notice on the Franchisee requiring it to produce a plan to a reasonable specification provided with the notice to remedy or mitigate such inability ("**Capacity**

**Mitigation Plan**”). Such specification may, without limitation, include measures to be implemented by the Franchisee to:

- (i) remedy the circumstances leading to the Franchisee being unable to prepare a Timetable and/or a Train Plan which meets the requirements of paragraph 7.1; and/or
- (ii) minimise, so far as is possible, the amount by which Target Passenger Demand exceeds the provision of Passenger Carrying Capacity on the affected Passenger Services;
- (iii) ensure, so far as is possible, that such excess is not unduly concentrated on any particular Route or Passenger Service; and
- (iv) minimise, so far as is possible, the extent to which passengers are required to stand:
  - (A) on boarding any Passenger Service during each Off-Peak; and
  - (B) 20 minutes after boarding (or such other time period as the Secretary of State may stipulate) any Passenger Service during each Peak,

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

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

- (iii) the likely impact of options within it for existing and future passenger journeys and journey opportunities.
- (d) The Franchisee shall meet with the Secretary of State to discuss the Capacity Mitigation Plan and provide such further information or analysis and further iterations of the Capacity Mitigation Plan as the Secretary of State shall reasonably require.

## 9. **Franchisee Informed Opinion and new or amended Train Service Requirement**

- 9.1 Prior to issuing any amended or new Train Service Requirement the Secretary of State shall provide to the Franchisee his draft of any proposed amended or new Train Service Requirement stating the date upon which he proposes that such amended or new Train Service Requirement should take effect along with the Secretary of State's view as to the changes (if any) that he proposes to make to the Benchmarks and/or the Annual Benchmarks. On receipt of any such draft of a proposed amended or new Train Service Requirement the Franchisee shall provide to the Secretary of State if so requested its informed opinion:
- (a) with supporting reasons as to the impact of the proposed amended or new Train Service Requirement on the delivery of an optimal range of railway passenger services patterns relative to Target Passenger Demand and compliance with paragraph 7.1 of this Schedule 1.1 (Service Development);
  - (b) with supporting reasons as to the changes to resources and adjustment to Franchise Payments (if any) which would be required in consequence of the proposed amended or new Train Service Requirement;
  - (c) with supporting reasons as to changes (if any) to the Benchmarks and/or the Annual Benchmarks;
  - (d) of the process to be required to implement the proposed amendment to the Train Service Requirement together with a plan for the implementation of the amendment to the Train Service Requirement (including all steps required to ensure that the Franchisee can deliver a Timetable compliant with such amended or new Train Service Requirement) prepared in accordance with procedural arrangements specified by the Secretary of State pursuant to paragraph 10; and
  - (e) with supporting reasons of the likely impact of the proposed amended or new Train Service Requirement on existing and future passenger journeys and journey opportunities.
- 9.2 There may be iterations of drafts of the proposed amended or new Train Service Requirement and the Franchisee shall to the extent required by the Secretary of State have the obligations described in this paragraph 9 in respect of all such iterations.
- 9.3 Processes contained in paragraph 8 and this paragraph 9 shall take place in accordance with procedural arrangements and timescales stipulated by the Secretary of State pursuant to paragraph 10.2.
- 9.4 The Secretary of State may, in accordance with any stipulation made under paragraph 10.2, issue to the Franchisee any amended or new Train Service Requirement that he requires the Franchisee to operate and notice of the changes (if any) to the Benchmarks and/or the Annual Benchmarks. Such amended or new Train Service Requirement will be issued prior to the commencement of the timetable development process of Network Rail for the Timetable in respect of which it is proposed to implement the change to Passenger Services arising from the amended or new Train Service Requirement. In the absence of the Secretary of State issuing any amended or new Train Service Requirement the existing Train Service Requirement will remain in full force and effect. The degree of variation from any Train Service Requirement specified when the Franchise Agreement was entered into in respect of any particular period and brought about by any amended or new Train Service

Requirement issued pursuant to this paragraph 9.4 shall (where relevant) be of a magnitude no greater than that contemplated in the Invitation to Tender.

- 9.5 At the same time as the Secretary of State provides the Franchisee with a draft of any proposed amended or new Train Service Requirement pursuant to paragraph 9.1, the Secretary of State shall also provide to the Franchisee his opinion of any changes (if any) that are required to the Benchmarks and/or the Annual Benchmarks.

## 10. Procedure

- 10.1 The Franchisee agrees that the effective operation of the provisions of this Schedule 1.1 (Service Development), and of provisions addressing the same or similar matters in other franchise agreements, will require certain procedural arrangements and timescales to be followed to a common timescale by the Secretary of State, the Franchisee and others.

- 10.2 The Franchisee agrees that the Secretary of State may stipulate any reasonable procedural arrangements and timescales that are to be followed by the Secretary of State and the Franchisee for these purposes (which shall be consistent with any relevant standard railway industry processes for timetable development) and that the Secretary of State may amend any such stipulation from time to time.

- 10.3 The Secretary of State agrees to consult the Franchisee as far as reasonably practicable prior to stipulating or amending any such procedural arrangements and timescales in accordance with paragraph 10.2.

- 10.4 Any stipulation by the Secretary of State pursuant to paragraph 10.2:

- (a) shall be at the reasonable discretion of the Secretary of State;
- (b) may contain procedural arrangements and timescales to be followed by the Franchisee in relation to other changes to the Franchise Services (pursuant to paragraph 1 of Schedule 9.5 (Variations to the Franchise Agreement and Incentivising Beneficial Changes)) in conjunction with the Train Service Requirement; and
- (c) may provide for iterations of drafts of any amended or new Train Service Requirement, Train Plan or Timetable.

- 10.5 Any procedural arrangements and timescales stipulated by the Secretary of State pursuant to paragraph 10.2 shall have contractual effect between the Franchisee and the Secretary of State in accordance with the terms of such stipulation.

## 11. Obligations in relation to other Train Operators

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

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

taking account of seasonal fluctuations in passenger demand and the time needed to make any such Connection).

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

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

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

12.2 Except to the extent that the Secretary of State otherwise indicates from time to time, the Franchisee shall notify the Secretary of State of its intention to enter into or amend any Access Agreement:

- (a) where the approval of the ORR is required under the Act, not less than 10 Weekdays before the submission to the ORR; and
- (b) where no such approval is required, not less than 10 Weekdays prior to entering into such amendment or Access Agreement.

12.3 The Franchisee shall comply with its obligations under any Access Agreement or any Property Lease to which it is a party from time to time:

- (a) to notify or consult with the Secretary of State on any matter or proposal relating to that Access Agreement or Property Lease; and
- (b) which are contingent on a particular course of action being taken by the Secretary of State or which are otherwise expressly included in that Access Agreement or Property Lease for the benefit of the Secretary of State.

12.4 If and to the extent that:

- (a) the Secretary of State exercises his rights pursuant to paragraph 12.1;
- (b) the Franchisee's compliance with the Secretary of State's requirements pursuant to paragraph 12.1 would lead to the unavoidable consequence of the Franchisee contravening any other terms of the Franchise Agreement or the occurrence of an Event of Default; and
- (c) the Franchisee duly complies with such requirements,

no such contravention of the Franchise Agreement or Event of Default shall have occurred.

## 13. **Disapplication of the rights of the Franchisee to claim compensation under the Track Access Agreement for Planned Blockades**

13.1 The Franchisee acknowledges and agrees that:

- (a) the applicable "Timetable Planning Rules" and "Engineering Access Statement" specifies planned blockades for two Reporting Periods in each Franchisee Year ("**Planned Blockades**") which will prevent the operation of the Manchester Airport to Manchester portion of the first Passenger Service on a Sunday morning from Manchester Airport to Cleethorpes (as specified as at the date of this Franchise Agreement in each Train Service Requirement in the agreed terms



marked "**TSR 2**" and "**TSR 3**") (and each such service being referred to in this paragraph 13.1 as an "**Engineering Access Enhancement Service**"); and

- (b) it has been fully compensated through Franchise Payments for the costs and revenue impacts of the Planned Blockades (including the costs of providing replacement bus services) for the Engineering Access Enhancement Services.
- 13.2 Accordingly the Franchisee agrees that it shall not make any claim for compensation from Network Rail under its Track Access Agreement or otherwise in relation to any direct or indirect costs (which for these purposes shall include any costs for the provision of replacement buses, bus and taxi hire costs, publicity costs, train planning and diagramming costs), losses and expenses (including any loss of revenue) incurred or expected to be incurred by the Franchisee as a consequence of not being able to operate the Engineering Access Enhancement Services because of the Planned Blockades.
- 13.3 The Franchisee shall:
- (a) co-operate in good faith with Network Rail for the purposes of ensuring that the compensation mechanism under the Track Access Agreement is amended (if necessary) to give effect to the requirements of paragraph 13.2; and
  - (b) in any event, reimburse to Network Rail any sums received from Network Rail by way of compensation of the type referred to in paragraph 13.2.

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

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

## SCHEDULE 1.2

### Operating Obligations

#### 1. Daily Operating Obligations

- 1.1 The Franchisee agrees to use all reasonable endeavours to operate on each day of the Franchise Term each of its Passenger Services as are set out in the Plan of the Day for that day and with at least the Passenger Carrying Capacity specified in the Train Plan for that Passenger Service. The Franchisee shall notify the Secretary of State as soon as reasonably practicable if it has on any day of the Franchise Term failed to operate to a material extent each of its Passenger Services as are set out in the Plan of the Day for that day and with at least the Passenger Carrying Capacity specified in the Train Plan for that Passenger Service.
- 1.2 The Franchisee shall ensure that its performance in each Reporting Period, calculated as a moving annual average in accordance with Schedule 7.1 (Performance Benchmarks) is neither equal to nor worse than each Breach Performance Level in respect of that Reporting Period. Except in respect of any Reporting Period falling within the No Breach Reporting Period, it shall be a contravention by the Franchisee of the terms of the Franchise Agreement if its performance is equal to or worse than any Breach Performance Level in any Reporting Period.

#### 2. Capacity Compliance

- 2.1 If the Secretary of State considers that the Franchisee may have breached any of its obligations under any of paragraphs 5.1, 5.3, 5.4, 5.5, 7.1 or 7.2 of Schedule 1.1 (Service Development) and/or paragraph 1.1 of this Schedule 1.2 (Operating Obligations), he shall (in addition to his right to obtain further information pursuant to paragraph 1.1 of Schedule 1.5 (Information about Passengers) and without prejudice to any other rights of the Secretary of State under the Franchise Agreement or otherwise) have the right, by serving notice on the Franchisee, to instigate an investigation of the Franchisee's compliance with its obligations under paragraphs 5.1, 5.3, 5.4, 5.5, 7.1 and 7.2 of Schedule 1.1 (Service Development) and paragraph 1.1 of this Schedule 1.2 ("**Timetabling and Train Planning Compliance Investigation**").
- 2.2 Following the service of such a notice the Franchisee shall:
- (a) provide such information as the Secretary of State may reasonably require for the purposes of determining if the Franchisee has complied with its obligations under paragraphs 5.1, 5.3, 5.4, 5.5, 7.1 and 7.2 of Schedule 1.1 (Service Development) and paragraph 1.1 of this Schedule 1.2 (Service Obligations) including:
- (i) evidence of the steps taken by the Franchisee to amend and/or enter into Access Agreements, exercise Timetable Development Rights and exercise its rights under the Track Access Agreement to object, to make representations and to withhold consent in respect of any actual or proposed act or omission by Network Rail in relation to such agreement in respect of its Timetable Development Rights;
- (ii) evidence of the extent to which the Franchisee has operated on each day of the relevant Reporting Period each of its Passenger Services as are set out in the Plan of the Day for that day and with at least the Passenger Carrying Capacity specified in the Train Plan for that Passenger Service;
- (iii) Forecast Passenger Demand and the way that it was calculated including all evidence taken into account and assumptions used

(including any divergences from then existing industry modelling standards and the reasons for such divergences); and

- (iv) the alternative solutions considered by the Franchisee before finalising the Timetable and Train Plan and the reasons why any such alternative solutions were not adopted; and
- (b) permit the Secretary of State to carry out an audit of the extent to which the Timetable and Train Plan enables the Franchisee to operate railway passenger services that comply with the Train Service Requirement and paragraph 7 of Schedule 1.1 (Service Development) and fully co-operate with and provide all information needed to facilitate such audit.

## 2.3

- (a) The Franchisee shall be in contravention of the Franchise Agreement if following the completion by the Secretary of State of the Timetabling and Train Planning Compliance Investigation he concludes that the Franchisee breached any of its obligations under any of paragraphs 5.1, 5.3, 5.4, 5.5, 7.1 or 7.2 of Schedule 1.1 (Service Development) and/or paragraph 1.1 of this Schedule 1.2 (Operating Obligations) including where the Franchisee:
  - (i) failed to act reasonably in calculating Forecast Passenger Demand because it unreasonably assumed that there would be differences between Forecast Passenger Demand and Actual Passenger Demand at the time that the Forecast Passenger Demand calculation was made; or
  - (ii) made unreasonable assumptions about the timetables likely to be operated by other Train Operators serving some or all of the same stations as the Franchisee.
- (b) Where the Secretary of State does conclude pursuant to paragraph 2.3(a) above that the Franchisee has breached any relevant obligation the Franchisee shall pay to the Secretary of State the costs incurred by him in undertaking any Timetabling and Train Planning Compliance Investigation (including any audit pursuant to paragraph 2.2(b)).

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

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

3.1 The Franchisee shall notify the Secretary of State promptly after being notified by Network Rail that Network Rail has decided or proposes to:

- (a) omit from the Plan of the Day Passenger Services that are included in the Timetable; or
- (b) reschedule in the Plan of the Day Passenger Services from their scheduling in the Timetable.

3.2 To the extent that any such decision or proposal may, in the reasonable opinion of the Franchisee, materially (having regard to both duration and scale) prejudice the Franchisee's ability to deliver the Timetable with the Passenger Carrying Capacity stipulated in the Train Plan the Franchisee shall explain in such notification the way in which, in its reasonable opinion, such omission or rescheduling may materially prejudice the Franchisee's ability to deliver the Timetable with the Passenger Carrying Capacity stipulated in the Train Plan.

- 3.3 The Franchisee agrees to supply to the Secretary of State from time to time, in the format required by the Secretary of State, such details of any actual or proposed omission or rescheduling of Passenger Services by Network Rail as the Secretary of State may reasonably require, including details of the steps which the Franchisee proposes to take pursuant to paragraph 3.4.
- 3.4 Where the actual or proposed omission or rescheduling of Passenger Services is one which may, in the reasonable opinion of the Secretary of State or the Franchisee, materially prejudice the Franchisee's ability to deliver the Timetable with the Passenger Carrying Capacity stipulated in the Train Plan, the Franchisee agrees (unless the Secretary of State specifically agrees otherwise) to exercise its rights under the Track Access Agreement (including the Network Code) to:
- (a) object (including submitting its objection to any relevant dispute resolution arrangements or procedures and appealing against any award or determination under such arrangements or procedures, including to the ORR);
  - (b) make representations; and
  - (c) withhold consent,
- in respect of any actual or proposed omission or rescheduling of Passenger Services by Network Rail.
- 3.5 The provisions of this paragraph 3 shall apply to any actual or proposed omission or rescheduling of Passenger Services that originates from any person other than Network Rail, as those provisions apply to Network Rail.

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

- 4.1 The Franchisee agrees, subject to paragraph 4.2, not to propose to Network Rail:
- (a) the addition to the Plan of the Day of any railway passenger services which are not included in the Timetable;
  - (b) the omission from the Plan of the Day of any Passenger Services included in the Timetable; or
  - (c) the rescheduling in the Plan of the Day of any Passenger Services from their scheduling in the Timetable,
- without the Secretary of State's prior consent.
- 4.2 The Franchisee shall use all reasonable endeavours to operate adequate railway passenger services to or from any special events which are not already provided for in the Plan of the Day to meet the passenger demand that is reasonably likely to arise from such special events and from the operation of such railway passenger services including through additions to and omissions from the Plan of the Day or rescheduling in the Plan of the Day where appropriate.

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

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

- (a) the addition to the Plan of the Day of any railway passenger services that are not included in the Timetable;
- (b) the omission from the Plan of the Day of any Passenger Services that are included in the Timetable; and/or

- (c) the rescheduling in the Plan of the Day of any Passenger Services from their scheduling in the Timetable.

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

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

- (a) without prejudice to any other provision of this Schedule 1.2 (Operating Obligations), notify the Secretary of State promptly where such disruption would materially (having regard to both duration and scale) prejudice the Franchisee's ability to deliver the Timetable or deliver the Timetable in accordance with the Train Plan;
- (b) co-operate with Network Rail and other Train Operators to act in the overall interests of passengers using such railway passenger services, including using all reasonable endeavours to ensure that such disruption is not concentrated on a particular part of the network, except where such concentration either:
  - (i) would be in the overall interests of passengers using such Passenger Services or railway passenger services and would not result in disproportionate inconvenience to any group of passengers; or
  - (ii) is reasonably necessary as a result of the cause or the location of the disruption; and
- (c) use all reasonable endeavours to provide or secure the provision of alternative transport arrangements in accordance with paragraph 6.2.

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

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

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

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

- (a) ensure (so far as it is able to do so) the provision of the Passenger Services as set out in the Plan of the Day in accordance with the Train Plan in ordinary operating conditions;
- (b) take reasonable measures to avoid and/or reduce the impact of any disruption to the Franchise Services having regard to all the circumstances, including the reasonably foreseeable risks arising from the matters referred to in paragraph 7.2; and
- (c) actively manage the performance by Network Rail of its contractual relationship with the Franchisee (and provide appropriate management resources for this purpose) so as to secure the best performance reasonably obtainable from Network Rail by these means (including taking the steps referred to in paragraph 7.4), having regard to all the circumstances.

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

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

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

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

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

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

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

7.5 The Franchisee undertakes to reasonably co-operate with Network Rail with regard to Network Rail's management of the network, including in relation to the establishment of up to date Timetable Planning Rules.

7.6 To the extent not already provided for in the Franchise Agreement, the Franchisee shall use all reasonable endeavours to ensure the performance by Network Rail of its obligations

under any relevant agreement including, where appropriate or where requested by the Secretary of State, enforcing its rights against Network Rail under any such agreement.

- 7.7 When and to the extent reasonably requested by the Secretary of State, the Franchisee shall provide to the Secretary of State evidence of the steps taken by it in order to comply with its obligations under this paragraph 7.



**SCHEDULE 1.3**

**Not Used**

**SCHEDULE 1.4****Passenger Facing Obligations****1. Publishing the Timetable****1.1 The First Timetable**

The Franchisee shall publish on the Start Date:

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

**1.2 Timetable Revisions and Alterations**

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

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

**1.3 In addition, the Franchisee shall:**

- (a) subject to paragraph 1.4, display posters at each Station advising passengers of all Significant Alterations between any two Passenger Change Dates to railway passenger services calling at that Station, no later than four weeks in advance of the date on which the alterations come into effect; and
- (b) provide posters to the operators of Franchisee Access Stations, advising passengers of all Significant Alterations between any two Passenger Change Dates to the Passenger Services which call at such Franchisee Access Stations,

in sufficient time for such information to be published by such operators within the time limit provided for in paragraph 1.3(a).

#### 1.4 Other Train Operators' Timetables

The Franchisee shall also comply with the requirements of paragraphs 1.1 to 1.3 inclusive by making available booklets and displaying information in information displays and otherwise displaying posters in respect of any other Train Operator's timetable at each Station where the railway passenger services of such other Train Operator are scheduled to call or in respect of which Connections to such other Train Operators railway passenger services can be made from that Station:

- (a) within the time limits specified in paragraphs 1.2 and 1.3 where and to the extent that such other Train Operator delivers to the Franchisee the relevant information and materials in sufficient time for the Franchisee to so publish; and
- (b) as soon as reasonably practicable thereafter where and to the extent that such other Train Operator delivers the relevant information and materials late to the Franchisee.

#### 1.5 National Rail Timetable and National Rail Enquiry Scheme

The Franchisee shall use all reasonable endeavours to procure (including by virtue of any arrangements made from time to time between Network Rail and RSP) that the National Rail Timetable (or any replacement), which Network Rail is responsible for publishing from time to time in relation to the Passenger Services, incorporates or is consistent with its Timetable from time to time.

#### 1.6 The Franchisee shall use all reasonable endeavours to procure that information in relation to:

- (a) the Timetable; and
- (b) any significant alterations to the Timetable to take effect between any two Passenger Change Dates,

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

## 2. **Late Timetable Changes**

#### 2.1 Save in respect of Significant Alterations, for which the provisions of paragraphs 1.3 and 1.6 shall apply, the Franchisee shall inform passengers, so far as possible on not less than seven days' prior notice, if it will be unable to operate its trains in accordance with the Timetable. Such information shall include any revised Timetable or travelling arrangements.

#### 2.2 Such information shall be provided by:

- (a) revising or adding to the information displays referred to in paragraph 1.1;
- (b) notifying the operators of the Franchisee Access Stations, as appropriate, including by providing such operators with revised posters; and
- (c) updating the Franchisee's website.

#### 2.3 The Franchisee shall revise or add to the information displays at the Stations promptly on receipt of any equivalent information relating to the railway passenger services of other Train Operators whose services call at the Stations.

#### 2.4 Where the Franchisee is unable to provide the information specified in paragraph 2.1 because the relevant revisions are made on an emergency basis, the Franchisee shall notify

passengers and publish the relevant revisions by way of the means contemplated by paragraph 2.2 as soon as reasonably practicable.

- 2.5 The Franchisee shall ensure that, so far as reasonably practicable (including by communication of the relevant information to persons likely to receive enquiries), passengers making enquiries regarding the Passenger Services are informed of the revised Timetable and any revised travel arrangements of the Franchisee as far in advance as is reasonably practicable.

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

#### 3.1 Restrictions on Sales

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

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

#### 3.2 The Franchisee shall procure that for any:

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

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

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

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

#### 3.4 The Franchisee shall not sell or offer to sell:

- (a) any Fare in respect of which the:
  - (i) Prices are regulated under Schedules 5.4 (Regulation of Protected Fares Basket Values) and 5.5 (Regulation of Individual Fares), at prices that are greater than the Prices set for such Fares from time

to time in accordance with Schedules 5.4 (Regulation of Protected Fares Basket Values) and 5.5 (Regulation of Individual Fares); and

- (ii) Child Prices are regulated under Schedules 5.4 (Regulation of Protected Fares Basket Values) and 5.5 (Regulation of Individual Fares), at prices that are greater than the Child Prices set for such Fares from time to time in accordance with Schedules 5.4 (Regulation of Protected Fares Basket Values) and 5.5 (Regulation of Individual Fares);

- (b) any Fare or Discount Card which has a validity of 13 or more months, except to the extent required to do so under the terms of the Ticketing and Settlement Agreement.

### 3.5 Agents of the Franchisee

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

- (a) for Fares in respect of which the:
  - (i) Prices are regulated under Schedules 5.4 (Regulation of Protected Fares Basket Values) and 5.5 (Regulation of Individual Fares), sell or offer to sell at prices no greater than the Prices set for such Fares from time to time in accordance with Schedule 5.4 (Regulation of Protected Fares Basket Values) and Schedule 5.5 (Regulation of Individual Fares); and
  - (ii) Child Prices are regulated under Schedule 5.4 (Regulation of Protected Fares Basket Values) and Schedule 5.5 (Regulation of Individual Fares), sell or offer to sell at prices no greater than the Child Prices set for such Fares from time to time in accordance with Schedules 5.4 (Regulation of Protected Fares Basket Values) and Schedule 5.5 (Regulation of Individual Fares);
- (b) for Fares in respect of which the Child Price has been set pursuant to paragraph 2.1 of Schedule 5.2 (Franchisee's Obligation to Create Fares), sell or offer to sell such Fares to any person under the age of 16 for an amount which is no greater than the lowest amount that would be paid if that person were the holder of a 16 to 25 Railcard with no minimum fare (as amended or replaced from time to time) and whose purchase was made without condition; and
- (c) for all Fares:
  - (i) do not sell or offer to sell any Fare or Discount Card with a validity of 13 or more months without the consent of the Secretary of State (such consent not to be unreasonably withheld); and
  - (ii) comply with the provisions of paragraph 3 of Schedule 15.2 (Last 12 or 13 Months of Franchise Period and other conduct of business provisions) to the extent they apply to the selling of Fares by the Franchisee.

### 3.6 Additional Ancillary Services

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

- (a) which are ancillary to the railway passenger service for which such Protected Fare was purchased (including, charges in respect of car parking or catering services); and

(b) which such purchaser is not obliged to purchase.

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

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

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

### 4.1 Content

The Franchisee shall:

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

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

### 4.3 Publishing the Passenger's Charter

The Franchisee shall publicise its Passenger's Charter by:

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

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

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

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

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

The Franchisee shall:

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

4.7 The Franchisee shall use all reasonable endeavours:

- (a) to comply with any other obligations, statements and representations; and
- (b) to meet any other standards or targets of performance,

as are comprised in its Passenger's Charter from time to time.

## 5. **Train and station cleaning**

The Franchisee shall:

- 5.1 ensure that the nature and frequency of its planned and reactive programme for maintaining a reasonable standard of train presentation is such that all rolling stock used by it in the provision of the Passenger Services is expected to be kept reasonably clean, appropriately stocked with consumables and free from minor defects;
- 5.2 use all reasonable endeavours to ensure that a reasonable standard of train presentation is maintained at all times in respect of all rolling stock used by it in the provision of the Passenger Services;
- 5.3 ensure that the nature and frequency of its planned and reactive programme for maintaining a reasonable standard of Station condition and passenger environment is such that all of the Stations are expected to be clean, free of litter and graffiti, painted to a reasonable standard and free from minor defects; and
- 5.4 use all reasonable endeavours to ensure that all Stations are clean, free of litter and graffiti, painted to a reasonable standard and free from minor defects throughout the Franchise Term.

## 6. **Cycles**

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

## 7. **Route Maps**

7.1 The Franchisee shall produce a map (which may be a topological map) showing each of the Routes and each Other Passenger Route Within the Geographical Area. Such map shall include as a minimum;

- (a) all stations served by the Passenger Services; and
- (b) key stations located on any Other Passenger Route Within the Geographical Area (which shall either be selected by the Franchisee on a reasonable basis or, if so directed by the Secretary of State, specified by him in a notice to the Franchisee).

7.2 The Route Map shall include notes identifying:

- (a) in relation to any Other Passenger Route within the Geographical Area with an ultimate principal origin and/or principal destination point outside of the Geographical area such ultimate origin or destination point (so for example where the East Coast Main Line is shown identifying that such points are London Kings Cross and Edinburgh); and
- (b) those Routes over which a passenger train operator other than the Franchisee operates a more frequent service included in the National Rail Timetable than the frequency of Passenger Services.

7.3 Where there is any change to the Passenger Services leading to a change to the routes falling within the definition of Route or any change to the passengers services in the National Rail Timetable of another passenger train operator leading to a change to the routes falling within the definition of Other Passenger Route within the Geographical Area the Franchisee shall, as soon as reasonably practicable update the Route Map in all places where it is displayed.

7.4 The Route Map shall at all times be displayed:

- (a) in every passenger carrying vehicle within the Train Fleet;
- (b) at every Station; and
- (c) on its website.

7.5 The Franchisee shall be regarded as having complied with the requirement of paragraph 7.1 if a route map that meets the requirements of paragraphs 7.1 and 7.2 is produced by a Local Authority or other relevant Stakeholder. The provisions of paragraphs 7.3 and 7.4 shall apply in relation to any such route map.

## 8. **Statutory Notices**

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



## SCHEDULE 1.5

### Information about Passengers

#### 1. Passenger Numbers Information

1.1 The Franchisee shall, as and when reasonably requested by the Secretary of State (and, for these purposes, it shall not be unreasonable to make such a request at least twice yearly), provide information to the Secretary of State on the extent of the use by passengers of the Passenger Services. Without limitation to the generality of the foregoing, in particular and when so requested, the Franchisee shall provide information relating to:

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

(the information referred to in the whole of paragraph 1.1 being referred to together as "**Actual Passenger Demand**").

1.2 The Franchisee shall obtain and collate the information specified in paragraph 1.1 by using the technology specified in paragraph 1.6 or, if this is not reasonably possible, by using manual counts pursuant to paragraph 1.5. The Franchisee shall ensure that any technology for determining the number of passengers travelling in each class of accommodation that is fitted on the Train Fleet remains operational and in good working order from the date that it is fitted throughout the Franchise Period. The Franchisee shall also ensure that, if such technology is not fitted to 100% of the Train Fleet, the individual rolling stock vehicles that have been fitted with such technology shall be rotated around the Routes as necessary to satisfy such request for data as is made by the Secretary of State pursuant to paragraph 1.1. The Secretary of State acting reasonably shall have the right to request such other information that the Franchisee has, ought properly to have or could reasonably obtain which may provide a more detailed or accurate view of the extent of use by passengers of the Passenger Services including information about ingress and egress of passengers at ticket gates at Stations.

1.3 The Franchisee shall provide to the Secretary of State all of the information generated by the technology specified in paragraph 1.6 and/or by using manual counts pursuant to paragraph 1.5 including the information specified in paragraph 1.1:

- (a) promptly following its collation and in any case within the following timescales:
  - (i) in the case of data collected automatically by the Equipment and capable of being transmitted directly and automatically to the RPC Database or the Preliminary Database (as appropriate), within 48 hours of its collation;
  - (ii) in the case of data collected automatically by the Equipment but not capable of direct and automatic transmission to the RPC Database or the Preliminary Database (as appropriate), within one calendar month of its collation; and
  - (iii) in the case of data collected by manual count, within one calendar month of its collation;

- (b) using such systems, in such a format and to such level of disaggregation as the Secretary of State may reasonably require, and in a format which is capable of being read by the RPC Database or the Preliminary Database (as appropriate) (which shall include providing data which is not encrypted);
- (c) either by transmitting such data directly to the RPC Database or the Preliminary Database (as appropriate) or by ensuring that the database provider can pull and transmit such data to the RPC Database or the Preliminary Database (as appropriate), as appropriate according to the nature of the Franchisee's Equipment from time to time or by providing such data to the Secretary of State in such other format as the Secretary of State notifies to the Franchisee from time to time; and
- (d) to the extent required by the Secretary of State, by providing the Secretary of State with direct remote access to the system used by the Franchisee to collect such information such that the Secretary of State is able to download such information;

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

1.4 The Franchisee shall use any flagging system contained within the RPC Database or the Preliminary Database (as appropriate) to highlight such events and occurrences as the Secretary of State may reasonably specify in writing from time to time.

#### 1.5 Manual Passenger Counts

- (a) The Secretary of State shall have the right to require the Franchisee to carry out manual counts in relation to some or all of the Passenger Services at such times as may be required and in such manner (including as to levels of accuracy and the number of days) as may be specified from time to time by the Secretary of State including if, exceptionally, the Franchisee is unable to comply with its obligations to provide data generated by the equipment specified in paragraph 1.6.
- (b) The Secretary of State shall be entitled to audit such counts (whether by specimen checks at the time of such counts, verification of proper compliance with the manner approved by him or otherwise). In the event that such audit reveals, in the reasonable opinion of the Secretary of State, a material error, or a reasonable likelihood of material error, in such counts, the Secretary of State may require the counts to be repeated or the results adjusted as he considers appropriate, and in these circumstances the Franchisee shall pay to the Secretary of State the costs of any such audits.

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

- (a) The technology to be used for the purpose of paragraph 1.2 shall be infra red based passenger counting technology in relation to Class 185 units, Class 350 units and the New Bi-mode Vehicles and stereo-scopic passenger counting technology in relation to the New InterCity Coaches and the New EMUs.
- (b) The technology to be used for the purposes of paragraph 1.2 shall be fitted to:
  - (i) in the case of Class 185 units, all such rolling stock from 31 July 2018;
  - (ii) in the case of any newly constructed rolling stock which enters the Train Fleet (including the New InterCity Coaches, the New EMUs and the New Bi-Mode Vehicles) 100% of such rolling stock from the date that it enters into passenger carrying service; and

- (iii) all rolling stock within the Train Fleet by 1 January 2020.
  - (c) Without limiting the Secretary of State's rights under paragraph 1.1 of this Schedule 1.5, the technology specified in paragraph 1.6(a) and (b) above shall be used to provide counts in respect of, during such period of not less than 12 weeks as the Secretary of State may specify, at least two of each of the Timetabled Services, and each count shall, where reasonably possible, be carried out on each rolling stock unit comprising a particular train. Where the above is not reasonably possible, for each count, as many rolling stock units as is reasonably possible shall be counted and the resulting data shall be extrapolated by the Franchisee to provide a reliable estimate of a full train's count, such method of extrapolation to be approved by the Secretary of State (such approval not to be unreasonably withheld or delayed).
  - (d) The Franchisee shall comply with its obligation under this paragraph 1.6 no later than the Start Date except, in the case of rolling stock which is introduced into passenger service after the Start Date, from the date on which such rolling stock is introduced into passenger service.
- 1.7 The Parties acknowledge that the information supplied under paragraph 1.1 above, and any product of it created by the RPC Database or the Preliminary Database (as appropriate), may constitute Confidential Information to which Schedule 17 (Confidentiality and Freedom of Information) applies.
2. Not Used
3. **CRM Data**
- 3.1 The Franchisee shall ensure that any CRM System is the property of the Franchisee or is licensed to the Franchisee on terms which have been approved by the Secretary of State (such approval not to be unreasonably withheld or delayed) and that any CRM Data obtained by or on behalf of the Franchisee shall be:
- (a) obtained on terms such that the Franchisee shall be the Data Controller of such data; and
  - (b) the property of the Franchisee.
- 3.2 In relation to any CRM Data obtained by or on behalf of the Franchisee, the Franchisee shall ensure or procure that at the same time as the Franchisee seeks consent to Process such CRM Data, the consent of the Data Subject is also sought to such CRM Data being disclosed to any Successor Operator and/or the Secretary of State and Processed by any Successor Operator for the same purposes as the Franchisee sought consent to Process such CRM Data.
- 3.3 Any consent referred to in paragraph 3.2 shall be sought in such manner as shall from time to time be approved by the Secretary of State (such approval not to be unreasonably withheld or delayed) and shall be on terms such as shall permit, in each case in compliance with the Data Protection Act:
- (a) the Franchisee to disclose such CRM Data to any Successor Operator and/or the Secretary of State; and
  - (b) any such Successor Operator to process such CRM Data in the manner contemplated by paragraph 3.2.
- 3.4 The Franchisee shall not be required to:
- (a) disclose, publish, share or otherwise provide or make available any Personal Data (including CRM Data) to any person (including a Successor Operator or any participant involved with the re-letting of the Franchisee); or

- (b) provide access to any CRM System,

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

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

- 4.1 The Franchisee shall ensure that any Yield Management Data and Yield Management System are the property of the Franchisee or are licensed to the Franchisee on terms which have been approved by the Secretary of State (such approval not to be unreasonably withheld or delayed).
- 4.2 If and to the extent that the collection, use and/or processing of any Yield Management Data is subject to the Data Protection Act then paragraphs 3.1(a), 3.2, 3.3, 3.4 and 5 of this Schedule 1.5 shall apply in respect of Yield Management Data in the same way as they apply to CRM Data.

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

- 5.1 In respect of any Personal Data processed by the Franchisee, including CRM Data, the Franchisee agrees that it shall (i) comply with the Data Protection Act and all other legislation relating to the protection and use of personal information (including the Privacy and Electronic Communications (EC Directive) Regulations 2003) (all such legislation collectively being the **Personal Data Legislation**) to the extent that such legislation applies to it and (ii) procure that its agents or sub-contractors shall do the same to the extent that such legislation applies to any of them.
- 5.2 Pursuant to paragraph 5.1, the Franchisee agrees to comply with the Personal Data Legislation in respect of its Processing of CRM Data and in particular, but without limitation, the Franchisee shall:
- (a) ensure that CRM Data is Processed fairly and lawfully (in accordance with part 1 of Schedule 1 of the Data Protection Act);
- (b) ensure that CRM Data is obtained only for one or more specified and lawful purposes, and shall not be further Processed in any manner incompatible with that purpose or those purposes (in accordance with part 2 of Schedule 1 of the Data Protection Act); and
- (c) obtain and maintain all appropriate notifications as required under the Data Protection Act.
- 5.3 In accordance with its capacity as Data Controller of CRM Data and in accordance with the ensuing obligations under the Data Protection Act:
- (a) the Franchisee shall procure that any CRM Data Processor which it appoints shall:
- (i) prior to any disclosure of CRM Data to the CRM Data Processor, enter into written terms between itself and the Franchisee which are equivalent to those contained in this paragraph 5.3; and
- (ii) process CRM Data only on behalf of the Franchisee, only for the purpose(s) as defined by the Franchisee and only in accordance with instructions received from the Franchisee from time to time;
- (b) the Franchisee shall, and shall procure that any CRM Data Processor which it appoints shall, at all times have in place appropriate technical and organisational measures against unauthorised or unlawful processing of CRM Data and against

accidental loss or destruction of, or damage to, CRM Data and that such measures shall:

- (i) reflect the level of harm, damage and/or distress that might be suffered by the Data Subject to whom the CRM Data relates in the event of a breach of the measures as set out herein;
  - (ii) ensure that only authorised personnel have access to CRM Data and that any persons authorised to have access to CRM Data will respect and maintain all due confidentiality; and
  - (iii) (in the case of the CRM Data Processor) include compliance with a schedule of minimum security measures pursuant to the written terms between the Franchisee and the CRM Data Processor;
- (c) the Franchisee shall procure that any CRM Data Processor which it appoints shall:
- (i) promptly notify the Franchisee of any actual or suspected, threatened or 'near miss' incident of accidental or unlawful destruction or accidental loss, alteration, unauthorised or accidental disclosure of or access to the CRM Data or other breach of this paragraph 5.3(c) ("**Security Breach**") and, pursuant to this the Franchisee shall promptly notify the Secretary of State of all Security Breaches by itself or by the CRM Data Processor (the Franchisee hereby acknowledges that whilst the Secretary of State is not Data Controller in respect of the CRM Data, the Secretary of State's legitimate interests given its duties under the Act may be affected in the event of a Security Breach and as such the Secretary of State wishes to be notified of the same); and
  - (ii) promptly provide the Franchisee on request with all reasonable information, assistance and co-operation in relation to its use of the CRM Data, including in relation to any audit by the Franchisee or by any person appointed on its behalf to permit an accurate and complete assessment of compliance with this paragraph 5;
- (d) the Franchisee shall, and shall procure that any CRM Data Processor which it appoints shall, at all times take reasonable steps to ensure the reliability of its/their personnel who have access to the CRM Data and ensure they are aware of the obligations of the Franchisee or the CRM Data Processor (as appropriate) in relation to the same; and
- (e) the Franchisee shall, and shall procure that any CRM Data Processor which it appoints shall, not cause or permit the CRM Data to be transferred to any location outside the European Economic Area (as defined in the Data Protection Act or otherwise as appropriate) without the prior written permission of:
- (i) (in the case of the Franchisee) the Secretary of State; or
  - (ii) (in the case of any Data Processor appointed by the Franchisee) the Franchisee provided that the Franchisee shall not give any such consent without the prior written permission of the Secretary of State;

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

## 6. Rail Passenger Counts Database

6.1 Subject to compliance by the Franchisee with its obligations set out in this Schedule 1.5, the Secretary of State shall as soon as reasonably practicable following the date of this Franchise Agreement:

- (a) use reasonable endeavours to set up and thereafter maintain the RPC Database;
- (b) use reasonable endeavours to populate the RPC Database with such Actual Passenger Demand information as the Franchisee shall provide pursuant to the Franchisee's obligations contained elsewhere in this Franchise Agreement and any other information that the Secretary of State shall desire; and
- (c) use reasonable endeavours to provide the Franchisee with log-in details to the RPC Database in order to allow the Franchisee to access Actual Passenger Demand information that has been provided by the Franchisee, any Network Rail Data, any Third Party Data and to generate reports from the RPC Database.

6.2 The RPC Database is not intended to be used as the sole basis for any business decision. The Secretary of State makes no representation as to the accuracy and/or completeness of:

- (a) any data or information contained in the RPC Database;
- (b) the raw Actual Passenger Demand information provided by the Franchisee or any Network Rail Data or any Third Party Data (as inputted to the RPC Database by whatever means); or
- (c) any product of that Actual Passenger Demand information, Network Rail Data and/or Third Party Data.

6.3

- (a) The Secretary of State is not liable for:
  - (i) any inaccuracy, incompleteness or other error in Actual Passenger Demand information, Network Rail Data, Third Party Data or product of the above provided to the Secretary of State by the Franchisee, NR or a third party; or
  - (ii) any failure of the RPC Database to achieve any particular business result for the Franchisee. For the avoidance of doubt, it is the responsibility of the Franchisee to decide the appropriateness of using the RPC Database to achieve its own business results;
  - (iii) any loss, destruction, corruption, degradation, inaccuracy or damage of or to the Actual Passenger Demand information following its submission to the RPC Database;
  - (iv) any loss or damage to the property or assets of the Franchisee (tangible or intangible) as a result of a breach of paragraph 6.1 of this Schedule 1.5; or
  - (v) any indirect, special or consequential loss or damage.
- (b) The Secretary of State's total liability for the duration of this Franchise Agreement in respect of a breach of its obligations under paragraph 6.1 of this Schedule 1.5 for all other heads of loss or damage which can lawfully be limited shall be limited to the extent to which the Secretary of State is successful in recovering the equivalent loss from such entity to whom the Secretary of State subcontracts its obligations under paragraph 6.1 of this Schedule 1.5 (the "**Subcontractor**"), subject to the following provisions:

- (i) if reasonably requested by the Franchisee within 3 months of the Franchisee incurring such loss or damage, the Secretary of State shall use reasonable endeavours to recover the equivalent losses from the Subcontractor;
  - (ii) it shall not be reasonable for the Franchisee to make a request pursuant to paragraph 6.3(b)(i) above if the value of the Franchisee's losses do not exceed <sup>4</sup>;
  - (iii) prior to accounting to the Franchisee for any sums recovered from the Subcontractor pursuant to this paragraph 6.3(b), the Secretary of State shall be entitled to deduct and retain any reasonable costs and expenses incurred in pursuing such a claim which he does not successfully recover from the Subcontractor; and
  - (iv) the Secretary of State shall be entitled to deduct from any sums recovered from the Subcontractor pursuant to this paragraph 6.3(b) such sum as he reasonably deems appropriate to take account of the Secretary of State's actual or potential liability to other train operating companies pursuant to equivalent arrangements with them, with a view to distributing any sums received from the Subcontractor fairly between the various operators.
- (c) The Franchisee shall use all reasonable endeavours to mitigate any losses incurred by it as a result of a breach by the Secretary of State of its obligations contained in paragraph 6.1 of this Schedule 1.5.
- 6.4 The parties acknowledge that it is intended that the RPC Database and the Preliminary Database will also contain actual passenger demand information relating to franchisees other than the Franchisee but a franchisee will have access only to information relating to its own franchise (in the case of the Franchisee, via the log on details provided pursuant to paragraph 6.1(c)). For the avoidance of doubt, the licence granted at paragraph 7.6 shall only permit the usage of the RPC Database, Derivative Output, the Preliminary Database and Intellectual Property Rights in each case related to the Actual Passenger Demand information supplied by the Franchisee.
- 6.5 Without prejudice to Schedule 14.4 (Designation of Franchise Assets), paragraphs 2.1 and 2.2 of Schedule 15.1 (Reletting Provisions), Schedule 15.4 (Provisions Applying on and after Termination) or any other rights of the Secretary of State, the Franchisee agrees that, following the expiry or termination by whatever means of the Franchise Agreement and any Continuation Document, the Secretary of State shall be entitled to allow access to the Franchisee's Actual Passenger Demand information by way of granting access to that area of the RPC Database or otherwise to any future operator of the Passenger Services (whether or not in direct succession to the Franchisee) or to such part of the Actual Passenger Demand information as relates to those Passenger Services which are being taken over by such future operator.
- 7. Intellectual Property Rights and General Provisions**
- 7.1 All Intellectual Property Rights in the RPC Database, Preliminary Database and Derivative Output shall at all times remain owned by the Secretary of State and to the extent that any

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<sup>4</sup> Date of redaction 16/06/2016 - 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.

rights in the RPC Database vest in the Franchisee by operation of law, the Franchisee hereby assigns such rights to the Secretary of State.

7.2 Subject to Schedule 14.4 (Designation of Franchise Assets) and Schedule 15.4 (Provisions Applying on and after Termination), all Intellectual Property Rights in the Actual Passenger Demand information will at all times remain owned by the Franchisee and (subject as previously stated), to the extent that any rights in the Actual Passenger Demand information vest in the Secretary of State by operation of law, the Secretary of State hereby assigns such rights to the Franchisee.

7.3 All Intellectual Property Rights in the Network Rail Data will at all times remain owned by the relevant NR entity and to the extent that any rights in the Network Rail Data vest in the Secretary of State or the Franchisee by operation of law, the Secretary of State and/or the Franchisee (as applicable) will enter into a separate agreement with the relevant Network Rail entity to assign such rights to it.

7.4 All Intellectual Property Rights in the Third Party Data will at all times remain owned by the third party from whom they have been obtained and to the extent that any rights in the Third Party Data vest in the Secretary of State or the Franchisee by operation of law, the Secretary of State and/or the Franchisee (as applicable) will enter into a separate agreement with the relevant Third Party to assign such rights to it.

7.5 Subject to Schedule 14.4 (Designation of Franchise Assets) and Schedule 15.4 (Provisions Applying on and after Termination), each party:

(a) acknowledges and agrees that it shall not acquire or claim any title to any of the other party's Intellectual Property Rights (or those of the other party's licensors) by virtue of the rights granted to it under this Agreement or through its use of such Intellectual Property Rights; and

(b) agrees that it will not, at any time, do, or omit to do, anything which is likely to prejudice the other party's ownership (or the other party's licensors' ownership) of such Intellectual Property Rights.

7.6 The Secretary of State hereby grants, for the duration of the Franchise Period, the Franchisee a non-exclusive, non-transferrable licence to use:

(a) the RPC Database;

(b) any Derivative Output;

(c) the Preliminary Database; and

(d) all Intellectual Property Rights in the same

in the United Kingdom for the purposes of accessing the Actual Passenger Demand information by using the functionality of the RPC Database, the Derivative Output or the Preliminary Database.

7.7 Without limiting any other rights the Secretary of State may have, the Franchisee hereby grants the Secretary of State a perpetual, non-terminable, non-exclusive licence (which is transferrable and/or capable of being sub-licensed only in the circumstances set out in this paragraph 7.7 to use the Actual Passenger Demand information and all Intellectual Property Rights in the same:

(a) including in the RPC Database; and/or

(b) including in the Preliminary Database; and/or

(c) for such purposes as he may reasonably require including for the purposes of assisting his decision making on future train service requirements,



infrastructure, station and rolling stock investment, the best use of the network and the alleviation of overcrowding; and/or

- (d) including to share and disclose or publish the same to the extent permitted by the other provisions of this Franchise Agreement (including Schedule 17 (Confidentiality and Freedom of Information)); and/or
- (e) to allow a future operator of the Passenger Services (whether or not in direct succession to the Franchisee) to view and access such Actual Passenger Demand information (whether via the RPC Database or otherwise) as directly relates to the services that it will be running,

and such rights to use the Actual Passenger Demand information and all Intellectual Property Rights pursuant to this paragraph 7.7 shall continue following expiry or termination of this Agreement.

- 7.8 Paragraphs 6.2, 6.3, 7.1, 7.2 and 7.7 of this Schedule 1.5 shall continue in force after expiry or termination of this Franchise Agreement or any Continuation Document, together with any other provisions which expressly or impliedly continue in force after the expiry or termination of the Franchise Agreement or any Continuation Document.
- 7.9 The parties intend that the provisions of The Contract (Rights of Third Parties) Act 1999 will apply to allow the relevant NR entity to rely on and enforce against a third party the provisions of paragraph 7.3 of this Schedule 1.5.

**SCHEDULE 1.6****Franchise Services****1. Franchise Services**

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

**2. Restrictions relating to Franchise Services**

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

2.2 The Franchisee shall not without the prior written consent of the Secretary of State operate Passenger Services other than on the following routes (and, when necessary in the event of planned or unplanned disruption or to the extent reasonably necessary to preserve train crew knowledge of such routes but only between the hours of 2100 and 0659 (Monday - Saturday) or 0859 (Sunday), any reasonable diversionary routes that the Franchisee is permitted to use pursuant to its Track Access Agreement):

- (a) Newcastle to Leeds (via either Newcastle South Junction or High Level Bridge Junction, Durham, Darlington, Northallerton, York and Garforth);
- (b) Middlesbrough to Northallerton (via Yarm or Darlington);
- (c) Scarborough to York;
- (d) Hull to Leeds;
- (e) Leeds to Manchester Piccadilly (via Huddersfield and Guide Bridge);
- (f) Leeds to Manchester Victoria (via Huddersfield and Ashton and via Guide Bridge);
- (g) Manchester Victoria to Manchester Piccadilly (via Ordsall Chord, once completed);
- (h) Manchester Airport to Manchester Piccadilly;
- (i) Manchester Victoria to Liverpool Lime Street (via Newton-le-Willows);
- (j) Cleethorpes to Manchester Airport (via Doncaster, Sheffield and Stockport either via Rotherham Central or via the avoiding line);
- (k) Manchester Piccadilly to Preston (via Bolton);
- (l) Preston to Glasgow Central and Edinburgh Waverley;
- (m) Liverpool to Preston (via St Helens Central or St Helens Junction);
- (n) Newcastle to Edinburgh;
- (o) from the Start Date until the date that the Train Service Requirement in the agreed form TSR1 is replaced by the Train Service Requirement in the agreed form TSR 2 as specified in paragraph 1.2 of Schedule 1.1 (Service Development), Manchester Piccadilly to Liverpool Lime Street (via Warrington Central); and

- (p) from the Start Date until the date that the Train Service Requirement in the agreed form TSR1 is replaced by the Train Service Requirement in the agreed form TSR 2 as specified in paragraph 1.2 of Schedule 1.1 (Service Development), Manchester Piccadilly to Preston (via Wigan North Western).
- 2.3 The Secretary of State may impose such conditions to his consent as he considers appropriate for the purpose of securing the continuity of the provision of the Franchise Services at the end of the Franchise Term.
- 2.4 The Franchisee shall not during the Franchise Term, without the consent of the Secretary of State:
- (a) provide or operate any railway passenger services other than the Passenger Services or Charter Services;
  - (b) operate any stations or light maintenance depots other than the Stations and Depots; or
  - (c) hold shares, participations or any other interest in any other company or body corporate unless such company or body corporate is:
    - (i) Network Rail; or
    - (ii) owned directly or indirectly by another participant in the railway industry and the holding is incidental to the Franchisee's participation in an Inter-Operator Scheme or any other arrangement designed to ensure or facilitate co-operation between such participants or between any such participants and any other person.
- 2.5 The Franchisee shall not engage any Franchise Employee in any activity or business which it may not conduct or engage in under this paragraph 2.

### 3. **Station Services**

- 3.1 The Station Services shall comprise:
- (a) the provision of any services to persons at Stations or to Train Operators whose trains call at such Stations, provided that such services:
    - (i) are made available only or principally to passengers alighting from or joining trains calling at such Stations and to such Train Operators;
    - (ii) are provided in connection with the calling of trains at such Stations and are not designed to encourage passengers or other persons to use such Station Services other than in connection with a journey on a train calling at such Stations;
    - (iii) exclude the sale or issue (for a charge) of any goods other than passenger timetables and any items included in the price of a Fare; and
    - (iv) may include the provision of car parking spaces; and
  - (b) the provision of access to any person under an Access Agreement at any Station.
- 3.2 The Station Services shall include the provision of any service which the Franchisee may provide, or may be required to provide, under any Access Agreement in effect on the Start Date or as lawfully directed by the ORR from time to time.

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

4.1 Light Maintenance Services shall comprise:

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

in each case for itself and/or other Train Operators, at any Station or Depot.

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

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

The Franchisee may carry out the following Ancillary Services:

- (a) the selling, lending or hiring of any goods or rights and the provision of any services (whether for a charge or not) on any train used in the provision of the Passenger Services where such goods or services are sold or provided principally for consumption or use on the relevant train, including the sale of any Fares, meals, light refreshments, newspapers, magazines, books, entertainment materials, information or materials targeted at tourists and other leisure passengers (such as maps) or phone cards;
- (b) the provision of any service at any station which, if provided on a train used in the provision of the Passenger Services, would fall within paragraph 5(a) or which, if provided at a Station, would fall within paragraph 3 and which, in each case, is made available only or principally to persons at such stations who either are about to travel or have recently travelled on a train used in the provision of the Passenger Services;
- (c) in any Reporting Period, the subleasing, hiring or licensing of up to ten per cent of the rolling stock vehicles used in the provision of the Passenger Services (such percentage to be determined by reference to the aggregate period of time for which such rolling stock vehicles are sub-let, hired or licensed and the aggregate period of time for which they are used in the provision of the Passenger Services) provided that:
  - (i) on and from the date upon which such sub leasing of rolling stock vehicles commences, this paragraph 5(c) shall not apply in respect of the rolling stock vehicles to be sub leased to the Northern Franchisee pursuant to the TPE/Northern Sub Lease Agreement (as such term is defined in paragraph 14.6(a) of Schedule 6.2 (TransPennine Express Franchise Specific Provisions)); and

- (ii) from the Start Date until 19 September 2018, this paragraph 5(c) shall not apply in respect of any of the Class 350 rolling stock vehicles comprised in the Train Fleet (and listed in Table 1 to Schedule 1.7 (The Train Fleet)) as at the date of this Franchise Agreement;
- (d) the lending, seconding, hiring or contracting out during any Reporting Period to another person or persons (whether for a charge or not) of:
  - (i) up to 1 per cent. of the number of Franchise Employees as at the Start Date, for over 90 per cent. of their normal working hours during such Reporting Period (including on a full-time basis); and
  - (ii) 1 per cent. of any other Franchise Employees as at the Start Date, provided that this paragraph shall not apply to any employee lent, seconded, hired or contracted out under any of paragraphs 5(a) to 5(c) inclusive and 5(e) to 5(p) inclusive, or engaged in any other activity which is permitted under this Schedule 1.6 (Franchise Services);
- (e) any heavy maintenance of rolling stock vehicles which does not fall within the Light Maintenance Services, carried out on behalf of any other person at the following Depot(s), subject to the number of persons engaged or employed in such activity not exceeding by more than ten per cent the number so engaged or employed on the Start Date:
  - (i) not used;
- (f) the selling at any location of any Fare which is valid, in whole or in part, on the Passenger Services and the selling of any other Fare at any location where such Fares may be purchased from the Franchisee on or before the date of the Franchise Agreement or at any other location, provided that the majority of Fares sold at any such other location shall be Fares which are valid, in whole or in part, on the Passenger Services;
- (g) the selling, in conjunction with any Fare, of any other rights which entitle the purchaser thereof to:
  - (i) travel on any other train or light rail service;
  - (ii) travel on any aircraft;
  - (iii) travel on any shipping or ferry service;
  - (iv) travel on any bus; or
  - (v) attend any event or attraction or enter any location;
- (h) the lending, seconding, hiring or contracting out of Franchise Employees to other Train Operators in order to enable such Train Operators to provide services at the Stations to passengers travelling on any such operator's trains;
- (i) the provision of telephone information and web site relating to railway passenger services within Great Britain to passengers;
- (j) the supervision, management and training of train crew of other Train Operators provided such activity is necessarily incidental to the provision of the Passenger Services and could not reasonably be carried out by or through an Affiliate of the Franchisee;
- (k) the subleasing, hiring, licensing, lending, selling of any rolling stock vehicles or other assets of the Franchisee or the lending, hiring or contracting out of any

employees of the Franchisee or the provision of any other services to Network Rail or any other Train Operator on an emergency basis;

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

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

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

## SCHEDULE 1.7

### The Train Fleet

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

##### 1.1 The Train Fleet consists of:

- (a) from the Start Date until the lease expiry dates referred to in Column 5 of Table 1, the rolling stock vehicles set out in Table 1 ("**Original Rolling Stock**") with the capacity characteristics referred to in Column 3 of Table 1;
- (b) from the dates set out in Column 1 of Table 2 until the lease expiry dates referred to in Column 6 of Table 2, the rolling stock vehicles ("**Specified Additional Rolling Stock**") set out in Table 2, with the capacity characteristics referred to in Column 4 of Table 2; and
- (c) from the relevant dates specified in paragraph 1.2(a), each Unspecified Additional Rolling Stock.

##### 1.2 The Franchisee shall by no later than:

- (a) each relevant date specified in Table 3, introduce into revenue earning passenger service; and
- (b) the date which is 12 (twelve) months prior to each such date, enter into Rolling Stock Leases (subject to compliance with all other relevant provisions of this Agreement including in relation to Rolling Stock Related Contracts) in respect of,

the quantum of rolling stock specified in Column 2 of Table 3 and which (unless otherwise agreed by the Secretary of State) provides at least the minimum capacity specified in Column 3 of Table 3 and has at least the minimum reliability, capability and quality characteristics referred to in Column 4 of Table 3 ("**Unspecified Additional Rolling Stock**").

##### 1.3 The Passenger Carrying Capacity of any rolling stock vehicles shall be as set out in Tables 1 or 2 or as determined by the Secretary of State in accordance with paragraph 2.4 (as applicable).

#### 2. Changes to the Train Fleet

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

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

of any rolling stock vehicles specified in the Train Fleet.

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

- 2.3 During the Franchise Term, the Franchisee shall advise the Secretary of State of any rolling stock vehicles damaged beyond economic repair or likely to be unavailable for service for a period of three consecutive Reporting Periods or more.
- 2.4 If any change is made to the Train Fleet in accordance with this Schedule 1.7 (The Train Fleet), the Secretary of State may, after consulting the Franchisee, notify the Franchisee of the Passenger Carrying Capacity of any rolling stock vehicles or class of rolling stock vehicles comprising the Train Fleet following such change.
- 3. Rolling Stock Quality Requirements**
- 3.1 Subject to paragraph 3.2, the Franchisee shall ensure that, for the duration of the Franchise Term, all rolling stock comprised in the Train Fleet and used for the provision of the Passenger Services meets each of the Rolling Stock Quality Requirements.
- 3.2 Where as at the Start Date any rolling stock comprised in the Train Fleet does not meet any of the Rolling Stock Quality Requirements the Franchisee shall procure that by no later than 1 April 2019 such rolling stock shall meet such Rolling Stock Quality Requirement. The obligation of the Franchisee as specified in paragraph 3.1 shall only begin to apply in relation to that rolling stock from the earlier of 1 April 2019 and the date upon which such rolling stock meets such Rolling Stock Quality Requirement and it is further confirmed that such obligation shall not extend to any Mark III coaches on hire to the Franchisee until 1 January 2020.
- 3.3 The provisions of paragraph 6 of Part 2 of Schedule 6.1 (Committed Obligations and Related Provisions) shall apply in respect of the obligations of the Franchisee specified in paragraph 3.2.
- 3.4 The Franchisee shall ensure that the contents of the toilet retention tanks relating to each Controlled Emission Toilet fitted on rolling stock units in accordance with the requirements of paragraph 3.1 are disposed in a safe and hygienic manner at suitable facilities at Depots and stabling points specifically designed for that purpose.



**Table 1 (Original Rolling Stock)<sup>5 6</sup>**

Column 1	Column 2	Column 3				Column 4	Column 5
Class of vehicle	Number of vehicles and unit configuration	Capacity of units				Owner/ Lessor	Lease expiry date(s) <b>Note 4</b>
		Seats	Standing	Total	Standard Class		
Class 350	40 (10 x 4 car)	206	137	343	187	Angel Trains	30 April 2019 <b>Note 1</b>
Class 185 <b>Note 5</b>	87 (29 x 3-car)	181	106	287	164	Eversholt	01 April 2023 <b>Note 2</b>
Class 185 <b>Note 5</b>	66 (22 x 3-car)	181	106	287	164	Eversholt	10 November 2019 – 31 March 2020 <b>Note 3</b>
Class 170	8 (4 x 2-car)	116	65	181	108	The Chiltern Railway Company	10 July 2016 <b>Note 6</b>
Mark 3	10 (2 x 5-coach rakes)	304	140	444	280	Porterbrook	31 December 2019 <b>Note 7</b>

**Notes to Table 1**

**Note 1:** Subject always to paragraph 41 "Date of release of replaced rolling stock vehicles" of Part 1 of Schedule 6.1 (Committed Obligations and Related Provisions) the Franchisee plans to hand units back to the lessor between 11 November 2018 and 30 April 2019.

**Note 2:** Subject always to paragraph 41.1, 41.2 and 41.3 of Part 1 of Schedule 6.1 (Committed Obligations and Related Provisions) the Franchisee plans to hand back units to the lessor between 13 October 2019 and 31 March 2020.

**Note 3:** Subject always to paragraph 41.1 and 41.2 of Part 1 of Schedule 6.1 (Committed Obligations and Related Provisions) the Franchisee plans to hand back units to the lessor between 13 October 2019 and 31 March 2020.

**Note 4:** References to 1 April 2023 are to the end of the Franchise Period and are subject to extension to reflect exercise by the Secretary of State of his rights to extend the Franchise.

**Note 5:** The Class 185 fleet will be subject to sub-lease arrangements between the Franchisee and Arriva Rail North Limited entered into in accordance with paragraph 14 of Schedule 6.2 (TransPennine Express Franchise Specific Provisions) and amended in accordance with paragraph 20 of Schedule 6.2. It is acknowledged that on expiry in accordance with its terms of that sub lease, the sub lease will not be required to be renewed save with the agreement of the parties or pursuant to a Variation.

**Note 6:** It is acknowledged that on expiry in accordance with its terms of that sub lease, the sub lease will not be required to be renewed.

**Note 7:** In accordance with the terms of a side-letter between the Secretary of State and Franchisee dated 31st March 2016, nine of these vehicles may be subject to an initial sub-leasing

<sup>5</sup> Date of contract change - 31/03/2016 - Agreed by the Secretary of State and Franchisee

<sup>6</sup> Date of contract change - 13/05/2016 – Agreed by the Secretary of State and Franchisee

arrangement and the lease of the other one of these vehicles may be subject to a delayed start.

**Table 2 (Specified Additional Rolling Stock) <sup>7</sup>**

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) <b>Note 2</b>
			Seats	Standing	Total	Standard Class		
20 August 2017	Class 68	Up to 18 <b>Note 1</b>	0	0	0	0	Beacon Rail/DRS	01 April 2023
02 November 2017 <b>Note 3</b>	"IC100"	66 (13 x 5-coach) plus 1 coach	286	143	429	257	tbc	01 April 2023
02 October 2018 <b>Note 4</b>	"EMU125"	60 (12 x 5-car)	286	156	442	262	tbc	01 April 2023
29 August 2019 <b>Note 5</b>	"Bi125" (Hitachi AT300)	95 (19 x 5-car)	342	132	474	318	Angel	01 April 2023

### Notes to Table 2

**Note 1:** Subject always to the Franchisee's obligation set out in paragraph 34.1 of Part 1 of Schedule 6.1 (List of Committed Obligations) to ensure that at all times it has available to it sufficient Class 68 locomotives to enable the new intercity rolling stock to be introduced into unrestricted passenger carrying service in accordance with paragraph 33.1, the intended maximum number of Class 68 locomotives on hire at any one time is 18, and the intended quantity on hire from 19 August 2018 to the end of the Franchise Period is 13.

**Note 2:** References to 1 April 2023 are to the end of the Franchise Period and are subject to extension to reflect exercise by the Secretary of State of his rights to extend the Franchise.

**Note 3:** See Appendix 1 to Schedule 6.1 for further details of the Target Dates for introduction of vehicles.

**Note 4:** See Appendix 2 to Schedule 6.1 for further details of the Target Dates for introduction of vehicles.

**Note 5:** See Appendix 3 to Schedule 6.1 for further details of the Target Dates for introduction of vehicles.

<sup>7</sup> Date of contract change 31/03/2016 - Agreed by the Secretary of State and Franchisee

**Table 3 (Unspecified Additional Rolling Stock)**

<b>Column 1</b>	<b>Column 2</b>	<b>Column 3</b>				<b>Column 4</b>
<b>Date of introduction into revenue earning passenger service</b>	<b>Number of vehicles</b>	<b>Capacity of units</b>				<b>Characteristics</b>
		<b>Seats</b>	<b>Standing</b>	<b>Total</b>	<b>Standard Class</b>	
-	-	-	-	-	-	-

## **SCHEDULE 2**

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

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

**SCHEDULE 2.1****Asset Vesting and Transfer**

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

**SCHEDULE 2.2****Security of Access Agreements, Rolling Stock Leases, Station and Depot Leases****1. Novation of Access Agreements during the Franchise Term**

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

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

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

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

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

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

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

1.4 The Franchisee shall, on the occurrence of any of the circumstances specified in paragraph 1.1 in relation to any other Train Operator who is a party to an Access Agreement to which the Franchisee is also party, agree to the novation of the relevant Train Operator's interest under the relevant Access Agreement to the Secretary of State or as he may direct, subject, to the extent applicable, to the consent of the ORR. The provisions of paragraph 1.3 shall apply to any such novation.

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

## 2. Rolling Stock Related Contracts and insurance arrangements

2.1 The Franchisee shall not:

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

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

2.1A The Franchisee shall supply to the Secretary of State a copy of all draft Rolling Stock Related Contracts and, immediately following execution, all executed Rolling Stock Related Contracts (including any agreement amending any Rolling Stock Related Contract) together with:

- (a) such other information or documentation relating to such Rolling Stock Related Contract and/or the relevant rolling stock as the Secretary of State may request (which may include offer letters (original and final));
- (b) the terms proposed by any person providing finance in relation to the relevant rolling stock (including cash flows);
- (c) any agreement (in whatever form) to which the Franchisee (or an Affiliate of the Franchisee) is a party and which relates to the relevant rolling stock;
- (d) information relating to capital allowances, details of any changes in the terms (including rentals) on which the relevant rolling stock is proposed to be leased compared to the terms on which such rolling stock was previously leased; and
- (e) a detailed justification of the Franchisee's proposed maintenance strategy for the relevant rolling stock and/or the Franchisee's analysis of the whole life costs of the relevant rolling stock.

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

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

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

2.3 Not used.

2.4 The Franchisee shall, in addition, if it enters into any New Insurance Arrangements, use all reasonable endeavours to ensure that the relevant insurers waive their rights of subrogation against any Train Operator which may have equivalent insurance arrangements providing for a similar waiver of rights of subrogation against the Franchisee, whether on a reciprocal basis or otherwise.

- 2.5 Without limiting paragraph 2.1, where the rolling stock to be leased by the Franchisee under any Rolling Stock Lease is Cascaded Rolling Stock the Secretary of State may:
- (a) as a condition of giving his consent to the Franchisee executing such Rolling Stock Lease, require that such Rolling Stock Lease contains a provision whereby, in the event of a Relevant Delay, the Secretary of State may require that such Cascaded Rolling Stock can continue to be used by the Prior Train Operator during such period as the Secretary of State shall specify. Without limitation this may include the Franchisee subleasing the Cascaded Rolling Stock back to the Prior Train Operator and/or a delay to the date on which the Cascaded Rolling Stock is required to be delivered to the Franchisee under such Rolling Stock Lease; and
  - (b) where the Secretary of State requires such a provision to be included in the relevant Rolling Stock Lease, if a Relevant Delay occurs, require the Franchisee to make the Cascaded Rolling Stock available for use by the Prior Train Operator during such period as the Secretary of State may require.

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

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

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

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

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

## 2.6

- (a) Where the Secretary of State exercises his right pursuant to paragraph 2.5(b) to make Cascaded Rolling Stock available for use by the Prior Train Operator during a specified period there shall be a Change and where this is a Qualifying Change, it shall be assumed that the period that the Prior Train Operator retains any Cascaded Rolling Stock shall not exceed ninety days and the only Revised Inputs shall be in relation to the difference between each of the rolling stock lease costs and variable track usage charge for the Cascaded Rolling Stock and the rolling stock lease costs and variable track usage charge applicable in relation to whatever rolling stock is to be used by the Franchisee in place of the Cascaded Rolling Stock.
- (b) Where there is a Change pursuant to paragraph 2.6(a) and the period that the Prior Train Operator retains any Cascaded Rolling Stock is more than ninety days there shall be a further Change. Where such Change is a Qualifying Change the modifications to the methodology for calculating Revised Inputs provided for in paragraph 2.6(a) shall not apply.
- (c) Where there is a Change pursuant to paragraphs 2.6(a) or 2.6(b) and any such Change is a Qualifying Change there shall be a further Change (which shall be a Qualifying Change irrespective of whether such Change meets the requirements of the definition of Qualifying Change) on the date that the last Cascaded Rolling Stock ceases to be retained by the Prior Train Operator.

## 2.7



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

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

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

- 3.1 The Franchisee shall (other than on termination of the Franchise Agreement, for which the provisions of paragraph 4.5 of Schedule 15.4 (Provisions Applying on and after Termination) shall apply) following receipt of a notice purporting to terminate a Property Lease or on becoming aware of any proceedings or any other steps having or purporting to have similar effect, if requested by the Secretary of State, assign its interest under all or any Property Leases to the Secretary of State or as he may direct, subject where applicable to the agreement of any other party to such Property Lease or the ORR.
- 3.2 Such assignment shall be on such terms as the Secretary of State may reasonably require, including:
- (a) that the Franchisee shall not be released from any accrued but unperformed obligation, the consequences of any antecedent breach of a covenant or obligation in the Property Leases or any liability in respect of any act or omission

under or in relation to the Property Lease prior to, or as at the date of, any such assignment (except to the extent that the Secretary of State or his nominee agrees to assume responsibility for such unperformed obligation, such liability or the consequences of such breach in connection with the relevant assignment); and

- (b) that neither the Secretary of State nor his nominee shall be obliged, in connection with such assignment, to agree to assume responsibility for any unperformed obligation, liability or consequences of a breach referred to in paragraph 3.2(a), and the Franchisee shall indemnify the Secretary of State or his nominee, as the case may be, on an after-tax basis against any costs, losses, liabilities or expenses suffered or incurred in relation thereto.

3.3 The Franchisee shall, on the occurrence of any of the circumstances specified in paragraph 3.1 in relation to any other Train Operator who is a party to a Property Lease to which the Franchisee is also party, agree to the assignment of such Train Operator's interest under the relevant Property Lease to the Secretary of State or as he may direct, subject, where applicable, to the consent of Network Rail. The provisions of paragraph 3.2 shall apply to any such assignment.

3.4 The Franchisee shall notify the Secretary of State on becoming aware of any circumstances which might lead to the Secretary of State being able to require the Franchisee to assign its interest or agree to the assignment of another Train Operator's interest under this paragraph 3.

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

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

4.2 The Franchisee shall not:

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

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

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

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

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

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

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

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

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

**SCHEDULE 2.3****Third Party Delivery of Passenger Services and Other Franchisees****1. Subcontracting any Passenger Services**

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

**2. Other Franchisees**

- 2.1 If the franchise agreement of another franchisee terminates or a railway administration order is made in respect of another franchisee, the Franchisee shall co-operate with any reasonable request of the Secretary of State to ensure:
- (a) that the services provided or operated by such other franchisee may continue to be provided or operated by any successor Train Operator or the railway administrator; and
  - (b) that the benefit of any arrangements between the Franchisee and such other franchisee which were designated as a key contract under such franchise agreement immediately prior to its termination or to a railway administration order being made will continue to be provided to any successor Train Operator or to the railway administrator.
- 2.2 The benefit of any arrangements of the type referred to in paragraph 2.1(b) shall be provided on substantially the same terms as previously obtained by the relevant franchisee, subject to paragraph 9 of Schedule 19 (Other Provisions) and paragraph 2.3, provided that the Secretary of State may exclude or modify any terms agreed or amended by such franchisee in the 12 months preceding the date on which such franchisee's franchise agreement was terminated or the date on which the relevant railway administration order was made which were, in the Secretary of State's reasonable opinion, to the material detriment of such franchisee's business. The benefit of such arrangements shall be provided for such period as the Secretary of State may reasonably require to allow the

relevant Train Operator or railway administrator to renegotiate such arrangements or make alternative arrangements.

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

**SCHEDULE 2.4****Other Franchise Operations****1. Rolling Stock Testing and Commissioning**

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

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

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

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

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

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

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

**3. Not Used****4. Royal Train**

4.1 The Franchisee shall, if and to the extent requested by any person (including DB Schenker Rail (UK) Limited) and subject to the payment by such person of any reasonable costs of the Franchisee, co-operate in the provision by such person of railway passenger services for Her Majesty Queen Elizabeth II or any successor head of state or members of the family or representatives of either of them.

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

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

**SCHEDULE 2.5****Transport, Travel and Other Schemes**

1. **Not Used**
2. **Local Authority Concessionary Travel Schemes**
  - 2.1 The Franchisee shall:
    - (a) subject to paragraph 2.2, participate in and comply with its obligations under:
      - (i) the concessionary travel schemes listed in the Appendix to this Schedule 2.5; and
      - (ii) any other concessionary travel scheme which the Franchisee is required to participate in during the Franchise Term pursuant to paragraph 2.1(b); and
    - (b) subject to paragraph 2.3, if so requested by the Secretary of State, participate in and comply with its prospective obligations under:
      - (i) any concessionary travel scheme listed in the Franchise Agreement the terms of which have been amended since the date of the Franchise Agreement; and
      - (ii) such other concessionary travel schemes as any relevant Local Authority may require or request it to participate in.
  - 2.2 Subject to the terms of the relevant concessionary travel scheme, the Franchisee shall be entitled to cease to participate in any scheme referred to in paragraph 2.1(a) where, in the reasonable opinion of the Secretary of State:
    - (a) the Franchisee's continuing participation in such scheme; and/or
    - (b) the obligations assumed by the relevant Local Authority in connection therewith,each pursuant to Part II of the Travel Concession Schemes Regulations 1986 (SI 1986/77) (the "**Regulations**"), would fail to leave the Franchisee financially no worse off (within the meaning of the Regulations) than it was immediately following the Start Date.
  - 2.3 The Secretary of State shall not require the Franchisee to participate in any scheme referred to in paragraph 2.1(b) where the Secretary of State is reasonably satisfied that:
    - (a) the reimbursement arrangements with respect to the Franchisee's participation in any such scheme; and/or
    - (b) the obligations to be assumed by such Local Authority in connection therewith,each pursuant to the Regulations would fail to leave the Franchisee financially no worse off (within the meaning of the Regulations) as a result of such participation.
  - 2.4 The Secretary of State shall consult the Franchisee before making any request of the Franchisee to participate in any amended or new concessionary travel scheme pursuant to paragraph 2.1(b) and shall allow the Franchisee a reasonable opportunity to make representations to him with respect to any such participation.
  - 2.5 The Franchisee shall supply to the Secretary of State, in respect of any concessionary travel schemes referred to in paragraph 2.1, such information within such period as the Secretary



of State may reasonably require for the purposes of determining whether or not the Franchisee is or will be financially no worse off (within the meaning of the Regulations) as a consequence of its participation in any such scheme, and/or the obligations assumed by such Local Authority in connection therewith.

2.6 If the Secretary of State and the Franchisee are unable to agree whether the Franchisee will be financially no worse off (within the meaning of the Regulations), the Secretary of State and the Franchisee may resolve such dispute in accordance with the Dispute Resolution Rules.

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

3.1 The Franchisee shall:

- (a) subject to paragraph 3.2, participate in and comply with its obligations under:
  - (i) the multi-modal fares schemes set out in paragraph 3 of the Appendix to this Schedule 2.5; and
  - (ii) any other multi-modal fares scheme which the Franchisee is required to participate in during the Franchise Term pursuant to paragraph 3.1(b);

including by co-operating in the implementation of any smart card technology pursuant to any such multi modal fares schemes; and

- (b) subject to paragraph 3.3, if so requested by the Secretary of State, participate in and comply with its prospective obligations under:
  - (i) any multi-modal fares scheme set out in paragraph 3 of the Appendix to this Schedule 2.5, the terms of which have been amended since the date of signature of this Agreement; and
  - (ii) such other multi-modal fares schemes as any relevant Local Authority may require or request it to participate in.

3.2 Subject to the terms of the relevant multi-modal fares scheme, the Franchisee shall be entitled to cease to participate in any scheme referred to in paragraph 3.1(a) where, in the reasonable opinion of the Secretary of State:

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

would fail, by way of distribution of income or otherwise, to render the Franchisee financially no worse off.

3.3 The Secretary of State shall not require the Franchisee to participate in any scheme referred to in paragraph 3.1(b) where the Secretary of State is reasonably satisfied that the Franchisee's participation in any such scheme and/or the obligations to be assumed by the relevant Local Authority in connection therewith, would fail, by way of distribution of income or otherwise, to render the Franchisee financially no worse off.

3.4 In determining whether the Franchisee shall, pursuant to paragraph 3.2, continue to participate or, pursuant to paragraph 3.3, participate in any multi-modal fares scheme, the Secretary of State shall construe the term "financially no worse off" to mean:

- (a) in respect of any multi-modal fares scheme set out in paragraph 3 of the Appendix to this Schedule 2.5, that the Franchisee incurs no greater financial loss than the financial loss (if any) incurred by the Franchisee at the Start Date under that scheme, as adjusted by reference to any change in the level of prices according to the Retail Prices Index since such date;

- (b) in respect of any multi-modal fares scheme which replaces and (in the Secretary of State's reasonable opinion) is reasonably similar to any such scheme as may be set out in paragraph 3 of the Appendix to this Schedule 2.5, that the Franchisee incurs no greater financial loss than the financial loss (if any) incurred by the Franchisee at the Start Date under the replaced scheme, as adjusted by reference to any change in the level of prices according to the Retail Prices Index since such date; and
  - (c) in respect of any multi-modal fares scheme which does not replace or which does replace but which is not (in the Secretary of State's reasonable opinion) reasonably similar to any such scheme or schemes as may be set out in paragraph 3 of the Appendix to this Schedule 2.5, such reimbursement arrangements as agreed by the relevant parties to such multi-modal fares schemes (or on failure to agree, as determined by the Secretary of State).
- 3.5 The Secretary of State shall consult the Franchisee before making any request of the Franchisee to participate in any amended or new multi-modal fares scheme pursuant to paragraph 3.1(b) and shall allow the Franchisee a reasonable opportunity to make representations to it with respect to any such participation.
- 3.6 The Franchisee shall supply to the Secretary of State, in respect of any multi-modal fares schemes referred to in paragraph 3.1 such information within such period as the Secretary of State may reasonably require for the purposes of determining whether or not the Franchisee is or will be financially no worse off as a consequence of its participation in any such scheme and/or the obligations to be assumed by the relevant Local Authority in connection therewith.
- 3.7 If the Secretary of State and the Franchisee are unable to agree whether the Franchisee will be financially no worse off, the Secretary of State and the Franchisee may resolve such dispute in accordance with the Dispute Resolution Rules.
4. **Discount Fare Schemes**
- 4.1 If the Secretary of State:
- (a) effects, or proposes to effect, an amendment to a Discount Fare Scheme;
  - (b) introduces any new Discount Fare Scheme; or
  - (c) ceases to approve a Discount Fare Scheme,
- for the purposes of Section 28 of the Act, such amendment, intended amendment, introduction or cessation of approval shall be a Change.
- 4.2 The Secretary of State shall provide a reasonable opportunity to the Franchisee to make representations to him before amending, introducing or ceasing to approve a Discount Fare Scheme pursuant to paragraph 4.1.
- 4.3 The Franchisee shall supply to the Secretary of State, in respect of any Discount Fare Scheme referred to in paragraph 4.1, such information within such period as the Secretary of State may reasonably require for the purposes of determining the financial effect of any such amendment, intended amendment, introduction or cessation of approval.
5. **Inter-Operator Schemes**
- 5.1 The Franchisee shall participate in and comply with its obligations under the terms of each of the Inter-Operator Schemes.
- 5.2 Without limiting paragraphs 5.1 and 5.3, the Franchisee agrees to be bound by Parts IV and V of Chapter 4 of the Ticketing and Settlement Agreement and shall not amend, or agree or propose to amend, the Ticketing and Settlement Agreement without the prior written consent of the Secretary of State.

- 5.3 The Franchisee shall not amend, or agree or propose to amend, any Inter-Operator Scheme other than in accordance with its terms.
- 5.4 The Franchisee shall:
- (a) provide reasonable notice to the Secretary of State of any proposal to amend any Inter-Operator Scheme which it intends to make or of which it receives notification and which, in its opinion, is reasonably likely materially to affect the provision of the Franchise Services; and
  - (b) have regard to the Secretary of State's views in respect of any such proposal.
- 5.5 If an amendment is effected or proposed to be effected to an Inter-Operator Scheme which requires the consent or approval of the Secretary of State in accordance with the terms thereof, such amendment shall be treated as a Change to the extent and only to the extent that the Franchisee makes a saving as a consequence of such amendment or proposed amendment.

**APPENDIX TO SCHEDULE 2.5****List of Transport, Travel and Other Schemes****1 Integrated Transport Schemes**

None

**2 Local Authority Concessionary Travel Schemes**

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

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

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

2.4 South Yorkshire Passenger Transport Executive: Concessionary Fares Scheme.

2.5 Education season ticket schemes also operate with the following:

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

2.6 Concessionary schemes with the following bodies:

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

2.7 Scholar Season Ticket schemes with the following authorities:

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

**3 Multi-modal Fares Schemes**

3.1 Transport for Greater Manchester:

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

3.2 Merseytravel:

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

3.3 West Yorkshire Combined Authority:

- (i) Metrocards/M-Cards;

- (ii) Metro Dayrover tickets (daily off-peak);
  - (iii) Not used;
  - (iv) Metrorover tickets (half-price travel for the unemployed).
- 3.4 South Yorkshire Passenger Transport Executive:
- (i) Travelmaster;
  - (ii) Railmaster.
- 3.5 Derbyshire County Council
- Derbyshire Wayfarer - off peak Rover

**SCHEDULE 3**

**Not Used**

**SCHEDULE 4**

**Persons with Disabilities and Disability Discrimination**

**Schedule 4:                   Persons with Disabilities and Disability Discrimination  
                                  Appendix 1 to Schedule 4: Minor Works**

**Appendix 2 to Schedule 4: Alternative Transport**

**Persons with Disabilities and Disability Discrimination**

1. **Relationship with other obligations relating to persons with disabilities**
  - 1.1 The Franchisee acknowledges that its obligations in this Schedule 4 are in addition to and do not limit its obligations to comply with:
    - (a) the EA and any regulations imposed by it;
    - (b) any applicable condition(s) in any of its Licences (including in respect of persons with disabilities); and
    - (c) any other of the requirements of the Franchise Agreement.
  - 1.2 This Schedule 4 sets out:
    - (a) specific arrangements which apply in respect of physical alterations to stations to facilitate accessibility and use by Disabled Persons; and
    - (b) specific obligations of the Franchisee directed at meeting the needs of persons with disabilities.
2. **Physical Alterations and Accessibility of Stations**
  - 2.1 In respect of physical alteration works at stations to facilitate accessibility and use by Disabled Persons, it is acknowledged by the Franchisee that:
    - (a) there is limited funding available to the Secretary of State to assist franchisees and/or franchise operators with the carrying out of those works;
    - (b) consequently, there is a need for such works to be carried out over a period of time to reflect the availability of funding, and for such works to be prioritised with regard to where there is the greatest need and/or where physical alterations can have the greatest effect; and
    - (c) the Secretary of State's national programme of works of physical alterations at stations addresses these issues in a structured way.
  - 2.2 The Franchisee shall:
    - (a) co-operate reasonably with and assist the Secretary of State in the development and furtherance by the Secretary of State of the programme described in paragraph 2.1(c) by providing to the Secretary of State:
      - (i) information concerning the usage of Stations (including, where and to the extent reasonably practicable, usage of Stations by Disabled Persons); and
      - (ii) advice as to the most economic way in which accessibility for Disabled Persons could, in the Franchisee's reasonable opinion, be improved at Stations;
    - (b) co-operate reasonably with other Train Operators and/or Network Rail to seek to ensure that, where it would be advantageous to do so, having regard to the needs of Disabled Persons, any planned work on the Stations to facilitate accessibility and use by Disabled Persons is, so far as reasonably practicable, co-ordinated with other work to be carried out at the Stations and/or other parts of the network; and



- (c) use all reasonable endeavours to secure sources of grant funding (other than from itself or an Affiliate) for improving accessibility for Disabled Persons at Stations (in addition to any funding secured through the Secretary of State pursuant to paragraph 2.5), including from Local Authorities, local development agencies and the Lottery Commission. The Franchisee shall notify the Secretary of State of:
  - (i) any such additional funding which it secures; and
  - (ii) the terms on which such additional funding has been granted.
- 2.3 In participating in any multi-modal fares scheme, the Franchisee shall use all reasonable endeavours to secure, through the planning and development of such scheme, improvements in disabled access to the entrances of any relevant station, including within and in the immediate proximity of such station.
- 2.4 If, during the Franchise Term:
  - (a) the Franchisee has complied with its obligations in Section 20(4) and Section 20(9), as varied by paragraph 2(3) of Schedule 2, of the EA (to take such steps as are reasonable to provide a reasonable alternative method of making services at a Station accessible to a Disabled Person to avoid a Disabled Person being placed at a substantial disadvantage by a physical feature at a Station) and its obligations in paragraph 2.7 concerning Minor Works; and
  - (b) notwithstanding such compliance, the Franchisee reasonably considers it is still required to carry out or procure physical works of alteration at a Station in order to comply with the EA Requirements in respect of that Station, and, in so carrying out or procuring, would incur expenditure which it would not otherwise have an obligation to incur,

the Franchisee may seek funding from the Secretary of State in respect of that expenditure.
- 2.5 If the Franchisee seeks funding from the Secretary of State under paragraph 2.4, and demonstrates to the Secretary of State's satisfaction that the criteria in paragraph 2.4 have been satisfied, then the Secretary of State may agree to adjust the amount of Franchise Payments in respect of some or all of the works and/or expenditure. In considering his response to any such request, the Secretary of State will have regard to the availability of funding and the priorities set out in the national programme described in paragraph 2.1(c), together with any other available sources of funding described in paragraph 2.2(c). If and to the extent the Secretary of State agrees to adjust Franchise Payments in accordance with this paragraph 2.5 in any Franchisee Year:
  - (a) the Secretary of State shall make such adjustment to the Franchise Payments; and
  - (b) the Franchisee shall spend such additional funds:
    - (i) in order to comply with the EA Requirements referred to in paragraph 2.4(b); and
    - (ii) in accordance with any conditions the Secretary of State may notify the Franchisee of.
- 2.6 If and to the extent the Franchisee is required to pay any increased access charges as a result of additional expenditure required to be incurred by another station Facility Owner for the purpose of complying with the EA Requirements in respect of a Franchisee Access Station, provided that the Franchisee:

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

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

2.7 The Franchisee shall:

- (a) establish and manage the Minor Works' Budget to fund the carrying out of Minor Works. For the purposes of this paragraph 2.7, Minor Works means small scale physical alterations or additions to improve accessibility of Stations to Disabled Persons, not involving substantial works of construction or reconstruction. The Minor Works:
  - (i) may, but shall not necessarily include, the Minor Works described in Appendix 1 (Minor Works) of this Schedule 4;
  - (ii) shall not include any works which Network Rail, the Franchisee or any other person has a separate obligation to carry out, except where:
    - (A) such obligation is an obligation of the Franchisee under the EA; or
    - (B) the inclusion of such works would lead to the acceleration of the timescale for their completion and the Secretary of State gives his consent pursuant to paragraph 2.7(a)(iii);
  - (iii) shall only include works other than those permitted by paragraphs 2.7(a)(i) and 2.7(a)(ii) with the prior consent of the Secretary of State; and
  - (iv) must comply with the standards provided for in the Code of Practice, unless otherwise agreed with the prior consent of the Secretary of State;
- (b) as soon as reasonably practicable (and in any event within four months) after the Start Date and thereafter before the start of each Franchisee Year:
  - (i) develop a Minor Works' Programme and consult with the Disabled Persons Transport Advisory Committee and relevant Passengers' Council in relation thereto;
  - (ii) in conjunction with its activities in paragraph 2.7(b)(i), and, consistent with its obligations under paragraph 2.2(b), liaise with Network Rail and other Train Operators as necessary with regard to the determination and implementation of each Minor Works' Programme; and
  - (iii) following the consultation and liaison described in paragraphs 2.7(b)(i) and 2.7(b)(ii), obtain the Secretary of State's prior approval (such approval not to be unreasonably withheld) of each Minor Works' Programme;
- (c) carry out or procure the carrying out of the Minor Works' Programme in each Franchisee Year and in doing so, spend at least the amount of the

Minor Works' Budget for the relevant Franchisee Year in such Franchisee Year (unless otherwise agreed by the Secretary of State);

- (d) report progress to the Secretary of State in determining and carrying out the Minor Works' Programme no less than once every three Reporting Periods; and
- (e) co-operate, as the Secretary of State may reasonably require, with Network Rail or any other person seeking to carry out or procure Minor Works at the Stations or any other stations.

### 3. Dealing with Claims Relating to Stations

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

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

3.2 If, in the reasonable opinion of the Franchisee, it will be more cost effective to settle the EA Claim rather than act in accordance with the Secretary of State's requirement under paragraph 3.1, it shall produce for the Secretary of State's approval a settlement proposal, setting out the terms of the Franchisee's proposals to make an offer to the Disabled Person making the EA Claim and its reasons for making such offer (the "**Settlement Proposal**").

3.3 If the Secretary of State does not accept the Settlement Proposal and still requires the Franchisee to defend the EA Claim (or any aspect of it) then the Franchisee shall defend the EA Claim in accordance with paragraph 3.1.

3.4 If the Franchisee is required to defend an EA Claim where it has submitted a Settlement Proposal to the Secretary of State and an award is made in respect of the EA Claim in favour of the person bringing it which is higher than the figure set out in the Settlement Proposal, then, subject to paragraph 3.5, the Secretary of State shall pay to the Franchisee:

- (a) the difference between such an award and the figure set out in the Settlement Proposal; and

- (b) the further reasonable costs incurred or payable by the Franchisee in defending the EA Claim, to the extent that such costs have not already been paid by the Secretary of State under paragraph 3.1(b).

3.5 The Secretary of State shall not have any obligation to make the payments described in paragraphs 3.1(b) or 3.4 where it is determined or, if no declaration or determination by the court on this point has been sought or made, the Secretary of State, in his reasonable opinion, considers that the Franchisee has not taken such steps as it is reasonable, in all the circumstances of the case, for it to take to provide a reasonable alternative method of making services at the Station accessible to Disabled Persons.

4. **Specific additional obligations relating to persons with disabilities**

4.1 Not used.

4.2 The Franchisee shall establish and implement procedures necessary to:

- (a) record the making of reservations for seating accommodation for and/or the provision of assistance to, persons with disabilities which are made through the Passenger Assistance (or whatever service may replace it from time to time for the purposes of ORR's most recent guidance on Disabled People's Protection Policies);
- (b) record whether such seating accommodation and/or assistance is actually provided; and
- (c) provide such records to the Secretary of State on his request.

4.2A Any helpline established by the Franchisee for the purposes of making reservations for seating accommodation for and/or the provision of assistance to, persons with disabilities shall be provided free of charge.

4.3 Where the Franchisee's Disabled People's Protection Policy:

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

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

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

**APPENDIX 1 TO SCHEDULE 4****Minor Works**

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

**APPENDIX 2 TO SCHEDULE 4****Alternative Transport**

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

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

and, in any case, at no cost additional to the price of the Fare which would otherwise be payable for the passenger's rail journey.
4. The Franchisee's obligations under this Appendix 2 are subject to:
  - (a) reasonable prior notice of the passenger's requirement for alternative transport; and
  - (b) the availability of suitable alternative transport (provided that the Franchisee has used all reasonable endeavours to ensure that it has arrangements in place to meet requirements for the provision of such alternative transport).

**SCHEDULE 5**

**Fares**

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

## SCHEDULE 5.1

### Purpose, Structure and Construction

#### 1. Purpose of Schedule 5

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

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

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

##### Purpose of Fares Regulation

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

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

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

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

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

- (a) the overall increase of the Prices and the Child Prices of all Fares in the Protected Fares Basket may not exceed the Retail Prices Index + k per cent. per annum in respect of each Fare Year; and
- (b) the increase in the Price or the Child Price of any individual Fare in the Protected Fares Basket may not exceed the Retail Prices Index + k per cent. + f per cent. per annum in respect of each Fare Year.

For the purposes of this paragraph 1.5(a), "k" shall have the meaning given to it in paragraph 4.2 of Schedule 5.4 (Regulation of Protected Fares Basket Value) and for the purposes of 1.5(b) "k" and "f" shall each have the meaning given to each such term in paragraph 2.2 of Schedule 5.5 (Regulation of Individual Fares).

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



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

- 2.1 Schedule 5.2 (Franchisee's Obligation to Create Fares) sets out or refers to the Franchisee's obligations to Create Fares.
- 2.2 Schedule 5.3 (Allocation of Fares to the Protected Fares Basket) sets out the allocation of Fares to the Protected Fares Baskets.
- 2.3 Schedule 5.4 (Regulation of Protected Fares Basket Values) sets out the limits applicable to the overall increase in Prices and Child Prices of all Fares in the Protected Fares Basket.
- 2.4 Schedule 5.5 (Regulation of Individual Fares) sets out the limits applicable to the increase in the Price or Child Price of any individual Fare in the Protected Fares Basket.
- 2.5 Schedule 5.6 (Exceeding the Regulated Value, Regulated Price or Regulated Child Price) sets out the consequences of the Franchisee exceeding:
  - (a) the Regulated Value of the Protected Fares Basket; or
  - (b) the Regulated Price or Regulated Child Price of any Fare.
- 2.6 Schedule 5.7 (Changes to Fares and Fares Regulation) sets out the Secretary of State's ability to vary the foregoing provisions.
- 2.7 Schedule 5.8 (Fares Regulation Information and Monitoring) sets out Fares regulation information and monitoring provisions.
- 2.8 Schedule 5.9 (Smart Ticketing) sets out provisions relating to the introduction of smart ticketing.

## 3. **Construction**

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

- 3.1 For the purposes of:
  - (a) Schedule 5.2 (Franchisee's Obligation to Create Fares), Fare shall have the wide meaning given to it in paragraph (a) of that definition; and
  - (b) Schedules 5.3 (Allocation of Fares to the Protected Fares Basket) to 5.8 (Fares Regulation Information and Monitoring) (inclusive), Fare shall have the narrow meaning given to it in paragraph (b) of that definition.
- 3.2 References in this Schedule 5 to a Fare shall, except to the extent the context otherwise requires, be construed as references to the Fare which is or can be Created by the Lead Operator for the Flow to which the Fare relates or, if such Flow is not a Compulsory Inter-available Flow, any Fare which the Franchisee has Created or can Create in respect of that Flow as the Secretary of State may specify.

### **Protected Fares Document**

- 3.3 In the event that, in the Secretary of State's reasonable opinion, there is a immaterial inconsistency between the Fares, the maximum Price or Child Price (as the case may be) for any Fare recorded by RSP in 2010 or the 2010 Nominal Ticket Sales:
  - (a) described in or determined in accordance with this Schedule 5; and
  - (b) described in the Protected Fares Document,

the Protected Fares Document shall prevail.

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

(a) described in or determined in accordance with this Schedule 5; and

(b) described in the Protected Fares Document,

this Schedule 5 shall prevail.

#### **Setting of Child Prices**

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

(a) a Fare which is only valid for use by persons under the age of 16; or

(b) a Fare which is valid for use:

(i) by any person at a price; and

(ii) by persons under the age of 16 at a discounted price relative to the price set pursuant to paragraph 3.5(b)(i).

#### **New Stations**

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

(a) Protected Fares Basket; and

(b) Protected Fare,

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

**SCHEDULE 5.2****Franchisee's Obligation to Create Fares****1. Creation of Protected Fares**

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

**2. Restrictions on Creation of Fares**

2.1 The Franchisee shall set the Child Price for any Fare that it Creates so that that Fare may be purchased by or for a person under the age of 16 for an amount which is no greater than the lowest amount that would be paid if that person were the holder of a 16 to 25 Railcard with no minimum fare (as amended or replaced from time to time) and whose purchase was made without condition.

2.2 The Franchisee shall not Create or agree to Create any Fare or Discount Card with a validity of 13 or more months without the consent of the Secretary of State (such consent not to be unreasonably withheld).

**SCHEDULE 5.3****Allocation of Fares to the Protected Fares Basket**

1. **Allocation of Fares to the Protected Fares Basket**
  - 1.1 On or prior to the Start Date the Secretary of State shall allocate each Protected Fare to the Protected Fares Basket in accordance with this Schedule 5.3.
  - 1.2 Subject to paragraph 2, every Protected Fare shall be allocated by the Secretary of State to the Protected Fares Basket.
2. **Designation of Non-Fares Basket Fares**
  - 2.1 On or prior to the Start Date, the Secretary of State shall:
    - (a) separately (or in aggregate with other Fares of the same type in the opposite direction or for similar journeys that have the same Price or Child Price as the case may be) rank, in descending order according to their Gross Revenue for the period of 12 months which ended 31 March 2010 all the Protected Fares;
    - (b) aggregate, following such ranking those Protected Fares with the lowest Gross Revenue, until the total of the aggregated Gross Revenue of such fares accounts for up to five per cent. of the aggregate Reference Revenue of all Protected Fares; and
    - (c) designate, following such aggregation those Protected Fares referred to in paragraph 2.1(b) as Non-Fares Basket Fares.
  - 2.2 Without prejudice to the Secretary of State's right to require the content of the Protected Fares Basket to change at any time prior to the Start Date, or, thereafter, prior to the commencement of any Fares Setting Round, pursuant to paragraph 1 of Schedule 5.7 (Changes to Fares and Fares Regulation), any Protected Fare that is also designated as a Non-Fares Basket Fare shall not be allocated to the Protected Fares Basket.
  - 2.3 The Secretary of State may de-designate any Non-Fares Basket Fare pursuant to paragraph 1.1 of Schedule 5.7 (Changes to Fares and Fares Regulation).

**SCHEDULE 5.4**

**Regulation of Protected Fares Basket Values**

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

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

2. **Value**

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

3. **Projected Revenue**

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

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

where:

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

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

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

where:

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

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

4. **Regulated Value**

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

### 2010 Ticket Revenue x PPAI

where:

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

PPAI is:

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

4.2 The Permitted Aggregate Increase in any Fare Year shall be an amount equal to:

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

where:

PAI is the Permitted Aggregate Increase in that Fare Year;

RPI is an amount equal to:

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

where:

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

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

k is equal to + 1.

**SCHEDULE 5.5****Regulation of Individual Fares****1. Price or Child Price not to exceed Regulated Price or Regulated Child Price**

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

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

**2. Regulated Price**

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

(a) Preceding Year Ticket Price + £0.10p; and

(b) Preceding Year Ticket Price x PII

where:

Preceding Year  
Ticket Price

for the Fare Year commencing 1 January 2011, is the maximum Price or Child Price (as the case may be) for that Fare recorded by RSP in 2010 and, for any subsequent Fare Year, is the maximum Price or Child Price (as the case may be) recorded by RSP in the Fare Year preceding that Fare Year, provided that such maximum Price or Child Price (as the case may be) complied with the requirements of this Schedule 5.5. If such maximum Price or Child Price (as the case may be) did not so comply, then such maximum Price or Child Price (as the case may be) shall be the last Price or Child Price (as the case may be) recorded by RSP which did so comply; and

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

2.2 The Permitted Individual Increase in any Fare Year shall be determined in accordance with the following formula:

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

where:

PII is the Permitted Individual Increase in that Fare Year;

RPI is an amount equal to:

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

- where:
- RPI <sub>-1</sub> is the Retail Prices Index for the July of the calendar year preceding that Fare Year; and
  - RPI <sub>-2</sub> is the Retail Prices Index for the July of the calendar year preceding the calendar year referred in the definition of RPI-1;
  - k is equal to + 1; and
  - f is equal to + 2.

2.3 Where:

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

the Preceding Year Ticket Price for the purposes of determining the Regulated Price or Regulated Child Price (as the case may be) pursuant to paragraph 2.1 in the next Fare Year shall be the maximum Price or Child Price (as the case may be) prior to such setting that complied with the requirements of this Schedule 5.5, as recorded by RSP in the relevant preceding Fare Year.



**SCHEDULE 5.6****Exceeding the Regulated Value, Regulated Price or Regulated Child Price****1. Exceeding the Regulated Value**

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

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

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

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

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

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

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

- 2.2 Any adjustment to Franchise Payments by the Secretary of State pursuant to paragraph 2.1:
- (a) shall not be a Change; and
  - (b) shall be without prejudice to any other rights or remedies of the Secretary of State under the Act or the Franchise Agreement in respect of such contravention.

**SCHEDULE 5.7****Changes to Fares and Fares Regulation****1. Changes to the Protected Fares Basket**

1.1 The Secretary of State may require the content of the Protected Fares Basket (as the case may be) to change in accordance with the following:

(a) where the Secretary of State is not satisfied that the Price or Child Price of any Non-Fares Basket Fare is reasonably constrained by the Price or Child Price of other Fares which:

(i) have been set in respect of the same, or part of the same, Flow as such Non-Fares Basket Fare, or a Flow which is reasonably proximate to the Flow on which such Non-Fares Basket Fare has been set; and

(ii) have been included in the Protected Fares Basket,

the Secretary of State may de-designate any Non-Fares Basket Fare and include such Non-Fares Basket Fare in the Protected Fares Basket;

(b) where any Protected Fare for a Flow has been included in the Protected Fares Basket, the Secretary of State may require the inclusion in the Protected Fares Basket of any Protected Return Fare or Protected Weekly Season Ticket that existed on that Flow in February 2003; and/or

(c) where the Secretary of State changes the Reference Revenue and/or the Gross Revenue of any Fare pursuant to paragraph 3.1(a) and/or (b) then, in relation to the Protected Fares Basket in which such Fare is or would be included, and without limiting paragraphs 1.1(a) to (c) inclusive, the Secretary of State may also:

(i) make any of the changes to the Protected Fares Basket contemplated by this paragraph 1.1;

(ii) designate any Fare as a Non-Fares Basket Fare in accordance with the provisions (other than the requirement that such designation occurs on or prior to the Start Date) of paragraph 2 of Schedule 5.3 (Allocation of Fares to the Protected Fares Basket); and/or

(iii) de-designate any Non-Fares Basket Fare and include such Non-Fares Basket Fare in the Protected Fares Basket.

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

(a) at any time prior to the Start Date; and

(b) thereafter, no later than the commencement of any Fares Setting Round,

to require any Fare to be included in the Protected Fares Basket or to designate any Fare as a Non-Fares Basket Fare pursuant to paragraph 1.1.

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

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

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

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

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

3.1 The Secretary of State may, by notice in writing served on the Franchisee no later than the date of commencement of any Fares Setting Round, require:

- (a) the Reference Revenue of the Protected Fares Basket to be calculated by reference to a different reference period for the purpose of paragraph 2 of Schedule 5.3 (Allocation of Fares to the Protected Fares Basket) than the period of 12 months ended 31 March 2010; and/or
- (b) the Gross Revenue of all Protected Fares to be re-calculated for the purpose of paragraph 2 of Schedule 5.3 (Allocation of Fares to the Protected Fares Basket) by reference to a different reference period than the period of 12 months ended 31 March 2010; and/or
- (c) the value of factor A in the formula for determining the 2010 Nominal Ticket Sales in paragraph 3 of Schedule 5.4 (Regulation of Protected Fares Basket Values) to be re-calculated in respect of any Fare by reference to a different reference period than the period of 12 months ended 31 March 2010; and/or
- (d) the value of factor B in the formula for determining the 2010 Nominal Ticket Sales in paragraph 3 of Schedule 5.4 (Regulation of Protected Fares Basket Values) to be re-calculated in respect of any Fare by reference to a different reference date other than February 2010; and/or
- (e) the 2010 Ticket Revenue in respect of the Protected Fares Basket to be re-calculated for the purpose of paragraph 4 of Schedule 5.4 (Regulation of Protected Fares Basket Values) by reference to a different reference period than the period of 12 months ended 31 March 2010.

3.2 Where, in accordance with paragraph 3.1(e), the 2010 Ticket Revenue in respect of the Protected Fares Basket is re-calculated by reference to a different reference period, the value of "PPAI" in paragraph 4 of Schedule 5.4 (Regulation of Protected Fares Basket Values) shall be determined solely by reference to the product of the Permitted Aggregate Increase for each Fare Year beginning after the end of such reference period.

- 3.3 Any revision pursuant to paragraph 3.1 or 3.2 shall take effect upon commencement of the next Fare Year to commence after the Fares Setting Round referred to in paragraph 3.1.

4. **Changes to Prices**

The Franchisee may request permission from the Secretary of State from time to time to increase any Prices or Child Prices beyond the levels permitted under Schedules 5.4 (Regulation of Protected Fares Basket Values) and 5.5 (Regulation of Individual Fares) in connection with any proposed or actual improvement in any aspect of the Passenger Services relating to such Fares. The Secretary of State shall act reasonably in relation to any such request but shall not under any circumstances be obliged to accept any such request in whole or in part.

5. **Changes to Fares Regulation**

The parties agree that the Secretary of State shall have the power at any time and on more than one occasion to alter the obligations of, and restrictions on, the Franchisee under Schedules 5.1 (Purpose Structure and Construction) to 5.8 (Fares Regulation Information and Monitoring) inclusive for any Fare Year, or part thereof (including alteration of the value of "k" under paragraph 4.2 of Schedule 5.4 (Regulation of Protected Fares Basket Values) and/or paragraph 2.2 of Schedule 5.5 (Regulation of Individual Fares)) and/or alteration of the value of "f" under paragraph 2.2 of Schedule 5.5 (Regulation of Individual Fares)). The exercise by the Secretary of State of his powers under this paragraph 5 shall be a Change.

6. **Changes to Compulsory Inter-available Flows**

6.1 Where:

- (a) pursuant to Clause 4-7 of the Ticketing and Settlement Agreement, the consent of the Secretary of State is requested for the abolition of a Compulsory Inter-available Flow (the "**Reference Flow**") in respect of which any Fare Created would be a Protected Fare (the "**Reference Fare**"); and
- (b) a Flow exists, which, in the Secretary of State's opinion, is substantially similar to the Reference Flow (the "**Equivalent Flow**"),

the Secretary of State may, as a condition of granting his consent to the abolition of the Reference Flow, by written notice to the Franchisee, require any Fare Created in respect of the Equivalent Flow which has substantially the same characteristics as the Reference Fare to be included in the Protected Fares Basket (the "**Equivalent Fare**").

- 6.2 The Secretary of State shall not issue any such notice in respect of an Equivalent Fare unless the provisions of such notice have first been approved by the Ticketing and Settlement Scheme Council (as defined in the Ticketing and Settlement Agreement) or a delegate of such council.

- 6.3 The Price and Child Price of any Equivalent Fare in the first Fare Year in which it is to be introduced shall be no greater than the maximum permitted Price or Child Price in that Fare Year of the relevant Reference Fare, as if such Reference Fare had not been abolished.

7. **Change of Lead Operator/Major Flow Operator**

- 7.1 Except as otherwise required under paragraph 14 of Schedule 6.2 (TransPennine Express Franchise Specific Provisions), the Franchisee shall not without the Secretary of State's prior approval, agree to any request under the Ticketing and Settlement Agreement that it cease to be Lead Operator in respect of any Flow.

7.2 The Franchisee shall inform the Secretary of State if it becomes the Lead Operator in respect of any Flow. Upon the Franchisee becoming the Lead Operator in respect of any Flow, the Secretary of State may without limiting paragraph 3, exercise his rights pursuant to paragraph 3 in relation to the Protected Fares Basket.

7.3 The Franchisee shall inform the Secretary of State if it ceases to be a Major Flow Operator in respect of any Flow.

8. **Changes to the Protected Fares Document**

8.1 Following:

(a) any allocation of Fares to the Protected Fares Basket pursuant to Schedule 5.3 (Allocation of Fares to the Protected Fares Basket); or

(b) any subsequent adjustment thereof pursuant to this Schedule 5.7,

the Secretary of State shall set out in the Protected Fares Document all Fares then included in the Protected Fares Basket and, as soon as reasonably practicable thereafter, the Secretary of State shall issue or reissue (as the case may be) the Protected Fares Document to the Franchisee.

**SCHEDULE 5.8****Fares Regulation Information and Monitoring****1. Information**

- 1.1 The Franchisee shall provide to the Secretary of State by no later than week 12 of each Fares Setting Round, a summary (to such level of detail or generality as the Secretary of State may reasonably require) of the Prices and Child Prices of the Protected Fares it is intending to set.
- 1.2 The Franchisee shall notify, or procure the notification to, the Secretary of State of any proposed increase to the Price or Child Price of any Protected Fare and shall provide such details of any such proposal at such times (including before and during each Fares Setting Round) and in such form (including by electronic data transfer) as the Secretary of State may reasonably request from time to time.
- 1.3 The Franchisee shall make available, or procure that RSP makes available, to the Secretary of State, for any Fares Setting Round during the Franchise Term, such details (including the proposed Prices or Child Prices) of the Initial Permanent Fare for each such Fares Setting Round of such Fares as the Secretary of State may reasonably request from time to time.

**2. Monitoring**

- 2.1 The Franchisee shall provide to the Secretary of State:
  - (a) such access as the Secretary of State may require to information pertaining to the Prices or Child Prices of Protected Fares from time to time; and
  - (b) such further information as the Secretary of State may require for the purpose of determining the Gross Revenue of the Franchisee in relation to any particular Fare or Fares or any particular period.
- 2.2 By no later than week 17 of each Fares Setting Round, the Franchisee will provide to the Secretary of State written confirmation from a statutory director of the Franchisee of whether the Franchisee has complied with its obligations under this Schedule 5 (Fares) during each such Fares Setting Round. It shall be a contravention of the Franchise Agreement if any such written confirmation from a statutory director of the Franchisee is, in the reasonable opinion of the Secretary of State, in any material respect, untrue, inaccurate and/or misleading.
- 2.3 The Franchisee shall take such action as the Secretary of State may require following receipt of any details from the Franchisee pursuant to paragraph 1 in order to ensure that the Franchisee will comply with the provisions of Schedule 5.2 (Franchisee's Obligation to Create Fares) to this Schedule 5.8 (inclusive).

**SCHEDULE 5.9****Smart Ticketing****1. Smart Ticketing****1.1** The Franchisee shall:

- (a) join and comply with any ATOC approved smart ticketing related schemes;
- (b) develop an approach to the use of smart ticketing to facilitate the roll out of more flexible ticket types and demand management over time;
- (c) co-operate with Network Rail, other Train Operators, relevant local authorities, passenger transport executives and the combined authorities created pursuant to the Local Democracy, Economic Development and Construction Act 2009 in relation to the provision, maintenance and operation of smart ticketing equipment, and in relation to proposals to:
  - (i) introduce new multi-modal fare schemes; and
  - (ii) convert any multi-modal fare schemes to use smart ticketing.

**1.2** The Franchisee shall fully and effectively co-operate with the Secretary of State in the development and implementation of any programme sponsored by the Secretary of State for the introduction of smart ticketing on the network upon which the Passenger Services operate.**1.3** In relation to any ITSO Certified Smartmedia ticketing scheme, the Franchisee shall:

- (a) continue to provide, make available and promote (and where applicable effectively maintain) such a scheme (including any associated equipment and resources) for the Franchise Period; and
- (b) ensure that all scheme components (and any amendment, extension or replacement thereof) inherited, used or introduced by the Franchisee (whether on a permanent or a trial basis) are at all times compliant with:
  - (i) version 2.1.4 of the ITSO specification and the ITSO operating licence;
  - (ii) version 02-00 of RSPS3002,or such subsequent versions as the Franchisee and the Secretary of State may agree; and
- (c) ensure that any ITSO Certified Smartmedia readers introduced by the Franchisee (whether on a permanent or temporary basis) shall conform to EMV level 1 certification (hardware) and be capable of being upgraded whilst in operation to EMV level 2 (application).

**1.4** In addition and without prejudice to its obligations in paragraph 1.2, the Franchisee shall undertake such actions as the Secretary of State may reasonably require in connection with the introduction of smart ticketing on the network. The Secretary of State will reimburse the reasonable costs incurred by the Franchisee in complying with any such requirement provided that:

- (a) prior to incurring such costs, the Franchisee has obtained the Secretary of State's approval of the same; and



- (b) the Franchisee has not already recovered (or is able to recover) such costs through any Franchise Payment, pursuant to any other provision of this Agreement or pursuant to any other agreement between the Franchisee and the Secretary of State.
- 1.5 The Franchisee shall continue to allow passengers, at least to the same extent as on the Start Date, to print tickets in respect of the Passenger Services remotely.
- 1.6 Where prior to the Start Date the Train Operator under the Previous Franchise Agreement participated in and accepted "Smart" ticketing and/or multi-modal products issued by Local Authorities or passenger transport executives ("**Existing Smart Products**"), the Franchisee shall, from the Start Date, continue to participate in, and accept such Existing Smart Products on the same basis as provided by the Train Operator under the Previous Franchise Agreement.

**SCHEDULE 6**

**Committed Obligations and Franchise Specific Obligations**

**Schedule 6.1: Committed Obligations and Related Provisions**

**Part 1: List of Committed Obligations**

**Part 2: Miscellaneous Provisions**

**Schedule 6.2: TransPennine Express Franchise Specific Provisions**

**PART 1 TO SCHEDULE 6.1****List of Committed Obligations****1. Definitions**

<b>"Accessibility Forum"</b>	<b>Consultation</b>	has the meaning given to it in paragraph 80 of part 1 (List of Committed Obligations) of Schedule 6.1 (Committed Obligations and Franchise Specific Obligations);
<b>"Airport Advance Fares"</b>		means a TPE Advance Fare which allows passengers to alter the Passenger Service on which they travel if their flight is delayed;
<b>"Anglo-Scottish Routes"</b>		means those Routes between England and Scotland on the west coast mainline, via Carlisle;
<b>"Annual Diversity Action Plan"</b>		has the meaning given to it in paragraph 8.1(c) of part 1 (List of Committed Obligations) of Schedule 6.1 (Committed Obligations and Franchise Specific Obligations);
<b>"APOD Fares"</b>		means a TPE Advance Fare that can be purchased on the day of travel, up to 10 minutes prior to the departure of the relevant Passenger Service;
<b>"APOD Trial"</b>		has the meaning given to it in paragraph 68.1 of part 1 (List of Committed Obligations) of Schedule 6.1 (Committed Obligations and Franchise Specific Obligations);
<b>"Applicable Stations"</b>		has the meaning given to it in paragraph 107.1 of part 1 (List of Committed Obligations) of Schedule 6.1 (Committed Obligations and Franchise Specific Obligations);
<b>"Assist-Mi App"</b>		means the mobile app of the same name, which is owned and administered by assist-Mi Limited;
<b>"BiMode Manufacturer"</b>	<b>Vehicles</b>	means the manufacturer of the vehicles described as Bi125 in Table 2 of Schedule 1.7;
<b>"BlueAssist"</b>		has the meaning given to it in paragraph 81.1 of part 1 (List of Committed Obligations) of Schedule 6.1 (Committed Obligations and Franchise Specific Obligations);
<b>"BlueAssist Card"</b>		has the meaning given to it in paragraph 81.1; of part 1 (List of Committed Obligations) of Schedule 6.1 (Committed Obligations and Franchise Specific Obligations)
<b>"Building System"</b>	<b>Management</b>	has the meaning given to it in paragraph 19.1 of part 1 (List of Committed Obligations) of Schedule 6.1 (Committed Obligations and Franchise Specific Obligations);
<b>"Class 185 Fleet"</b>		has the meaning given to it in paragraph 29 of part 1 (List of Committed Obligations) of Schedule 6.1

	(Committed Obligations and Franchise Specific Obligations);
<b>"Class 350 Fleet"</b>	has the meaning given to it in paragraph 31 of part 1 (List of Committed Obligations) of Schedule 6.1 (Committed Obligations and Franchise Specific Obligations);
<b>"Club 55 Promotion"</b>	means the promotion offered by the First Group as at 1 April 2016 to all rail passengers over the age of 55, enabling discounted off-peak travel on all Passenger Services in the north of England or to and from Scotland after 09:30 Monday to Friday and at any time on weekends;
<b>"Combined Authority"</b>	means a body corporate established pursuant to section 103 of the Local Democracy, Economic Development and Construction Act 2009;
<b>"CRM Programme"</b>	means the Franchisee's programme, implemented to: <ul style="list-style-type: none"> <li>(a) record, evaluate and understand customer interactions and preferences;</li> <li>(b) engage with customers by providing targeted and relevant marketing information; and</li> <li>(c) anticipate and predict the needs and requirements of customers;</li> </ul>
<b>"Current Revenue Management System"</b>	has the meaning given to it in paragraph 64.1 of part 1 (List of Committed Obligations) of Schedule 6.1 (Committed Obligations and Franchise Specific Obligations);
<b>"Customer App"</b>	means a mobile app which enables passengers to receive and submit customer information on a smartphone or tablet device;
<b>"Customer Loyalty Scheme"</b>	means a scheme through which, purchases made by customers from the Franchisee will be rewarded with points which can be redeemed as a discount against future purchases made by that customer or any other broadly comparable rewards scheme or customer benefit programme;
<b>"Customer Satisfaction Survey" or "CSS"</b>	has the meaning given to it in paragraph 85.4 of part 1 (List of Committed Obligations) of Schedule 6.1 (Committed Obligations and Franchise Specific Obligations);
<b>"Cycle Review"</b>	has the meaning given to it in paragraph 108 of part 1 (List of Committed Obligations) of Schedule 6.1 (Committed Obligations and Franchise Specific Obligations);
<b>"Cycle Signs"</b>	has the meaning given to it in paragraph 109(a) of part 1 (List of Committed Obligations) of Schedule 6.1 (Committed Obligations and Franchise Specific Obligations);

<b>"Delayed Franchise Adjustment"</b>	<b>Rolling Stock Payment</b>	has the meaning given to it in paragraph 37 of part 1 (List of Committed Obligations) of Schedule 6.1 (Committed Obligations and Franchise Specific Obligations);
<b>"Digital Channels"</b>		means the Franchisee's website, Customer App and any other digital retail media;
<b>"Diversity Objective"</b>		has the meaning given to it in paragraph 8.1(b) of part 1 (List of Committed Obligations) of Schedule 6.1 (Committed Obligations and Franchise Specific Obligations);
<b>"Employee Portal"</b>		means the information system to be introduced by the Franchisee pursuant to paragraph 11 of part 1 (List of Committed Obligations) of Schedule 6.1 (Committed Obligations and Franchise Specific Obligations);
<b>"EMU Manufacturer"</b>		means the manufacturer of the vehicles described as EMU125 in Table 2 of Schedule 1.7;
<b>"Establishment Requirement"</b>		means the number of Train Drivers having sufficient skills, qualifications and experience as are required by the Franchisee for the purposes of operating, in accordance with the requirements of the Franchise Agreement, the Plan of the Day on each day of the Franchise Term;
<b>"Existing Cycle Infrastructure"</b>	<b>Parking</b>	has the meaning given to it in paragraph 107.1 of part 1 (List of Committed Obligations) of Schedule 6.1 (Committed Obligations and Franchise Specific Obligations);
<b>"Existing Heating Units"</b>		has the meaning given to it in paragraph 19.5 of part 1 (List of Committed Obligations) of Schedule 6.1 (Committed Obligations and Franchise Specific Obligations);
<b>"Fares Simplification Report"</b>		has the meaning given to it in paragraph 63.5 of part 1 (List of Committed Obligations) of Schedule 6.1 (Committed Obligations and Franchise Specific Obligations);
<b>"First Class Fare"</b>		means a Fare which entitles the purchaser to travel in first class accommodation between the stations and/or zones for which the Fare is valid;
<b>"First Group"</b>		means the group of companies all of which are under the Control of the Parent;
<b>"Flex"</b>		has the meaning given to it in paragraph 63.4 of part 1 (List of Committed Obligations) of Schedule 6.1 (Committed Obligations and Franchise Specific Obligations);
<b>"Forward Facing Specification"</b>	<b>CCTV</b>	means the specification for forward facing CCTV as set out in paragraph 2 of Appendix 6 (On-Board Monitoring Specification);
<b>"Franchise Own Employee"</b>		means a Franchise Employee who is an employee of the Franchisee;

<b>“Fuel Additive Trial”</b>	has the meaning given to it in paragraph 18.1 of part 1 (List of Committed Obligations) of Schedule 6.1 (Committed Obligations and Franchise Specific Obligations);
<b>“Future Schemes”</b>	<b>Enhancement</b> has the meaning given to it in paragraph 52.1 of part 1 (List of Committed Obligations) of Schedule 6.1 (Committed Obligations and Franchise Specific Obligations);
<b>“Harmonisation Initiative”</b>	has the meaning given to it in paragraph 63.4 of part 1 (List of Committed Obligations) of Schedule 6.1 (Committed Obligations and Franchise Specific Obligations);
<b>“Help Point”</b>	means a static communication device, providing communication for customers with National Rail Enquiries and the British Transport Police;
<b>“Human Information System”</b>	<b>Resources</b> means the information system to be introduced by the Franchisee having, as a minimum, the following functionality: <ul style="list-style-type: none"> <li>(a) a master database of employment records for all Franchise Own Employees;</li> <li>(b) a self-service portal providing Franchise Own Employees with access to payslips;</li> <li>(c) a link to: <ul style="list-style-type: none"> <li>(i) the Franchisee’s recruitment portal;</li> <li>(ii) the Learning Management System; and</li> <li>(iii) mobile access functionality;</li> </ul> </li> </ul>
<b>“IAD Schemes”</b>	has the meaning given to it in paragraph 52.1(a) of part 1 (List of Committed Obligations) of Schedule 6.1 (Committed Obligations and Franchise Specific Obligations);
<b>“InterCity Manufacturer”</b>	<b>Coaches</b> means the manufacturer of the vehicles described as IC100 in Table 2 of Schedule 1.7;
<b>“Jobcentre Plus Railcard”</b>	means a discount card known as the “The Jobcentre Plus Travel Discount card” and which was established to help eligible unemployed people obtain employment;
<b>“Job Seeker”</b>	means an unemployed person who has registered his unemployment with Jobcentre Plus;
<b>“Jobseeker Travel Passes”</b>	means a pass or ticket enabling Job Seekers to travel: <ul style="list-style-type: none"> <li>(a) to interviews; and</li> <li>(b) having secured employment, to a place or work for a period of up to 4 weeks from the date on which employment commences;</li> </ul>

<b>“Joint Revenue Protection Approach”</b>	has the meaning given to it in paragraph 78.5 of part 1 (List of Committed Obligations) of Schedule 6.1 (Committed Obligations and Franchise Specific Obligations);
<b>“Lead to Succeed Programme”</b>	means a training and mentoring programme developed by the Franchisee and accredited by the Institute of Leadership and Management;
<b>“Learning Management System”</b>	means an on-line learning facility holding records of each Franchisee Employee’s learning history;
<b>“Living Wage”</b>	means an hourly rate which is calculated independently (and updated annually) by the Living Wage Foundation according to the basic cost of living in the United Kingdom, and which is, at the Start Date, £7.85 (pounds sterling seven and eighty five pence);
<b>“Major Restriction of Use”</b>	means a Restriction of Use which is a Type 2 or a Type 3 Restriction of Use under Schedule 4 of the Track Access Agreement or such other Restriction of Use or series of Restrictions of Use which has such a material impact on passengers that the Franchisee or the Secretary of State considers or ought (acting reasonably) to consider should be subject to the processes referenced in paragraph 53 of part 1 (List of Committed Obligations) of Schedule 6.1 (Committed Obligations and Franchise Specific Obligations);
<b>“Manchester Airport Funding”</b>	has the meaning given to it in paragraph 104.2 of part 1 (List of Committed Obligations) of Schedule 6.1 (Committed Obligations and Franchise Specific Obligations);
<b>“Manchester Airport Redevelopment Scheme”</b>	means the redevelopment of Manchester Airport including the demolition of terminal 1 and the reconstruction and re-design of terminals 2 and 3;
<b>“Modern Apprentices”</b>	means a person undertaking vocational skills development leading to an accredited vocational qualification incorporating classroom training with mentoring and practical workplace application;
<b>“mTicket”</b>	means a Fare stored on a mobile communications device, accessible through the Customer App;
<b>“Nectar Rewards Scheme”</b>	means the retail coalition loyalty and rewards scheme operated as at the date of this Agreement by Aimia Coalition Loyalty UK Ltd;
<b>“New BiMode Vehicles”</b>	means the vehicles described as Bi125 in Table 2 of Schedule 1.7;
<b>“New EMUs”</b>	means the vehicles described as EMU125 in Table 2 of Schedule 1.7;
<b>“New EMU Rolling Stock Manufacture and Supply Agreement”</b>	means a manufacture and supply agreement in relation to the New EMU rolling stock which includes options to acquire some or all of the Option EMUs;

<b>“New EMU Option Vehicle Rolling Stock Leasing Proposal”</b>	means a proposal from the financier party to the New EMU Rolling Stock Manufacture and Supply Agreement setting out in full the legal, commercial and financial terms under which it would lease relevant Option EMUs to the Franchisee;
<b>“New InterCity Coaches”</b>	means the vehicles described as IC100 in Table 2 of Schedule 1.7;
<b>“New Revenue Management System”</b>	has the meaning given to it in paragraph 64.2 of part 1 (List of Committed Obligations) of Schedule 6.1 (Committed Obligations and Franchise Specific Obligations);
<b>“OLE Camera Monitoring Equipment Specification”</b>	means the specification for over-head line camera monitoring equipment set out at paragraph 1 of Appendix 6 (On-Board Monitoring Specification);
<b>“Operational Contingency Plans”</b>	has the meaning given to it in paragraph 50.2 of part 1 (List of Committed Obligations) of Schedule 6.1 (Committed Obligations and Franchise Specific Obligations);
<b>“Option EMUs”</b>	means electric multiple units of the same design as the New EMUs which may be ordered in 5, 6 or 8 car formation as specified in the table at paragraph 35.2(a) of Part 1 to Schedule 6.1 (List of Committed Obligations);
<b>“Ordsall Chord Passenger Change Date”</b>	has the meaning given to it in paragraph 53.2 of part 1 (List of Committed Obligations) of Schedule 6.1 (Committed Obligations and Franchise Specific Obligations);
<b>“Partnering Agreement”</b>	has the meaning given to it in paragraph 13.3 of part 1 (List of Committed Obligations) of Schedule 6.1 (Committed Obligations and Franchise Specific Obligations);
<b>“Passenger Awareness Monitors”</b>	has the meaning given to it in paragraph 105.2 of part 1 (List of Committed Obligations) of Schedule 6.1 (Committed Obligations and Franchise Specific Obligations);
<b>“Passengers’ Council Link Manager”</b>	means an individual to be employed by Transport Focus on the basis described in paragraph 79.3 of part 1 (List of Committed Obligations) of Schedule 6.1 (Committed Obligations and Franchise Specific Obligations);
<b>“Performance Risk Register”</b>	has the meaning given to it in paragraph 50.3 of part 1 (List of Committed Obligations) to Schedule 6.1 (Committed Obligations and Related Provisions);
<b>“PlusBus Fare”</b>	means a Fare which includes the right to travel on certain bus and/or tram services under the scheme known as “PlusBus”, managed by the Journey Solutions Partnership;
<b>“Project Management Office”</b>	has the meaning given to it in paragraph 52.1 of part 1 (List of Committed Obligations) to Schedule 6.1 (Committed Obligations and Related Provisions);



<b>“Registered Season Ticket Holder”</b>	means a customer who has purchased a season ticket and has registered that season ticket with the Franchisee and consented to receive marketing communications from the Franchisee;
<b>“Restriction of Use”</b>	has the meaning given to it in the Network Code;
<b>“Satisfaction Target”</b>	has the meaning given to it in paragraph 12.3 of part 1 (List of Committed Obligations) to Schedule 6.1 (Committed Obligations and Related Provisions);
<b>“Service Development and Capacity Review Report”</b>	has the meaning give to it paragraph 27.3 of part 1 (List of Committed Obligations) to Schedule 6.1 (Committed Obligations and Related Provisions);
<b>“Single Customer View”</b>	means the approach by which CRM data is integrated to provide a unified, complete and holistic view of a customer’s details, activities, interactions and preferences;
<b>“Smart in the North”</b>	means the multi-operator, multi-modal smart ticketing scheme for the north of England which is promoted by (amongst others) the Department for Transport and Transport for the North;
<b>“SSU Solution”</b>	means a “single sign up solution” enabling customers to register once per mobile device and thereafter benefit from seamless and consistent Wi-Fi connectivity throughout their journey on Passenger Services and at Stations;
<b>“Standard Anytime Day Return”</b>	means a Fare which entitles the purchaser to make, without further restrictions as to the time of day for which the Fare is valid, a journey in each direction in Standard Class Accommodation between the stations and/or zones for which it is valid and which expires no earlier than 04:29 on the day after the day of the outward journey or, if later, the time the relevant return journey may be completed or commenced before 04:29;
<b>“Standard Anytime Return”</b>	means a Fare which entitles the purchaser to make, without further restrictions as to the time of day for which the Fare is valid, a journey in each direction in Standard Class Accommodation between the stations and/or zones for which it is valid except that the outward journey must be made within 5 days and up to 04:29 after the last date shown on such Fare and the return journey must be made within one calendar month and up until 04:29 after the last date shown on such Fare;
<b>“Student Season Ticket”</b>	means a Season Ticket Fare which is set at the Child Price and which is to be sold or offered for sale to persons aged 16 to 18 years of age;
<b>“TPE Advance Fare”</b>	means an Advance Purchase Train-specific Fare for travel on the Passenger Services only;
<b>“Track Monitoring Equipment Specification”</b>	means the specification for track monitoring equipment set out in paragraph 3 of Appendix 6 (On-Board Monitoring Specification);

<b>“Train Drivers”</b>	means those Franchise Employees who are train drivers;
<b>“TVM”</b>	means a ticket on departure collect and ticket vending machine accredited by RSP;
<b>“Unexplained Delay Minutes Reduction Target”</b>	Has the meaning given to it in paragraph 103.1 of Part 1 of Schedule 6.1 (Committed Obligations and Related Provisions)

## 2. **Secure Stations Accreditation**

2.1 The Franchisee shall maintain for so long as it is the Facility Owner of such station the “Secure Stations Accreditation” achieved as at the Start Date by the Train Operator under the Previous Franchise Agreement at each of the following stations:

- (a) Barnetby;
- (b) Brough;
- (c) Cleethorpes;
- (d) Dewsbury;
- (e) Grimsby Town;
- (f) Huddersfield;
- (g) Hull;
- (h) Malton;
- (i) Manchester Airport;
- (j) Middlesbrough;
- (k) Northallerton;
- (l) Seamer;
- (m) Scarborough;
- (n) Scunthorpe;
- (o) Selby;
- (p) Stalybridge;
- (q) Thirsk;
- (r) Thornaby; and
- (s) Yarm.

### 3. **Secure Car Park Accreditation**

3.1 The Franchisee shall maintain for so long as it is the Facility Owner of such Station the secure car park accreditation achieved by the Train Operator under the Previous Franchise Agreement at the car parks located at each of the following Stations:

- (a) Brough;
- (b) Cleethorpes;
- (c) Grimsby Town;
- (d) Huddersfield;
- (e) Hull;
- (f) Malton;
- (g) Middlesbrough;
- (h) Northallerton;
- (i) Seamer;
- (j) Scarborough;
- (k) Scunthorpe;
- (l) Selby;
- (m) Thirsk;
- (n) Thornaby; and
- (o) Yarm.

### 4. **Minimum Requirement for the Provision of Wi-Fi on board**

4.1 The Franchisee shall provide an operating wireless internet service ("**Wireless Internet Service**"):

- (a) by no later than 31 December 2016, at all Stations;
- (b) by no later than 30 April 2017, in both first class and Standard Class Accommodation on all its Class 350 Train Fleet used for the provision of the Passenger Services on the Anglo-Scottish Routes;
- (c) by no later than 31 July 2018, in both first class and Standard Class Accommodation on all its Train Fleet (other than Mark III coaches) used for the provision of the Passenger Services.

4.2 The Wireless Internet Service procured by the Franchisee pursuant to paragraph 4.1 shall:

- (a) be made available to all passengers who use the Passenger Services at no cost to the passenger which for these purposes, but without limitation, shall mean that:
  - (i) the passenger will not have to pay directly or indirectly to use such Wireless Internet Service to access and make use of the Minimum Wi-Fi Service Requirements whether on an intermittent or continuous basis; and

- (ii) the passenger is able to access the Wireless Internet Service without utilising any minutes data or other allowance (such as 3G or 4G mobile broadband connection) that may be available to such passenger through any subscription they may have with one or more internet service providers or mobile network operators; and
- (b) where provided on its Train Fleet in accordance with paragraph 4.1, comply with the Minimum Wi-Fi Service Requirements. For the purposes of paragraph 4, the **“Minimum Wi-Fi Service Requirements”** are as follows:
- (i) the Wireless Internet Service shall permit passengers connected to such service to:
    - (A) access real-time journey information and updates (including in relation to onward or connecting journeys) provided by the Franchisee;
    - (B) access information and alerts provided by the Franchisee regarding the Franchisee's delay repay scheme;
    - (C) access a range of free entertainment, news, film and television content provided by the Franchisee; and
    - (D) otherwise browse web pages on the internet and send and receive mails,  
  
electronically through any mobile, tablet or computer device they may use for this purpose;
  - (ii) the Wireless Internet Service shall allow each passenger to download electronic data on any mobile, tablet or computer device up to a daily limit of not less than 20MB per passenger; and
  - (iii) to ensure an acceptable, reliable non-discriminatory service is offered to any passenger, the Franchisee shall, subject to the Franchisee's obligations as set out in paragraph 4.2(b), be permitted:
    - (A) to dynamically manage the available bandwidth on an active user or select vehicles basis as required, in accordance with a fair-usage policy to be published by the Franchisee; and
    - (B) to filter the type of services which may be accessed by a passenger using the Wireless Internet Service, including by restricting passenger access to video and audio streaming services, peer-to-peer file sharing and inappropriate content; and
  - (iv) subject to the availability of the Train To Internet Coverage the Wireless Internet Service shall be available for use by passengers at all times for the duration of each passengers journey. For the purposes of this paragraph 4.2(b) **“Train to Internet Coverage”** means the availability of one or more commercial networks (such as 3G or 4G high speed packet access provided by third party mobile network operators) and/or any alternative network solutions installed along the rail network upon which the Passenger Services operate to work together with the equipment installed on trains to permit access to the internet.

- 4.3 The Franchisee shall monitor the performance of the Wireless Internet Service for the purposes of providing to the Secretary of State a report on the performance of the Wireless Internet Service. Such report shall include information on the customer usage statistics, statistics on the availability of the Wireless Internet Service including information on the average internet speed (in megabits per second) and the latency figures (in milliseconds) and shall be submitted to the Secretary of State one month after the end of each Franchisee Year.
- 4.4 By no later than 1 July 2018, the Franchisee shall procure that all rolling stock vehicles (other than Mark III coaches) comprised in its Train Fleet and used for the provision of the Passenger Services are fitted with such equipment as is necessary to ensure compliance with the requirements of paragraph 4. Any such equipment shall, subject to paragraph 4.5, include the following:
- (a) CAT-7 ethernet cabling (or such other local area network cabling technology that offers equivalent bandwidth to ethernet) forming a through rolling stock unit ethernet backbone including inter-carriage connectivity; and
  - (b) an additional CAT-7 ethernet cable (or such other local area network cabling technology that offers equivalent bandwidth to ethernet) with supporting Power over ethernet from the designated rolling stock vehicle equipment space to the middle of the void located at the ceiling of each rolling stock vehicle so as to permit the connection of additional internet access point equipment in the future.
- 4.5 Where any rolling stock vehicle comprised in the Train Fleet as at the Start Date is already fitted with through rolling stock unit ethernet backbones that are not compliant with the requirements of paragraphs 4.4(a) or 4.4(b), the Franchisee shall be permitted to retain these cables and the provisions of paragraph 4.4(a) and 4.4(b) shall not apply in respect of such rolling stock vehicle.

## 5. **Station Travel Plans**

- 5.1 The Franchisee shall maintain and keep up to date any station travel plans implemented by the Train Operator under the Previous Franchise Agreement and which are in existence as at the Start Date.
- 5.2 In addition to its obligations in paragraph 5.1, the Franchisee shall:
- (a) by no later than 31 March 2017 develop and publish station travel plans at nine Stations; and
  - (b) by no later than 31 March 2018, develop and publish station travel plans at the remaining ten Stations.
  - (c) in developing any of the station travel plans, adopt the best practice approach set out in the document entitled "Guidance on the Implementation of Station Travel Plans";
  - (d) prior to the publication of the station travel plans, ensure that such station travel plans are reviewed by transport integration experts at the Institute of Transport Studies at Leeds University. The Franchisee shall have due regard to the comments of such transport integration experts in the development of the station travel plans; and
  - (e) undertake an annual review of each station travel plan developed and published pursuant to paragraph 5.1 and shall update each such station travel plan with new available data relating to such station travel plan within four years of the date upon which each such station travel plan is published at the relevant Station.

**6. Staff Engagement and wellbeing**

**6.1 Employee engagement survey and targets**

- (a) The Franchisee shall carry out a survey of Franchise Own Employees through the "First Group Your Voice employee survey" at least once every year and shall review any management issues identified by such surveys.
- (b) The Franchisee shall, through the improvement of employee wellbeing, participation and fulfilment and through working with trade unions, use all reasonable endeavours to achieve an employee engagement rate of 78% by the end of the Franchise Term and in addition, shall use all reasonable endeavours to achieve the employee engagement rates as set out in the table at paragraph 6.1(d) as such engagement rates are measured by First Group.
- (c) The Franchisee shall review the results achieved pursuant to each staff attitude survey against the target scores for each of the surveyed areas set out in column 2 of the table below, and to the extent that the results actually achieved in respect of any of the survey years are lower than the equivalent target scores, as soon as reasonably practicable after the completion of each staff attitude survey the Franchisee shall provide an improvement plan to the Secretary of State which sets out:
  - (i) the reasons for the rate achieved being lower than the applicable target rate; and
  - (ii) the Franchisee's plan and proposals for improving the employee engagement rates in the next staff attitude survey.
- (d) The Franchisee shall act reasonably in accordance with such improvement plan and proposals for the purposes of improving the employee engagement rates in the next staff attitude survey and at least achieving the specified relevant target employee engagement percentage rates.

Column 1	Column 2
Year	Employee Engagement Rates
2016	71%
2017	72%
2018	73%
2019	74%
2020	75%
2021	76%
2022	77%

**6.2 Employee Director**

By no later than the Start Date, the Franchisee shall appoint a representative of the Franchise Own Employees (such representative to be elected by the Franchise Own Employees) as a company director of the Franchisee to sit on the Franchisee's board of directors and the Franchisee shall procure that such director is provided with appropriate director liability insurance in accordance with the relevant policies of the Franchisee.

### 6.3 **Wellbeing initiatives**

From the Start Date and throughout the Franchise Term the Franchisee shall implement a wellbeing programme for the benefit of all Franchise Own Employees to include:

- (a) at least one wellbeing activity each year in all workplaces where ten or more Franchise Own Employees are normally based with the intention of improving physical and mental health;
- (b) the making available of free eye test and flu vaccination vouchers to all Franchise Own Employees;
- (c) volunteering initiatives, a cycle to work scheme, and access to First Group's "Employee Assistance Programme"; and
- (d) initiatives to address the most regularly occurring occupational health risks amongst the Franchisee's workforce, including musculoskeletal, mental health, and long-term health conditions.

### 6.4 **Statutory maternity leave**

Throughout the Franchise Term the Franchisee shall, in respect of Franchise Own Employees who are entitled to statutory maternity leave, offer such Franchise Own Employees full pay for nine months during such period of statutory maternity leave.

### 6.5 **Living Wage Accreditation**

Consistent with the Franchisee's proposal, the Franchisee shall:

- (a) by no later than the Start Date achieve, and thereafter for the remainder of the Franchise Term maintain, the "Living Wage Accreditation" offered by the Living Wage Foundation; and
- (b) from the Start Date and throughout the Franchise Term, ensure that all Franchise Own Employees are paid at least the Living Wage and its contracts in relation to all employees (who are working on the Franchise Services) of the Franchisee's contractors are on terms which require that those employees are paid at least the Living Wage.

### 6.6 **Zero-Hour Contracts**

Consistent with the Franchisee's proposal, the Franchisee shall:

- (a) not at any time during the Franchise Term enter into a contract of employment with any person who is to become a Franchise Own Employee; and
- (b) procure that its contracts with suppliers and contractors require that they do not at any time during the Franchise Term enter into a contract of employment with any person who is to become an employee of that supplier or contractor and is to work on the Franchise Services,

whereby the terms and conditions of such contract of employment include no obligation on the Franchisee, supplier or contractor (as applicable) to offer minimum working hours to such a person or no obligation on such a person to accept any work offered by the Franchisee, supplier or contractor (as applicable).

### 6.7 **My Rewards**

Consistent with the Franchisee's proposal, throughout the Franchise Term the Franchisee shall make available First Group's "My Rewards" package (or a rewards package of equivalent scope and with equivalent benefits) to all Franchise Own Employees.

## 7. Learning and Development

### 7.1 Investors in People Accreditation

By no later than the Start Date the Franchisee shall achieve, and thereafter for the remainder of the Franchise Term maintain, Investors in People Accreditation. The Franchisee shall use all reasonable endeavours to ensure that the accreditation achieved by it pursuant to this paragraph 7.1 is iIP "Gold" accreditation.

### 7.2 National Skills Academy for Railway Engineering

From the Start Date, the Franchisee shall become a member of the National Skills Academy for Railway Engineering (NSARE) and shall thereafter maintain such membership throughout the remainder of the Franchise Term. The Franchisee shall use NSARE to assess the appropriateness of the Franchisee's relevant "in-house" and outsourced training provisions.

### 7.3 Learning Management System

The Franchisee shall ensure that by no later than 31 December 2017 the Learning Management System is established. The Franchisee shall thereafter for the remainder of the Franchise Term ensure the Learning Management System is made available for access by all Franchise Own Employees and shall provide access to their individual records. The Franchisee shall review the records as part of the Franchisee's annual performance and development cycle.

### 7.4 Lead to Succeed Programme

From the Start Date until the end of the Franchise Term, the Franchisee shall ensure (on a continuous basis) that all Franchise Own Employees of management grade participate in the Lead to Succeed Programme (or such equivalent or replacement programme as the Secretary of State may reasonably agree or determine). The Franchisee shall on an annual basis provide to the Secretary of State, within 21 days of the end of each Franchisee Year, a report on the participation of Franchisee Employees of management grade in the Lead to Succeed Programme during that Franchisee Year.

### 7.5 Career Development Programme

- (a) By no later than 30 April 2017, the Franchisee shall implement a career development programme to enable all Franchisee Employees undertaking a customer service role, to have an opportunity to progress to a conductor role and for conductors to have an opportunity to progress to a driver role.
- (b) In each Franchise Year the Franchisee shall offer a bursary fund of £30,000 (pounds sterling thirty thousand) (being operational expenditure) to those participants in the career development programme referred to in paragraph 7.5(a) who have completed their conductor training, in order to fund the driver training of such participants. By no later than 1 April 2023, the Franchisee will incur operational expenditure of not less than £210,000 (pounds sterling two hundred and ten thousand) in paying bursaries pursuant to this paragraph 7.5.

### 7.6 Graduate placement opportunities

Throughout the duration of the Franchise Term the Franchisee shall provide placement opportunities for no less than seven graduates who are taking part in the First Group graduate programme and in so doing shall incur operational expenditure of not less than



<sup>8</sup>which shall be pro-rated over the Franchise Term in the event of termination of this Franchise Agreement prior to the Expiry Date.

#### 7.7 **Training of Modern Apprentices**

- (a) Throughout the duration of Franchise Term the Franchisee shall train at least 36 customer service and commercial and train planning Modern Apprentices who will receive, at the successful conclusion of their apprenticeship, an appropriate accreditation or qualification.
- (b) The Franchisee shall procure that Manchester College (or an equivalent replacement institution) operates as training provider in respect of the training of Modern Apprentices to be provided pursuant to paragraph 7.7(a).

#### 7.8 **Prince's Trust "Get into Railways" traineeships**

- (a) Between 1 January 2017 until and including 31 December 2017 the Franchisee shall run no less than two Prince's Trust "Get into Railways" traineeships for at least 20 young people.
- (b) Throughout the Franchise Term the Franchisee shall continue to engage with the Prince's Trust to identify employment opportunities for, and highlight vacancies to, the individuals involved in the "Get into Railways" traineeships referred to in paragraph 7.8(a).

#### 7.9 **Working with schools, colleges and universities**

- (a) From no later than 31 March 2017 until the end of the Franchise Term the Franchisee shall work with local schools, colleges and universities in the geographical regions served by the Passenger Services to promote the rail industry and provide work experience opportunities to students.
- (b) By no later than 31 March 2017, the Franchisee shall partner with the Ahead Partnership (which runs the "Make the Grade" scheme), and shall procure the availability of Franchise Employee volunteers (of management grade) to lead in the delivery of various activities relating to the "Make the Grade" scheme at 15 schools in the Kirklees/ Leeds and Teeside areas and participate in at least 15 such "Make the Grade" events at which at least 1030 beneficiaries shall be offered a place, in each Franchisee Year.

### 8. **Promoting equality and diversity**

#### 8.1 **Diversity Programme**

- (a) The Franchisee shall, in each Franchisee Year, implement strategies and initiatives including annual workplace consultations, school visits with under-represented groups, targeted recruitment strategies, promotion of flexible working and a mentoring programme for high potential employees (the "**Diversity Programme**") to encourage and promote greater diversity amongst the Franchisee's workforce.
- (b) The Diversity Programme shall be designed such that year on year there shall be an increase in the percentage of Franchise Employees from under-

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<sup>8</sup> Date of redaction 16/06/2016 - 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.

represented groups, with the aim that the workforce better reflects the communities served by the Franchisee (the "**Diversity Objective**").

- (c) The Franchisee shall, at the same time as it submits the Annual Business Plan to the Secretary of State in accordance with paragraph 2.3 of Schedule 13 (or to the extent that no Annual Business Plan is submitted to the Parent in any Franchisee Year pursuant to paragraph 2.3 of Schedule 13, not more than three Reporting Periods and not less than one Reporting Period prior to the start of each Franchisee Year), submit to the Secretary of State for his approval, a plan setting out what initiatives and strategies the Franchisee intends to implement during the forthcoming Franchisee Year in order to achieve the Diversity Objective (the "**Annual Diversity Action Plan**").
- (d) The Franchisee shall, in each Franchisee Year, comply with the relevant Annual Diversity Action Plan which is approved by the Secretary of State pursuant to paragraph 8.1(c) above.

## 9. **Effective Organisation Management**

Throughout the Franchise Term, the Franchisee shall assess the performance of its corporate management system against the European Foundation for Quality Management (EFQM) framework.

## 10. **Managing security risks**

### 10.1 **Lone working risk assessments**

Throughout the Franchise Term the Franchisee shall, on at least an annual basis, conduct:

- (a) lone-working risk assessments in respect of the roles carried out by the Franchise Employees; and
- (b) reviews of crime and security concerns affecting staff.

### 10.2 **Preventing violence at Work**

By no later than 30 September 2016, the Franchisee shall review and revise the Violence at Work policy implemented by the Train Operator under the Previous Franchise Agreement as necessary and shall thereafter review such policy on an annual basis throughout the remainder of the Franchise Term and shall, as soon as reasonably practicable, implement any recommendations made as part of such reviews.

### 10.3 **Railway Safety Accreditation Scheme**

By no later than 30 September 2016, the Franchisee shall ensure that all security staff are Railway Safety Accreditation Scheme (RSAS) accredited.

### 10.4 **Interfaces with the British Transport Police**

Throughout the Franchise Term, the Franchisee shall support and facilitate short-term secondments for British Transport Police Inspectors within the Franchisee's business and provide Franchise Own Employees with the opportunity to volunteer as British Transport Police "Special Constables" and "Police Volunteers" (such volunteers to engage with local schools and businesses in the geographical regions served by the Passenger Services) and in so doing shall incur operational expenditure of £21,000 (pounds sterling twenty one thousand) in each Franchisee Year.

## 11. **Employee Portal and Human Resources Information System**

- 11.1 By no later than 31 December 2016, the Franchisee shall establish the Employee Portal and thereafter for the remainder of the Franchise Term ensure that it is made available for access by all Franchise Own Employees for the purposes of:

- (a) providing a platform for communications between the Franchisee and the Franchise Own Employees; and
  - (b) facilitating access for Franchise Own Employees to their individual personnel file, including employment and distance learning records.
- 11.2 By no later than 1 April 2017 and thereafter for the remainder of the Franchise Term, the Franchisee shall:
- (a) establish the Human Resources Information System and ensure that it is made available for access by all Franchise Own Employees;
  - (b) ensure that the Human Resources Information System and the Employee Portal and the Learning Management System are fully integrated; and
  - (c) use the Human Resources Information System to collate Franchise Own Employee data regarding "protected characteristics" (as such term is defined in the EA).

## 12. Stakeholders engagement plan

### 12.1 The Franchisee shall:

- (a) by no later than 30 September 2016 create and implement a stakeholder engagement plan which will set out how the Franchisee shall engage with Stakeholders in order to:
  - (i) build collaborative relationships;
  - (ii) improve whole industry efficiency;
  - (iii) support wider industry stakeholder strategies;
  - (iv) understand stakeholder priorities for future improvements;
- (b) update such stakeholder engagement on an annual basis; and
- (c) as soon as reasonably practicable after the finalisation of such stakeholder engagement plan and/or any updates in respect thereto, provide a copy of the stakeholder engagement plan and/or any updates in respect thereto to the Secretary of State and Rail North.

### 12.2 In each Franchisee Year, the Franchisee shall conduct an annual stakeholder survey to seek views on the Franchisee's performance, in particular with regard to how well the Franchisee has engaged with Stakeholders and whether the Franchise Services and the efficiency of their delivery have improved (the "**Stakeholder Survey**"), such survey to be undertaken in accordance with the methodology adopted by the Train Operator in respect of those stakeholder surveys carried out under the Previous Franchise Agreement and each survey comprising six components being:

- (a) overall experience of travelling;
- (b) delivering great service everyday;
- (c) delivering a punctual train service;
- (d) the value of contact and communications;
- (e) overall communications;
- (f) overall contact and meetings.

- 12.3 The Franchisee shall, with respect to each Stakeholder Survey, achieve in each Franchisee Year an overall level of satisfaction amongst those Stakeholders surveyed of not less than the relevant target for that Franchisee Year set out in column 2 of the table below (the “**Satisfaction Target**”):

Column 1	Column 2
Franchisee Year	Satisfaction Target
Year 1	83.5%
Year 2	85%
Year 3	86.5%
Year 4	88%
Year 5	90%
Year 6	90%
Year 7	90%

- 12.4 If, in any Franchisee Year the result of the Stakeholder Survey identifies that the Franchisee has failed to achieve the Satisfaction Target, the Franchisee shall within 3 months of the completion of the Stakeholder Survey, within the stakeholder engagement plan referred to in paragraph 12.1, provide to the Secretary of State details of the initiatives and proposals that it shall implement in the following Franchisee Year in order to achieve the Satisfaction Target in that Franchisee Year and shall, thereafter, implement such initiatives in compliance with the plan.
- 12.5 By 31 March 2017 the Franchisee shall publish a stakeholder report outlining how the Franchisee has acted on feedback from stakeholders and the extent to which it has engaged with stakeholders in accordance with the stakeholder engagement plan (as referred to in paragraph 12.1) and shall, in each Franchisee Year thereafter, publish new editions of the stakeholder report for that Franchisee Year.

13. **Partnering Agreements**

- 13.1 The Franchisee shall engage and work with Rail North to agree a structure of Partnering Agreements with Rail North and some or all of its member local authorities. The Franchisee shall offer to enter into such Partnering Agreements with the Rail North local authorities and Transport for the North by no later than 31 March 2017.
- 13.2 Following entry into a Partnering Agreement the Franchisee shall review each Partnering Agreement annually (such review to include an assessment of the parties’ performance against behaviours and objectives specified in such Partnering Agreement) and work with the other parties to amend such Partnering Agreement as necessary to reflect the findings of the annual review.
- 13.3 For the purposes of paragraphs 13.1 and 13.2 “**Partnering Agreement**” means an agreement between the Franchisee, Rail North and the appropriate local authorities which shall details the collaborative behaviours between the parties and set out agreed objectives and the expectations of the appropriate local authorities and Transport for the North (as appropriate) with regards to the delivery of the Franchise Services in their geographic area.

14. **Supporting Community Rail Partnerships**

By 31 March 2017 and in each Franchisee Year thereafter the Franchisee shall implement initiatives proposed by Community Rail Partnerships to promote onward journey connections to passenger services operated through Community Rail Partnerships and deliver enhancements to Stations used by such passenger services and in so doing shall incur operational expenditure of not less than £50,000 (pounds sterling fifty thousand) by 31 March 2017 and in each Franchisee Year thereafter.

**15. Collaborating with the supply chain**

- 15.1 By 31 March 2019, the Franchisee shall attain, and at all times thereafter shall maintain, BS11000 accreditation (or equivalent standards) in respect of its relationships with each of:
- (a) Network Rail;
  - (b) Siemens PLC; and
  - (c) one other major supplier (such as any new rolling stock supplier or a supplier of catering or facilities management services).

**16. Collaborating with Small and Medium Enterprises (SMEs)**

- 16.1 From 31 March 2018 and for the remainder of the Franchise Term, the Franchisee shall procure that its suppliers for the provision of goods and services with a value in excess of <sup>9</sup> shall provide an annual report of their use of and interactions with SMEs.
- 16.2 From 31 March 2017 and for the remainder of the Franchise Term, the Franchisee shall ensure that all of its SME suppliers are paid within thirty days of the receipt of an invoice from such SME suppliers.

**17. Concordat with Northern**

- 17.1 On or before the Start Date, the Franchisee shall offer to, and use reasonable endeavours to enter into with, the Northern Franchisee a "concordat" for the purposes of enhancing cooperation between the two parties in the delivery of their respective franchise services. Such concordat may include:
- (a) the implementation of an initiative relating to providing a combined staff presence at Leeds and Manchester Piccadilly stations and to an integrated staffing approach at Manchester Victoria, Manchester Oxford Road, Hull and Middlesbrough stations;
  - (b) co-operation in relation to the provision of customer care during planned and unplanned disruptions to the railway passenger services; and
  - (c) collaboration on security initiatives and the co-ordination of security resources where common objectives are identified and agreed between the Franchisee and the Northern Franchisee, in conjunction with the British Transport Police.

**18. Traction Energy - Addition of Fuel Additive (Class 185 Diesel)**

- 18.1 For the duration of the period between 31 December 2016 and 31 March 2018, the Franchisee shall add fuel additive to its diesel supply for the Class 185 rolling stock units that are maintained at depots where Siemens PLC is the Facility Owner (the "**Fuel Additive Trial**"). The Fuel Additive Trial will assess the improvement of efficiency in the use of fuel by the relevant Train Fleet as a result of using the fuel additive.
- 18.2 By 31 March 2018 the Franchisee shall evaluate the success of the Fuel Additive Trial and the Franchisee shall:

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<sup>9</sup> Date of redaction 16/06/2016 - 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) as soon as reasonably practicably after the 31 March 2018, share the results of the Fuel Additive Trial with the BiMode Vehicles Manufacturer; and
- (b) if the results of the Fuel Additive Trial show an efficiency saving of 2.3% or more compared with operation without use of Fuel Additive:
  - (i) continue to add fuel additive to its diesel supply for the Class 185 rolling stock units that are maintained at depots where Siemens PLC is the Facility Owner; and
  - (ii) use all reasonable endeavours to implement the adding of fuel additives to the remainder of its diesel and bi-mode Train Fleet at other depots where the Train Fleet is maintained.

19. **Non-traction energy savings**

19.1 **Building Management Systems**

By 31 March 2017, the Franchisee shall:

- (a) install Building Management Systems at each of its Stations; and
- (b) ensure that at three of such Stations (to be determined by the Franchisee based on the 3 Stations with the highest amount of passenger footfall) the Building Management Systems installed at such Stations are web enabled.

For the purposes of this paragraph 19.1, “**Building Management System**” means a computer-based control system installed in buildings that controls and monitors the building's mechanical and electrical equipment such as heating, air conditioning and lighting.

19.2 **LED Lighting**

By 31 March 2017, the Franchisee shall:

- (a) replace all lighting maintained by the Franchisee at Stations and car parks with low energy LED lighting; and
  - (b) integrate all such LED lighting into the Building Management System, and
- in so doing shall incur capital expenditure of at least <sup>10</sup>.

19.3 **Voltage Optimisation**

By 31 July 2016 the Franchisee shall install voltage optimisation technology at 12 Stations to lower the voltage of the incoming electricity supply typically from 240v to 220v.

19.4 **Installation of Energy Efficient Control Devices**

By 31 October 2016, the Franchisee shall install energy efficient control devices specified in column 1 of the table at the number of Stations specified in column 2 of such table:

Column 1	Column 2
<b>Control devices</b>	<b>No. of Stations</b>

<sup>10</sup> Where text has been omitted from the document this is because the Director General Rail or Secretary of State has decided to exclude the text in accordance with the provisions within the Freedom of Information Act 2000.

Electrical heating controls	19
Time controlled LED lighting in vending machines	19
Air conditioning time lock controls	9
Radiant heating and passive infra-red sensors for lights and heating in waiting rooms	9
Passive infra-red sensors for lights on platforms and concourses	9

#### 19.5 **Replacement of Station Heating Units**

By 31 October 2016 the Franchisee shall replace the heating units located at each of the following Stations as at the Start Date (the "**Existing Heating Units**") with alternatives that will generate electricity savings of 32% when compared with the Existing Heating Units:

- (a) Cleethorpes;
- (b) Hull;
- (c) Scunthorpe; and
- (d) Stalybridge.

#### 20. **Renewable energy**

20.1 By 1 October 2017 the Franchisee shall install a total of 1000m<sup>2</sup> of solar photovoltaic (PV) equipment at five of the following Stations:

- (a) Cleethorpes;
- (b) Grimsby;
- (c) Middlesbrough;
- (d) Scarborough;
- (e) Scunthorpe;
- (f) Selby; and
- (g) Stalybridge,

and in so doing shall incur capital expenditure of not less than <sup>11</sup>.

#### 21. **Sustainable procurement**

21.1 From 1 April 2017 and for the remainder of the Franchise Term the Franchisee shall include, in all new contracts it enters into with suppliers resulting from procurement exercises from that date, social value obligations designed to deliver community benefits including:

- (a) apprenticeships;

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<sup>11</sup> Where text has been omitted from the document this is because the Director General Rail or Secretary of State has decided to exclude the text in accordance with the provisions within the Freedom of Information Act 2000.

- (b) traineeships;
- (c) community investment; and
- (d) volunteering.

## 22. **Supporting the local community**

22.1 Throughout the Franchise Term, the Franchisee shall support local community and environmental projects by contributing operational expenditure of £50,000 (pounds sterling fifty thousand) in each Franchisee Year to new community investment schemes nominated by a Franchisee Employee and chosen by the Franchisee that will support local community initiatives including:

- (a) environmental initiatives;
- (b) social inclusion initiatives; and
- (c) youth unemployment initiatives.

## 23. **Socio-Economic Impact**

23.1 By no later than 31 December 2016, the Franchisee shall develop a methodology by which it shall, in each Franchisee Year thereafter, measure its socio-economic impact on the geographic area of the Franchise, such methodology to be approved by the Secretary of State, acting reasonably. The methodology so approved by the Secretary of State shall be included by the Franchisee within its Sustainable Development Strategy. At the end of each Franchisee Year the Franchisee shall publish the results of such survey on its website and, at the same time, deliver the results to the Secretary of State.

## 24. **Innovation**

24.1 The Franchisee shall by no later than the Start Date and throughout the Franchise Term appoint a dedicated innovation manager, whose role shall include responsibility for implementing and facilitating the Franchisee's innovation initiatives including those described in the Innovation Strategy.

24.2 By 31 December 2016 the Franchisee shall create at its head office, and then maintain throughout the Franchise Term, an innovation and excellence hub which will be a physical space where teams of Franchise Employees shall come together to take part in innovation workshops and exercises designed by the Franchisee, and so provide a resource for encouraging new ideas and ways of thinking within the organisation.

## 25. **Platform extensions**

25.1 The Franchisee shall with regard to each of the stations listed in Column 1 of the table below competitively tender the delivery of platform extensions to the specifications listed in both Column 2 and Column 3 of the table on the basis, in both cases, that specified platform works are to be completed by the Passenger Change Date in December 2017. The Franchisee shall procure that bidders separately identify the cost of implementing each individual platform extension at each station.

<b>Column 1</b>	<b>Column 2</b>	<b>Column 3</b>
<b>Station</b>	<b>Base Platform Extension Specification</b>	<b>Enhanced Platform Extension Specification</b>
Cottingley	Both platforms to be extended to accommodate 4x23 metre vehicles.	Both platforms to be extended to



		accommodate 6x23 metre vehicles.
Ravensthorpe	Both platforms to be extended to accommodate 4x23 metre vehicles at both platforms.	Both platforms to be extended to accommodate 6x23 metre vehicles.
Mirfield	Platforms 1 and 2 to be extended to accommodate 4x23 metre vehicles	All three platforms to be extended to accommodate 6x23 metre vehicles at both platforms
Slaithwaite	Both platforms to be extended to accommodate 4x23 metre vehicles	Both platforms to be extended to accommodate 5x23 metre vehicles
Marsden	Platforms 1 and 3 to be extended to accommodate 4x23 metre vehicles	Both platforms to be extended to accommodate 5x23 metre vehicles
South Milford	Both platforms to be extended to accommodate 4x23 metre vehicles	Both platforms to be extended to accommodate 6x23 metre vehicles

The tendering process shall be carried out in accordance with relevant law and a reasonable number of appropriately qualified contractors shall be invited to participate in it. The Franchisee shall use all reasonable endeavours to provide by 30 June 2016 and in any event shall provide by no later than 30 September 2016, to the Secretary of State, a report providing full details of tenders received and the consequent price for delivering platform extensions to each specification. The Franchisee shall provide such additional information as the Secretary of State may reasonably require and meet with the Secretary of State to discuss as requested.

- 25.2 Subject to paragraph 25.3 below by no later than the earlier of two months after delivery of the report under paragraph 25.1 and 31 October 2016, the Secretary of State may either:
- (a) instruct the Franchisee to proceed to complete platform extensions to the specification set out in column 2 of the table in paragraph 25.1. Where such an instruction is given the Franchisee shall complete such works by no later than the Passenger Change Date in December 2017 and in so doing shall incur capital expenditure of not less than <sup>12</sup>; or
  - (b) instruct the Franchisee to proceed to complete platform extensions to the specification set out in column 3 of the table in paragraph 25.1. Where such an instruction is given:
    - (i) the Franchisee shall complete such works by no later than the Passenger Change Date in December 2017; and
    - (ii) there shall be a Change on the basis that, where there is a Qualifying Change, the only Revised Inputs will be in relation to the incremental additional cost of delivering such works in excess

<sup>12</sup> Where text has been omitted from the document this is because the Director General Rail or Secretary of State has decided to exclude the text in accordance with the provisions within the Freedom of Information Act 2000.

of the greater of <sup>13</sup> and the amount that the winning bidder identified as being the cost of delivering platform extensions to the specification set out in column 2 in paragraph 25.1.

If the Secretary of State gives no instruction within the relevant period the Franchisee shall be required to act as if the instruction referred to in sub paragraph (a) above had been given.

25.3 By no later than 31 October 2016, the Secretary of State shall have the right to serve notice on the Franchisee informing it that it has made alternative arrangements for the extension of the platforms referred to in the table in paragraph 25.1 to at least the specification referred to in column 2 of such table so that relevant works are completed by no later than the Passenger Change Date in December 2017. If such a notice is served the Franchisee shall have no further obligations pursuant to paragraphs 25.1 and 25.2 above and the Franchisee shall pay to the Secretary of State the sum of <sup>14</sup> less any external professional fees reasonably and properly incurred by the Franchisee as a direct result of the Franchisee's compliance with its obligations under paragraph 25.1. Such amount shall be paid to the Secretary of State in six equal instalments by way of adjustment to the Franchise Payments payable in relation to the Reporting Period beginning on 13 November 2016 and each of the five following Reporting Periods.

25.4 By no later than the Passenger Change Date in December 2017, the Franchisee shall procure:

- (a) the completion of extensions to each platform at Habrough station so as to accommodate at least 6x23 metre vehicles at each such extended platform;
- (b) the completion of extensions to each platform at each of Deighton station and Yarm stations so as to accommodate at least 4x23 metre vehicles at each such extended platform,

and in so doing shall incur capital expenditure of not less than <sup>15</sup>.

## 26. **Driver resourcing levels**

26.1 The Franchisee shall, with the Management Accounts to be provided in relation to the penultimate Reporting Period of the previous Franchisee Year pursuant to paragraph 3.2 of Schedule 13 (Information and Industry Initiatives) notify the Secretary of State of its calculated Establishment Requirement for the following Franchisee Year. The Franchisee shall notify the Secretary of State of the Establishment Requirement for the first Franchisee Year at least four weeks prior to the Start Date.

26.2 During each period of 12 consecutive months, the Franchisee shall employ such numbers of qualified Train Drivers such that the Establishment Requirement, notified to the Secretary of State pursuant to paragraph 26.1 and applicable to the relevant Franchisee Year, shall be exceeded on a moving annual average basis by at least <sup>16</sup>

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<sup>13</sup> Where text has been omitted from the document this is because the Director General Rail or Secretary of State has decided to exclude the text in accordance with the provisions within the Freedom of Information Act 2000.

<sup>14</sup> Where text has been omitted from the document this is because the Director General Rail or Secretary of State has decided to exclude the text in accordance with the provisions within the Freedom of Information Act 2000.

<sup>15</sup> Where text has been omitted from the document this is because the Director General Rail or Secretary of State has decided to exclude the text in accordance with the provisions within the Freedom of Information Act 2000.

<sup>16</sup> Where text has been omitted from the document this is because the Director General Rail or Secretary of State has decided to exclude the text in accordance with the provisions within the Freedom of Information Act 2000.

**27. Train Service and Capacity Planning**

27.1 By no later than 9 months after the Start Date the Franchisee shall commence, and thereafter for the remainder of the Franchise Term it shall maintain, a training programme for Franchise Employees who work in the Franchisee's train planning team. The Franchisee shall provide the training programme through the Learning Management System from the date the LMS is established pursuant to paragraph 7.3.

27.2 The training programme referred to in paragraph 27.1 shall, as a minimum, include a minimum of five days per annum personal development training (relevant to their train planning role) for each of the Franchise Employees working in the Franchisee's train planning team.

**27.3 Service Development and Capacity Review Report**

By no later than 30 June 2017, and thereafter at least annually during the remainder of the Franchise Term, the Franchisee shall submit a report (each a "**Service Development and Capacity Review Report**") to the Secretary of State which shall as a minimum include:

- (a) a review of passenger loadings by Route, including a summary of the historic Actual Passenger Demand (updated in the case of each Service Development and Capacity Review Report to include details of the Actual Passenger Demand over the preceding 12 months) together with details of proposed mitigations to be introduced by the Franchisee to reduce overcrowding;
- (b) a review of train service enhancements achieved or proposed by the Franchisee;
- (c) a summary of advanced timetable development work being carried out by the Franchisee including by reference to engagement with the timetable development process managed by Network Rail;
- (d) reporting on performance by reference to the Cancellations Benchmarks, Annual Cancellations Benchmarks, TOC Minute Delay Benchmarks, Annual TOC Minute Delay Benchmarks, Short Formations Benchmarks and Annual Short Formations Benchmarks, disaggregated by Route; and
- (e) a review of the revenue management process in managing travel demand to minimise overcrowding during the Peak.

**27.4 Route Strategy Studies**

- (a) In connection with the Franchisee's obligations under paragraph 27.3, the Franchisee shall in the period between the Start Date and 30 June 2019 carry out no less than five route strategy studies. The relevant routes in relation to which the strategy studies shall be carried out shall be agreed with the Secretary of State after consultation with Network Rail but are expected to be (i) Manchester to the East Midlands, Sheffield and Cleethorpes (to be completed by 31 March 2017), (ii) Scarborough to York and Hull and East Yorkshire (to be completed by 30 September 2017), (iii) North East (Tees, Tyne and Wear) (to be completed by 31 March 2018), (iv) connectivity to Manchester Airport and other regional airports (to be completed by 30 September 2018) and (v) Liverpool to Manchester (including consideration of the implementation of a very high frequency passenger service) (to be completed by 30 June 2019).
- (b) Each route strategy study will consider the optimal future strategy for the development of each relevant route taking into account current and anticipated future demand and relevant infrastructure capability and planned and potential infrastructure enhancements. Matters that may be considered include enhancements to the Passenger Services (including extending the operating day and the implications for engineering access), identification of infrastructure

constraints, the possibility of journey time improvements and the delivery of improved Passenger Services involving the provision of greater capacity and less crowding. Route strategy studies shall be drafted to facilitate focused discussions between the Franchisee, the Secretary of State, Rail North, Network Rail and the Northern Franchisee on realistic and deliverable changes to train services and infrastructure enhancements that can be directly linked to improved outputs from Passenger Services.

- (c) The Franchisee shall report to the Secretary of State and Rail North on the outcomes of each such route strategy study and include each such report as an appendix to the applicable Service Development and Capacity Review Report for the year in which the study is produced.

#### 27.5 **Train Service and Capacity Strategy Review**

Between 30 April 2020 and 30 June 2020 the Franchisee shall produce and present to the Secretary of State a forward-looking five-year passenger service and capacity strategy review which shall as a minimum include a detailed assessment of:

- (a) the commercial and operational state of the Franchise (to include demand forecasts and analysis of passenger loadings);
- (b) an overview of consultations with Stakeholders with regard to capacity and passenger service planning; and
- (c) recommended interventions to be implemented by the Franchisee prior to the end of the Franchise Term.

#### 28. **Maintenance of Rolling Stock**

Throughout the Franchise Term, the Franchisee shall maintain the Train Fleet in accordance with the terms of the applicable Rolling Stock Leases and to a standard which supports the proposed level of performance required by the Franchise Agreement (as set out in Schedule 7.1 (Performance Benchmarks)).

#### 29. **Increased reliability of Class 185s**

The Train Operator under the Previous Franchise Agreement received a "Class 185 maintenance optimisation study" from Siemens PLC ("**Siemens**") who is the manufacturer and maintainer of the Class 185 rolling stock vehicles comprised in the Train Fleet ("**Class 185 Fleet**"). The Franchisee shall implement the recommendations and findings of the Class 185 maintenance optimisation study and shall, from the date of the Franchise Agreement, use all reasonable endeavours to work effectively with Siemens to prepare for such implementation. The recommendations of the Class 185 maintenance optimisation study shall be fully implemented by no later than 31 October 2016. The Franchisee shall complete in a seamless manner any uncompleted programme of improvement and enhancement works on the Class 185 Fleet commenced by the Train Operator under the Previous Franchise Agreement including in relation to the installation of new STAR cards and Hall radial arm bushes.

#### 30. **Enhancements of Class 185s**

- 30.1 Consistent with the Franchisee's proposal and subject to the obtaining any consent that is required by the lessor under the relevant Rolling Stock Lease (which the Franchisee shall use all reasonable endeavours to obtain), in addition to the requirements of paragraph 3 (Rolling Stock Quality Requirements) of Schedule 1.7 (The Train Fleet), the Franchisee shall:

- (a) install commissioned and operational Wi-Fi with a specification in compliance with at least the Minimum Wi-Fi Service Requirements and media servers in relation to all Class 185 Fleet;

- (b) install commissioned and operational passenger information system in relation to all Class 185 Fleet. Such passenger information system shall be capable of being updated remotely in real time during the operation of a passenger service. The passenger information system should make use of scrolling bar PIS and poster PIS.
- (c) As a minimum the scrolling bar PIS should be capable of:
  - (i) linking to industry Darwin feeds in real-time to provide estimated arrival times at stations and any information regarding delays or other disruption to the Passenger Service; and
  - (ii) providing more than just next station information (for example also providing weather or onward connection information).
- (d) As a minimum the poster PIS should be capable of displaying:
  - (i) onward travel information, including the real time status of local bus and tram services;
  - (ii) information in relation to relevant airport departures (for example on arrival at MIA); and
  - (iii) relevant local information such as attractions or events;
- (e) install one set of commissioned and operational power sockets and USB charging points for every two seats in all designated first class areas and Standard Class Accommodation of Class 185 Fleet;
- (f) carry out an interior refresh programme on all passenger carrying accommodation in all Class 185 Fleet including by installing new carpets and flooring, new seat covers, new arm rests and grab handles;
- (g) procure the installation of commissioned and operational enhanced integrated table top lighting in all passenger carrying accommodation designated for first class use in the Class 185 Fleet; and
- (h) procure the installation of commissioned and operational interior and exterior LED lighting in relation to all Class 185 Fleet;
- (i) install commissioned and operational passenger counting equipment capable of differentiating between First Class and Standard Class, and between vehicles;
- (j) install forward facing CCTV equipment which shall be compliant with the Forward Facing CCTV Specification and the Franchisee shall incur operational expenditure of <sup>17</sup> in complying with this obligation;
- (k) by no later than 31 March 2017, implement a commissioned and operational driver advisory system which shall instruct Train Drivers when to accelerate and coast whilst ensuring compliance with the timetable in the most energy efficient manner;

Save in respect of paragraph 30.1(k) the Franchisee shall use all reasonable endeavours to meet its obligations in this paragraph 30 by the Passenger Change Date occurring in December 2017 and in any event shall do so by no later than 31 July 2018.

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<sup>17</sup> Where text has been omitted from the document this is because the Director General Rail or Secretary of State has decided to exclude the text in accordance with the provisions within the Freedom of Information Act 2000.

30.2 The Franchisee shall use all reasonable endeavours to install commissioned and operational Automatic Selective Door Opening equipment on the Class 185 Fleet by 31 December 2017 and shall ensure that in any event such equipment is commissioned and operational on all vehicles comprised in such Class 185 Fleet by no later than 31 July 2018.

31. **Increased reliability of Class 350s**

The Train Operator under the Previous Franchise Agreement received a "Class 350 maintenance optimisation study" from Siemens the manufacturer and maintainer of the Class 350 rolling stock vehicles comprised in the Train Fleet (the "**Class 350 Fleet**"). The Franchisee shall implement the recommendations and findings of the Class 350 maintenance optimisation study and shall, from the date of the Franchise Agreement, use all reasonable endeavours to work effectively with Siemens to prepare for such implementation. The recommendations of the Class 350 maintenance optimisation study shall be fully implemented by no later than 31 January 2017. The Franchisee shall complete in a seamless manner any uncompleted programme of improvement and enhancement works on the Class 350 Fleet commenced by the Train Operator under the Previous Franchise Agreement.

32. **Enhancement of Class 350s**

The Franchisee shall, by no later than 30 April 2017 install commissioned and operational Wi-Fi with a specification in compliance with at least the Minimum Wi-Fi Service Requirements and media servers on all Class 350/4 vehicles comprised in the Train Fleet. This obligation is without prejudice to the obligations of the Franchisee pursuant to paragraph 3 of Schedule 1.7 (The Train Fleet).

33. **New Intercity Rolling Stock**

33.1 In accordance with its obligations in paragraph 1 of Schedule 1.7 (The Train Fleet) the Franchisee shall enter into a Rolling Stock Lease in relation to at least 66 new 125mph capable locomotive hauled coaches (configured to maximise comfort on long distance services), of which 14 shall be driving trailers. The Franchisee shall use all reasonable endeavours to introduce such rolling stock into unrestricted passenger carrying service by the Target Dates set out in the tables at paragraphs 1 and 2 of Appendix 1 and in any event shall do so no later than 12 months after each such Target Date. Consistent with the Franchisee's proposal, such rolling stock shall, in addition to the requirements of paragraph 3 (Rolling Stock Quality Requirements) of Schedule 1.7 (The Train Fleet), be compliant with the following specification:

- (a) capable of operating at 125mph when hauled/propelled by locomotives permitted to operate at such speeds;
- (b) configured with sliding plug passenger doors located in vehicle end vestibules;
- (c) a minimum of 60% of standard class seats to be configured in bay seating layout with four seats facing a central table;
- (d) include a first class accommodation specification materially superior to standard class including in consequence of the fitting of seats that are wider and more comfortable than those in standard class such seats being configured in bays with tables throughout save for:
  - (i) one row of seats per unit (facing the wheelchair seating area) which shall not be configured with a table; and
  - (ii) one row of seats per unit (immediately behind the row of seats referred to in paragraph 33.1(d)(i)) which shall be unidirectional and not configured in a bay;
- (e) commissioned and operational Wi-Fi with a specification in compliance with at least the Minimum Wi-Fi Service Requirements and media servers;

- (f) storage for bicycles so that each of the 13 sets into which the rolling stock will be formed shall be capable of accommodating four bicycles;
  - (g) commissioned and operational passenger information system capable of being updated remotely in real time during the operation of a passenger service. The passenger information system should make use of scrolling bar PIS and poster PIS.
  - (h) As a minimum the scrolling bar PIS should be capable of:
    - (i) linking to industry Darwin feeds in real-time to provide estimated arrival times at stations and any information regarding delays or other disruption to the Passenger Service; and
    - (ii) providing more than just next station information (for example also providing weather or onward connection information)
  - (i) As a minimum the poster PIS should be capable of displaying:
    - (i) onward travel information, including the real time status of local bus and tram services;
    - (ii) information in relation to relevant airport departures (for example on arrival at MIA); and
    - (iii) relevant local information such as attractions or events;
  - (j) commissioned and operational electronic seat reservation system capable of enabling customers to make a seat reservation any time prior to 10 minutes before their train departs;
  - (k) commissioned and operational driver advisory system which shall instruct Train Drivers when to accelerate and coast whilst ensuring compliance with the timetable in the most energy efficient manner;
  - (l) facilities for Network Rail to fit equipment meeting the Track Monitoring Equipment Specification and commissioned and operational infrastructure monitoring equipment including forward facing CCTV which is compliant with the Forward Facing CCTV Specification;
  - (m) provision for future fitment of ETCS equipment so that to the extent reasonably practicable the costs of such future fitment are minimised;
  - (n) commissioned and operational passenger counting equipment capable of differentiating between First Class and Standard Class, and between vehicles;
  - (o) commissioned and operational Automatic Selective Door Operation System; and
  - (p) commissioned and operational LED environmentally responsive lighting.
- 33.2 The Franchisee shall engage with customers, stakeholders and employees in the design of the new coaches and shall use displays and "mock-ups" of specific features of vehicles at stations for these purposes.
34. **Class 68 locomotives**
- 34.1 In accordance with its obligations in paragraph 1 of Schedule 1.7 (The Train Fleet) the Franchisee shall enter into a Rolling Stock Lease in relation to Class 68 locomotives. The Franchisee shall at all times ensure that it has available to it sufficient Class 68 locomotives to enable the new intercity rolling stock to be introduced into unrestricted passenger carrying service in accordance with paragraph 33.1.

34.2 The Rolling Stock Lease of the Class 68 locomotives shall include provisions enabling them to be replaced by Class 88 locomotives subject to such Class 88 locomotives being available to the lessor. The Franchisee shall use all reasonable endeavours to take steps under its arrangements with such lessor to notify it in accordance with the terms of the Rolling Stock Lease or otherwise that it is likely that Class 88 locomotives may or will be required, it being acknowledged that the Franchisee shall not be required to incur material cost or risk in relation to replacing Class 68 locomotives with Class 88 locomotives unless there is a North Trans Pennine Upgrade Variation pursuant to paragraph 15 of Schedule 6.2 (Trans Pennine Express Franchise Specific Provisions) and the acquisition of Class 88 locomotives is addressed pursuant to such North Trans Pennine Upgrade Variation.

35. **Additional EMU Rolling Stock**

35.1 In accordance with its obligations in paragraph 1 of Schedule 1.7 (The Train Fleet) the Franchisee shall enter into a Rolling Stock Lease in relation to at least 60 new electric multiple unit vehicles in 5 car formations configured to maximise passenger comfort on long distance Passenger Services. The Franchisee shall use all reasonable endeavours to introduce such rolling stock into unrestricted passenger carrying service by the Target Dates set out in the table at Appendix 2 and in any event shall do so no later than 12 months after each such Target Date. Consistent with the Franchisee's proposal, such rolling stock shall, in addition to the requirements of paragraph 3 (Rolling Stock Quality Requirements) of Schedule 1.7 (The Train Fleet), be compliant with the following specification:

- (a) electrically powered and capable of 125mph operation;
- (b) configured with sliding plug passenger doors located in vehicle end vestibules;
- (c) a minimum of 60% of standard class seats to be configured in bay seating layout with four seats facing a central table;
- (d) include a first class accommodation specification materially superior to standard class including in consequence of the fitting of seats that are wider and more comfortable than those in standard class such seats being configured in bays with tables throughout save for:
  - (i) one row of seats per unit (facing the wheelchair seating area) which shall not be configured with a table; and
  - (ii) one row of seats per unit (immediately behind the row of seats referred to in paragraph 35.1(d)(i)) which shall be unidirectional and not configured in a bay;
- (e) commissioned and operational Wi-Fi with a specification in compliance with at least the Minimum Wi-Fi Service Requirements and media servers;
- (f) storage for four bicycles;
- (g) commissioned and operational passenger information system capable of being updated remotely in real time during the operation of a passenger service. The passenger information system should make use of scrolling bar PIS and poster PIS.
- (h) As a minimum the scrolling bar PIS should be capable of:
  - (i) linking to industry Darwin feeds in real-time to provide estimated arrival times at stations and any information regarding delays or other disruption to the Passenger Service; and
  - (ii) providing more than just next station information (for example also providing weather on arrival or onward connection information)



- (i) As a minimum the poster PIS should be capable of displaying:
  - (i) onward travel information, including the status of local bus and tram services;
  - (ii) information in relation to relevant airport departures (for example on arrival at MIA); and
  - (iii) relevant local information such as attractions or events;
- (j) commissioned and operational integrated seat reservation system capable of enabling customers to make a seat reservation any time prior to 10 minutes before their train departs;
- (k) commissioned and operational driver advisory system which shall instruct Train Drivers when to accelerate and coast whilst ensuring compliance with the timetable in the most energy efficient manner;
- (l) facilities for Network Rail to fit equipment meeting the Track Monitoring Equipment Specification and commissioned and operational infrastructure monitoring equipment including:
  - (i) over-head line camera monitoring equipment which is compliant with the OLE Camera Monitoring Equipment Specification;
  - (ii) forward facing CCTV which is compliant with the Forward Facing CCTV Specification;
- (m) provision for future fitment of ETCS equipment so that to the extent reasonably practicable the costs of such future fitment are minimised;
- (n) commissioned and operational passenger counting equipment capable of differentiating between first class and standard class, and between vehicles;
- (o) commissioned and operational Automatic Selective Door Operation system; and
- (p) commissioned and operational LED environmentally responsive lighting.

This obligation is without prejudice to the obligations of the Franchisee pursuant to paragraph 3 of Schedule 1.7 (The Train Fleet).

The Franchisee shall engage with customers, stakeholders and employees in the design of the new units and shall use displays and "mock-ups" of specific features of vehicles at stations for these purposes.

### 35.2 Option EMU Vehicles

- (a) The Franchisee shall use all reasonable endeavours to ensure that the New EMU Vehicle Rolling Stock Manufacture and Supply Agreement (or a separate option agreement with the manufacturer) contains the following options in relation to the Option EMUs such options to be exercisable at the request of the Franchisee prior to 1 April 2018:

**Option (in all cases assuming delivery in 2022 and that any order is not an Option Price<sup>18</sup>**

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<sup>18</sup> Where text has been omitted from the document this is because the Director General Rail or Secretary of State has decided to exclude the text in accordance with the provisions within the Freedom of Information Act 2000.

**extension of the initial building programme for New EMUs)**

- Option A: seven x 5 car units (for all seven units)
- Option B: seven x 6 car units (for all seven units)
- Option C: seven x 8 car units (for all seven units)
- Option D: up to 15 additional 5 car units such option only to be exercisable if Option A is also exercised (per additional unit)
- Option E: up to 15 additional 6 car units such option only to be exercisable if Option B is also exercised (per additional unit)
- Option F: up to 15 additional 8 car units such option only to be exercisable if Option C is also exercised (per additional unit)

The above prices are subject to indexation in accordance with the terms of the New EMU Vehicle Rolling Stock Manufacture and Supply Agreement (on a basis consistent with the indexation formula provided in the manufacturer's offer to the Franchisee provided to the Secretary of State prior to the signing of the Franchise Agreement) and assume that the value of one Euro is £0.70175 with the price to be adjusted by reference to the actual exchange rate at the time that the option is exercised (but not otherwise). It is noted that where the Secretary of State requires there to be a competitive process pursuant to sub paragraph (e) below the manufacturer has stated that the prices listed above are conditional on the terms in the manufacture and supply agreement with any new financier not being worse for the manufacturer with regard to liabilities, obligations and rights than those applying under the original manufacture and supply agreement in relation to the New EMUs. The Franchisee shall use all reasonable endeavours in such circumstances to ensure that the terms of the manufacture and supply agreement are not worse for the manufacturer. The above prices exclude costs of any bond provision by the manufacturer which may be required in connection with the Option EMUs; the option does not extend to maintenance, spares or special tools; the option prices are subject to change if there is any alteration in specification or requirement from the specification or requirement for the base New EMUs as at the date of the Franchise Agreement.

- (b) The Franchisee shall use all reasonable endeavours to ensure that the New EMU Vehicle Rolling Stock Manufacture and Supply Agreement (or any manufacture and supply agreement entered into in consequence of the option referred to in paragraph 35.2(a)) permits the Franchisee to share with the Secretary of State such information as he may reasonably require for purposes related to the exercise or potential exercise of his rights to require options to be exercised.
- (c) The Franchisee shall ensure that the options referred to in paragraph 35.2(a) can be called at the direction of the Secretary of State so that Option EMUs can be leased by the Franchisee if there is a Variation including in relation to the North Trans Pennine Upgrade pursuant to paragraph 15 of Schedule 6.2 (Trans Pennine Express Franchise Specific Provisions). It is acknowledged that the calling of the options will be subject to there being a lease of such Option EMUs which is entered into as contemplated under paragraph 35.2(g), with the relevant financier under such lease being the purchaser of the Option EMUs under the options.

- (d) Where the Secretary of State is considering exercising his rights pursuant to sub paragraph (c) above he shall serve notice on the Franchisee notifying it of the intended use for the Option EMUs and requiring it to obtain a New EMU Option Vehicle Rolling Stock Leasing Proposal from the rolling stock financier which is party to the New EMU Rolling Stock Manufacture and Supply Agreement for the leasing of relevant Option EMUs and use all reasonable endeavours to obtain such New EMU Option Vehicle Rolling Stock Leasing Proposal by no later than the date four months after the service of a notice pursuant to this paragraph.
- (e) Where the Secretary of State requires that an option is called in relation to Option EMUs the Secretary of State shall have the right to require the Franchisee to conduct a competitive procurement process for the funding and leasing of such Option EMUs on such terms as the Secretary of State shall reasonably specify. The Secretary of State shall have the right to require the Franchisee to act as he shall reasonably direct with regard to such competitive procurement process and its completion.
- (f) The Franchisee shall provide such further or additional information as the Secretary of State may reasonably require for the purposes of considering the New EMU Option Vehicle Rolling Stock Leasing Proposal and any proposals secured under paragraph 35.2(e) and shall meet with the Secretary of State for discussion purposes as he shall reasonably require.
- (g) If in reasonable time to enable exercise of the options referred to in paragraph 35.2(a) during the Franchise Term (subject to paragraph 35.2(h) below) and within twelve months of the date of submission of the New EMU Option Vehicle Rolling Stock Leasing Proposal (or proposal under paragraph 35.2(e)) (or such other date as the Secretary of State and the Franchisee may agree) the Secretary of State in his unfettered discretion decides to instruct the Franchisee to proceed to exercise an option and in consequence lease relevant Option EMUs:
- (i) there shall be a Change if the Franchisee enters into a lease for the relevant Option EMUs in response to such instruction;
  - (ii) the Franchisee shall take such other steps and enter into such new and amended agreements (including in relation to maintenance) as are reasonably required to enable the Franchisee to take the relevant Option EMUs on lease and use all reasonable endeavours to ensure that the relevant counterparties do likewise;
  - (iii) Schedule 1.7 (The Train Fleet) of the Franchise Agreement shall be updated to reflect the changes to the Train Fleet consequent on the leasing by the Franchisee of relevant Option EMUs; and
  - (iv) the Secretary of State shall be entitled to make reasonable variations to this Franchise Agreement for the purposes of imposing new committed obligations and other provisions consistent with the Franchisee's role in ensuring delivery of relevant Option EMUs.
- (h) If the Secretary of State wishes to direct the Franchisee to exercise the options referred to in paragraph 35.2(a) in circumstances where the Option EMUs would not be available to be leased until after the end of the Franchise Term the Secretary of State and the Franchisee shall act reasonably and in good faith with the intent of bringing this about, including recognising that the options described above assume delivery in 2022 and on the basis that all rights and liabilities arising after the end of the Franchise Term shall be transferred to the Successor Operator.

### 36. **Additional Bi-Mode Rolling Stock**

- 36.1 In accordance with its obligations in paragraph 1 of Schedule 1.7 (The Train Fleet) the Franchisee shall enter into a Rolling Stock Lease in relation to at least 95 new bi-mode

multiple unit vehicles in 5 car formations configured to maximise passenger comfort on long distance Passenger Services. The Franchisee shall use all reasonable endeavours to introduce such rolling stock into unrestricted passenger carrying service by the Target Dates set out in the table at Appendix 3 and in any event shall do so no later than 12 months after each such Target Date. Consistent with the Franchisee's proposal, such rolling stock shall, in addition to the requirements of paragraph 3 (Rolling Stock Quality Requirements) of Schedule 1.7 (The Train Fleet), be compliant with the following specification:

- (a) bi-mode units capable of operating either from 25kv ac overhead line equipment or under independent diesel power so that such units are capable of operating at 140mph under electric traction and 110mph under diesel traction;
- (b) configured with passenger doors located in vehicle end vestibules;
- (c) a minimum of 35% of standard class seats to be configured in bay seating layout with four seats facing a central table;
- (d) include a first class accommodation specification materially superior to standard class including in consequence of the fitting of seats that are wider and more comfortable than those in standard class such seats being configured in bays with tables throughout save for:
  - (i) one row of seats per unit (facing the wheelchair seating area) which shall not be configured with a table; and
  - (ii) one row of seats per unit (immediately behind the row of seats referred to in paragraph 36.1(d)(i)) which shall be unidirectional and not configured in a bay;
- (e) commissioned and operational Wi-Fi with a specification in compliance with at least the Minimum Wi-Fi Service Requirements and media servers;
- (f) storage for six bicycles;
- (g) commissioned and operational passenger information system capable of being updated remotely in real time during the operation of a passenger service The passenger information system should make use of scrolling bar PIS and poster PIS.
- (h) As a minimum the scrolling bar PIS should be capable of;
  - (i) linking to industry Darwin feeds in real-time to provide estimated arrival times at stations and any information regarding delays or other disruption to the Passenger Service; and
  - (ii) providing more than just next station information (for example also providing weather or onward connection information)
- (i) As a minimum the poster PIS should be capable of displaying;
  - (i) onward travel information, including the real time status of local bus and tram services;
  - (ii) information in relation to relevant airport departures (for example on arrival at MIA); and
  - (iii) relevant local information such as attractions or events;
- (j) commissioned and operational integrated seat reservation system;

- (k) commissioned and operational driver advisory system which shall instruct Train Drivers when to accelerate and coast whilst ensuring compliance with the timetable in the most energy efficient manner;
- (l) facilities for Network Rail to fit equipment meeting the Track Monitoring Equipment Specification and commissioned and operational infrastructure monitoring equipment including:
  - (i) over-head line camera monitoring equipment which is compliant with the OLE Camera Monitoring Equipment Specification; and
  - (ii) forward facing CCTV which is compliant with the Forward Facing CCTV Specification;
- (m) fitted with ETCS equipment;
- (n) commissioned and operational passenger counting equipment capable of differentiating between first class and standard class, and between vehicles;
- (o) commissioned and operational Automatic Selective Door Operation system; and
- (p) commissioned and operational LED environmentally responsive lighting.

This obligation is without prejudice to the obligations of the Franchisee pursuant to paragraph 3 of Schedule 1.7 (The Train Fleet).

- 36.2 The Franchisee shall engage with customers, stakeholders and employees in the design of the new units and shall use displays and "mock-ups" of specific features of vehicles at stations for these purposes.

### 37. **Delayed Rolling Stock Franchise Payment Adjustment**

- 37.1 Where any new rolling stock to be introduced pursuant to the obligations of the Franchisee under any of paragraph 33 (New Inter City Rolling Stock), paragraph 34 (Class 68 Locomotives), paragraph 35 (Additional EMU Rolling Stock) and paragraph 36 (Additional Bi-Mode Rolling Stock) is not introduced into unrestricted passenger carrying service by the relevant Target Date set out in the cascade tables specified in Appendix 4 then in any such case (without prejudice to any other remedies that might be available to the Secretary of State) the net financial effect of the delay to the Franchisee shall be agreed by the Secretary of State and the Franchisee or, in default of agreement within a timescale regarded as reasonable by the Secretary of State, the Secretary of State shall reasonably determine such net financial effect. The Franchisee shall provide all information that the Secretary of State shall reasonably require for the purposes of identifying such net financial effect. The assessment of such net financial effect shall take into account:

- (a) any liquidated damages payable to the Franchisee in relation to any such delay;
- (b) the lease, maintenance and other operating costs avoided or deferred by the Franchisee in consequence of the delay (including costs relating to the provision of depot facilities in relation to the new rolling stock);
- (c) any additional lease, maintenance and other operating costs reasonably incurred by the Franchisee as a result of extending the leases on other rolling stock within the Train Fleet beyond the lease expiry dates specified in Schedule 1.7 (The Train Fleet) of the Franchise Agreement or the leasing or hiring of other rolling stock vehicles to substitute for delayed new vehicles;
- (d) any reasonably anticipated loss of revenue suffered by the Franchisee as a consequence of delay (such loss being calculated consistently with the most appropriate industry standard revenue forecasting guidance and practices) and
- (e) any other cost savings made by the Franchisee as a consequence of the delay.

- (f) No account shall be taken of any impacts of the delay to the delivery of new rolling stock on amounts payable by the Franchisee under Schedule 7.1, 7.2 or 7.3 of the Franchise Agreement. The Franchisee shall use all reasonable endeavours to minimise increased costs incurred and revenue foregone as a result of the delay to the new rolling stock and, if the Secretary of State reasonably determines it has not done so, the Secretary of State shall be entitled to substitute a lower cost and / or a higher revenue based on his reasonable determination of what the cost incurred and / or revenue foregone by the Franchisee should have been if it had exercised all reasonable endeavours.
- 37.2 If it is agreed or reasonably determined that the net financial effect of the delay to any new rolling stock is a positive one for the Franchisee, so that it is financially better off than it would have been had such delay not occurred, then an amount shall be payable by the Franchisee to the Secretary of State of the amount required to pass such financial benefit of the delay to the Secretary of State (a "**Delayed Rolling Stock Franchise Payment Adjustment**"). The Delayed Rolling Stock Franchise Payment Adjustment shall be profiled on a Reporting Period by Reporting Period basis as reasonably determined by the Secretary of State and paid by way of adjustment to Franchise Payments. The first such amount shall be payable on the first Payment Date falling no less than 7 days after such determination. If the net financial effect of the delay to any new rolling stock is a negative one for the Franchisee, so that it is financially worse off than it would have been had such delay not occurred, no adjustment shall be made to Franchise Payments.
38. **Provision of additional Mark III coaches**
- 38.1 In accordance with its obligations in paragraph 1 of Schedule 1.7 (The Train Fleet) the Franchisee shall enter into a Rolling Stock Lease in relation to ten Mark III coaches using all reasonable endeavours to ensure that all such rolling stock shall be capable of unrestricted passenger carrying service by no later than 1 April 2017.
- 38.2 By no later than 30 September 2016, the Franchisee shall in relation to the vehicles referred to in paragraph 38.1 overhaul and refurbish them and form them into two sets of coaches each providing 280 standard class seats, 44 first class seats and a standing capacity of an additional 140 passengers. In carrying out such overhaul and refurbishment works the Franchisee shall incur operational expenditure of not less than <sup>19</sup>.
- 38.3 The Franchisee shall ensure that sufficient appropriate locomotives are available to it to enable the two sets of Mark III coaches to be available for unrestricted passenger carrying service by no later than 30 September 2016.
39. **Hearing Loops**
- Subject to the completion by the Franchisee of a Route and Train Fleet safety assessment (which it shall use all reasonable endeavours to successfully complete), the Franchisee shall work with the charity known as Action on Hearing Loss and by no later than 29 February 2020 shall install one hearing loop on at least one first class rolling stock vehicle and one Standard Class rolling stock vehicle in every rolling stock unit and every set of locomotive hauled coaches in the Train Fleet.
40. **Wireless download of CCTV footage**
- By no later than 31 December 2018 and thereafter for the remainder of the Franchise Term, the Franchisee shall put in place such arrangements as are necessary to allow on-board CCTV footage to be wirelessly downloaded to depot servers via each train's on-board Wi-Fi functionality. The Franchisee shall to the extent reasonably requested by Network Rail share data with Network Rail derived from forward facing CCTV.

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<sup>19</sup> Where text has been omitted from the document this is because the Director General Rail or Secretary of State has decided to exclude the text in accordance with the provisions within the Freedom of Information Act 2000.

**41. Date of release of replaced rolling stock vehicles**

41.1 The Franchisee acknowledges the importance of ensuring that new rolling stock is introduced into service in a way that minimises risk to the delivery of the Passenger Services. Accordingly to provide appropriate resilience during periods of transition from the use of one rolling stock type to another the Franchisee shall not return any rolling stock unit to the lessor or sub lease or hire it or otherwise take steps that render it unable to be used in the delivery of the Passenger Services until a period of four weeks after any rolling stock unit that can be reasonably regarded as replacing it has been introduced into unrestricted use delivering the Passenger Services.

41.2 Without prejudice to paragraph 41.1 and any other relevant provision of the Franchise Agreement that would prevent rolling stock ceasing to be part of the Train Fleet the Franchisee shall ensure that during the process of returning any vehicle comprised in the Class 350 Fleet and/or Class 185 Fleet to their lessors following replacement by new rolling stock, the Franchisee shall ensure that the relevant minimum number of vehicles are retained within the Train Fleet at specified times in accordance with the provisions of the tables set out in Appendix 4.

41.3

(a) The Rolling Stock Lease of the Class 185 fleet with a lease expiry date of 1 April 2023 shall include a right to hand back 15 units before the end of such lease term. Hand back may commence no earlier than 31 December 2021 and the Franchisee must serve at least twelve months' notice on the lessor of the rolling stock to exercise such right. Such hand back right is intended to be used in the context of a North Trans Pennine Upgrade Variation or otherwise with the agreement of the Secretary of State and shall not be exercised otherwise by the Franchisee. The Secretary of State shall have the right to direct the Franchisee to exercise the right subject to such exercise being consistent with the relevant timing and notice provisions under the rolling stock lease and not leading (taking into account planned replacement rolling stock) to the number of rolling stock vehicles in the Train Fleet being reduced.

(b) The hand back right in relation to Class 185 rolling stock referred to in (b) above will lead to an increased lease charge in relation to the relevant rolling stock. If the Franchisee surrenders this right in accordance with the terms of the Rolling Stock Lease (which the rolling stock lease shall permit and which the Franchisee shall do on the direction of the Secretary of State but not otherwise) such additional charge will no longer be payable. If the Secretary of State directs the Franchisee to surrender this right the saving made by the Franchisee shall be paid to the Secretary of State by way of adjustment to Franchise Payments.

**42. Support to future operators in relation to released fleets**

Where rolling stock formerly comprised within the Train Fleet ceases to be leased by the Franchisee and is subsequently leased to one or more other Train Operators the Franchisee shall provide support to such Train Operators through the sharing of know-how, maintenance manuals and records and any other documents reasonably required for the efficient operation of such cascaded rolling stock. The Franchisee shall by no later a date at least six weeks prior to the commencement of the cascade create a library of fleet data and information including maintenance records, maintenance manuals, change control records, modifications records, maintainer training documentation, driver training documentation, special tooling data, spares lists and technical description documentation.

**43. ERTMS Deployment**

43.1 Entirely without prejudice to the obligations of the Franchisee pursuant to paragraph 3.1 of Schedule 6.2 (TransPennine Express Franchise Specific Provisions) the Franchisee shall, if the Franchise Term is extended beyond 01:59 on 1 April 2023:

(a) procure the installation, testing and commissioning of relevant ERTMS equipment on those Class 185 within the Train Fleet on such date so that such

equipment is commissioned and available to be used from the date ERTMS is planned to become operational in 2024;

- (b) procure the installation, testing and commissioning of relevant ERTMS equipment on the DTs to be leased pursuant to paragraph 33, the Class 68 locomotives to be leased pursuant to paragraph 34 (where not already fitted), the electric multiple units (other than the Option EMUs) to be leased pursuant to paragraph 35 and the bi-mode units to be leased pursuant to paragraph 36, so that such equipment is commissioned and available to be used from the date ERTMS is planned to become operational in 2024; and
- (c) carry out and complete within timescales consistent with the Network Rail ERTMS roll out plan such programme of training for Franchise Employees as is reasonably required for the purposes of ensuring that the transition to ERTMS operation occurs in an effective way that avoids disruption to the delivery of the Passenger Services.

43.2 If the Secretary of State requires ERTMS to be fitted to the Option EMUs, then this may be addressed as part of the Variation pursuant to which the relevant option for those units is exercised.

#### 44. **Control Structure and Competencies**

To reduce the impact of failures of rolling stock units in the Train Fleet, the Franchisee shall by no later than 31 March 2017 introduce, at a facility of the Franchisee, an operational fault diagnostic system which will receive information and produce reports diagnosing faults in the Train Fleet.

#### 45. **Investment at Hull Botanic Gardens**

The Franchisee shall by no later than 30 November 2017 procure the upgrade of Hull Botanic Gardens depot by the addition of new fuelling and CET facilities so that two roads are available for the fuelling and servicing of rolling stock comprised in the Train Fleet which will be stabled at Hull overnight and the Franchisee shall ensure that such enhanced depot facilities shall be made available to the Northern Franchisee and all parties with access to that depot. The Franchisee shall incur capital expenditure of not less than <sup>20</sup> in delivering this obligation.

#### 46. **Investment in Stabling, Servicing, Fuelling and CET facilities at Scarborough**

The Franchisee shall by no later than 30 November 2017 procure the provision of new stabling, servicing, fuelling and CET facilities in order to facilitate the fuelling, servicing and stabling of rolling stock comprised in the Train Fleet which will be stabled at Scarborough overnight and the Franchisee shall ensure that such enhanced depot facilities shall be made available to the Northern Franchisee and all parties with access to that depot. The Franchisee shall incur capital expenditure of not less than <sup>21</sup> in delivering this obligation.

#### 47. **Investment in Stabling, Servicing, Fuelling and CET Facilities at York Dringhouses**

The Franchisee shall by no later than 30 November 2017 procure the provision of new stabling, servicing, fuelling and CET facilities in order to facilitate the fuelling, servicing and stabling of rolling stock comprised in the Train Fleet which will be stabled at York

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<sup>21</sup> Where text has been omitted from the document this is because the Director General Rail or Secretary of State has decided to exclude the text in accordance with the provisions within the Freedom of Information Act 2000.



Dringhouses overnight. The Franchisee shall incur capital expenditure not less than <sup>22</sup> in delivering this obligation.

48. **Investment in Stabling facilities at Heaton (Newcastle)**

The Franchisee shall by no later than 30 November 2017 procure the upgrade of Heaton depot by the reinstatement of stabling, servicing, fuelling and CET facilities in order to facilitate the fuelling, servicing and stabling of rolling stock comprised in the Train Fleet which will be stabled at Newcastle overnight. The Franchisee shall incur capital expenditure of not less than <sup>23</sup> in delivering this obligation.

49. **Cleaning**

49.1 The Franchisee shall, throughout the Franchise Term, deliver the following minimum cleaning specification:

- (a) the provision of on board cleaning services on Passenger Services operating on each day of the week between 05:00 and 21:00 on the routes between Preston and Carlisle, Leeds and Northallerton, Leeds and Hull and Sheffield and Doncaster;
- (b) turnaround cleaning at all terminus points;
- (c) overnight cleaning of rolling stock vehicles on arrival at all Depots and stabling points (such cleaning to include the cleaning of train cabs); and
- (d) heavy cleaning of all rolling stock vehicles at least once in every 28 day period on arrival at the Ardwick Depot.

50. **Performance Management Process**

50.1 **Mitigate Risk of "Toc On Self" External Incidents**

50.1.1 By 30 September 2016, the Franchisee shall review and update its policy for dealing with ill and disorderly passengers including its procedures for emergency services accessing the Franchisee's trains and identifying locations for such access which may include stations that are not stations at which passenger trains regularly call but which provide good access between road and rail.

50.1.2 The Franchisee recognises the importance of identifying vulnerable persons at Stations and working with Network Rail and British Transport Police and the charitable organisation known as the Samaritans. The Franchisee shall, as soon as reasonably practicable but in any event by no later than 1 December 2016, identify and implement all reasonably appropriate measures to mitigate the risk of suicides at Stations.

50.2 **Operational Contingency Plans**

- (a) By no later than 31 December 2016, the Franchisee shall review and update its Operational Contingency Plans.
- (b) Each time an Operational Contingency Plan is implemented in accordance with its terms, the Franchisee shall undertake, in conjunction with Network Rail, a

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post incident review which will include an examination of the effectiveness of such Operational Contingency Plan (including how effectively and punctually the Operational Contingency Plan was deployed), feedback from passengers and an analysis of the impact of the incident (if any) on highly loaded trains.

For the purposes of this paragraph 50.2:

**“Operational Contingency Plans”** means each of the plans to be implemented by the Franchisee in the event of disruption to the Passenger Services and which include:

- (a) the operational principles to be followed when dealing with disruption to Passenger Services; and
- (b) a comprehensive description of the arrangements for responding to major incidents and emergencies, dealing with the welfare of passengers in such situations and investigation and review of procedures.

### 50.3 **Introduction of a Comprehensive Risk Register**

By no later than 30 September 2016, the Franchisee shall introduce a comprehensive performance risk register which shall specify, as a minimum, all the material risks which in the opinion of the Franchisee undermine the performance and reliability of the Passenger Services and the processes and structures to be implemented by the Franchisee to mitigate such material risks (the **“Performance Risk Register”**). The Franchisee shall:

- (a) update the Performance Risk Register at such intervals as the Franchisee reasonably considers to be appropriate and at least every 6 months; and
- (b) provide such Performance Risk Register (and any updates thereto) to Network Rail, the Secretary of State and Rail North.

## 51. **Operational initiatives**

### 51.1 **Performance Data System**

- (a) For the purposes of ensuring consistency between the performance data held by Network Rail and that held by the Franchisee in relation to the Passenger Services the Franchisee shall work with Network Rail so that by no later than 31 December 2017, the performance system managed by Network Rail and known in the railway industry as the “Performance Strategy System” becomes a single source of performance data for the Franchisee to be used from that date by the Franchisee for the purposes of reporting and analysing the operational performance of the Passenger Services.
- (b) As part of the delivery of its obligations under paragraph 51.1(a), the Franchisee shall align its performance reporting system known in the railway industry as “Bugle” with the Performance Strategy System by introducing an enhanced file transfer process between the two systems by no later than 30 September 2016.
- (c) By no later than 31 March 2018, the Franchisee shall create an operational information hub within its management information system known as “SAP-BI” in order to bring together, in one place, the operational performance data relevant to the Franchisee including “On Train Data Recorder data”, GPS data and information derived from the automatic passenger count system installed on the trains.
- (d) By no later than 30 June 2016 the Franchisee shall ensure that information relating to the Short Formation Figures can be captured through “SAP-BI”.
- (e) By no later than 30 September 2017, the Franchisee shall commence use of the operational information hub established pursuant to paragraph 51.1(c) for the

purpose of improving train crew performance and complying with its obligations under Schedule 7.1.

- (f) By no later than 31 December 2017, the Franchisee shall undertake a review in conjunction with Network Rail of the performance reporting requirements and implement the outcomes of such review such that a single set of performance reports can be generated and shared between the Franchisee and Network Rail at such intervals as both parties may specify as part of the review.

## 51.2 **Driver Advisory System**

The Franchisee shall ensure that any commissioned and operational advisory system fitted to a train shall be used in the provision of the Passenger Services.

## 51.3 **Accurate and Robust Timetables**

- (a) The Franchisee shall utilise and maintain a rail simulation software for the purposes of validating and assessing the robustness of Timetables and in so doing shall incur operating expenditure of no less than <sup>24</sup> during the Franchise Term.
- (b) The Franchisee shall annually, in 2017, 2018 and 2019, undertake performance modelling of the new timetables to apply from the Passenger Change Data in December of that relevant year prior to implementation and, together with the certificate to be provided by the Franchisee pursuant to paragraph 6.1 of Schedule 1.1, where applicable provide confirmation to the Secretary of State that it has undertaken such performance modelling as required pursuant to this paragraph 51.3(b).

## 52. **Project Support and Delivery Capability**

Project Management Office

- 52.1 From 31 July 2016 and for the remainder of the Franchise Term, the Franchisee shall establish an appropriately resourced project management office (the "**Project Management Office**"), which shall be staffed by no less than ten (10) full time equivalent Franchise Employees, whose primary focus shall be:

- (a) project management and, through engagement with relevant railway industry parties, the delivery and implementation of the infrastructure projects which impact on the Franchise and including:
- (i) those infrastructure projects to be delivered by Network Rail and as specified in the Infrastructure Assumptions Documents (the "**IAD Schemes**"); and
  - (ii) other infrastructure projects to be delivered by the Franchisee as part of its obligations under the Franchise Agreement;
  - (iii) other minor enhancements that will deliver performance and timetable improvements; and
- (b) the planning associated with and the development of those infrastructure projects (not comprised in the IAD Schemes) to be delivered by Network Rail and which impact on the Franchise such as the North Trans Pennine Upgrade

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<sup>24</sup> Where text has been omitted from the document this is because the Director General Rail or Secretary of State has decided to exclude the text in accordance with the provisions within the Freedom of Information Act 2000.

(the “**Future Enhancement Schemes**”) and other relevant schemes and projects funded by Stakeholders or other industry partners including Rail North.

53. **Delivery of the IAD Schemes**

53.1 From the Start Date and in relation to the delivery, implementation and completion of each IAD Scheme, the Franchisee shall:

- (a) provide:
  - (i) collaborative and constructive engagement with other affected industry parties during the planning phase of each Major Restriction of Use relating to each such IAD Scheme;
  - (ii) review and challenge to Network Rail’s plans in relation to each such Restriction of Use and seek to ensure that such efficient use is made of such Restriction of Use by Network Rail;
- (b) by no later than 30 June 2016 develop, for each IAD Scheme a risk register for each Major Restriction of Use required by Network Rail for the delivery of that IAD Scheme;
- (c) develop robust and valid operational plans and interim passenger service patterns in preparation for each Major Restriction of Use required by Network Rail for the delivery of each IAD Scheme so as to ensure that:
  - (i) rail replacement services are only utilised in circumstances where, in the reasonable opinion of the Franchisee, their use is unavoidable; and
  - (ii) there are arrangements in place with other transport providers (such as bus and tram operators) to transport passengers to, or as near as reasonable practicably to, the end of their intended journey in times of planned and unplanned disruption to the Passenger Services, such arrangement to include permitting passengers to use their tickets on the services of the other transport providers in times of disruption to the Passenger Services), and
- (c) contingency plans are implemented in the case of overruns of any such Major Restriction of Use;
- (d) in addition and without prejudice to the Franchisee’s obligation pursuant to paragraph 6.2(a) of Schedule 1.2 (Operating Obligations), ensure that, in circumstances where the Franchisee is to provide replacement rail services, it uses high quality vehicles which are appropriate to the markets and Passenger Services being temporarily replaced;
- (e) ensure that, as soon as reasonably practicable after the end of the period of every Major Restriction of Use, a review as to the effectiveness and efficient use of such Restriction of Use is undertaken by the Franchisee in collaboration with Network Rail, other Train Operating Companies affected by such Major Restriction of Use, Rail North and other relevant stakeholders;
- (f) develop and implement, in conjunction with Network Rail and other affected railway industry parties, a communication programme designed to publicise to customers relevant details about potential disruptions to their journeys as well as promoting the long term benefits (including the increased journey opportunities) that arise from the implementation of the IAD Schemes and in so doing the Franchisee shall incur operational expenditure of at least £100,000 (pounds sterling one hundred thousand pounds); and

- (g) by no later than 31 March 2018, commission Transport Focus and TravelWatch to undertake a review of the Franchisee's consultation and communications activities in relation to the IAD Schemes.

53.2 For three months prior to the Passenger Change Date upon which Passenger Services are re-organised in the Timetable to utilise the infrastructure outputs created by the completion and implementation of the infrastructure project referred to in the Infrastructure Assumptions Document as the Ordsall Chord (the "**Ordsall Chord Passenger Change Date**") and six months after the Ordsall Chord Passenger Change Date, the Franchisee shall employ an additional 14 full time equivalent staff to be based at Manchester Piccadilly and Manchester Victoria stations to, inter alia, provide information and assistance to customers and explain the impact that such re-organised Timetable will have on their journey.

#### 54. **Future Enhancement Schemes**

54.1 In order to maximise benefits from investment in Future Enhancement Schemes and as part of the Franchisee's role as delivery partner, the Franchisee shall:

- (a) within three months of the Start Date, commence a review, in collaboration with Network Rail and the Northern Franchisee, of the timing and requirements of each Future Enhancement Scheme, having regard to whole industry value for money, passenger benefit and the obligations of the Northern Franchisee. This review will be completed within 9 months of its commencement, and thereafter shall be promptly updated to incorporate any changes to such Future Enhancement Schemes;

- (b) from the Start Date and throughout the Franchise Term:

- (i) maintain a risk register for each Future Enhancement Scheme, such risk register to contain, as a minimum, information relating to the issues identified in relation to any of the programmes and plans for the implementation of each such Future Enhancement Scheme, the proposed methods for resolving each identified issue and the plans and strategies of the Franchisee to maximise opportunities arising from the Future Enhancement Schemes and in addition to its obligations in paragraph 12.4 of Schedule 6.2 (TransPennine Franchise Specific Provisions), every two Reporting Periods, provide to the Secretary of State an update on the each Future Enhancement Scheme and the risk register relating to each such Future Enhancement Scheme; and

- (ii) collaborate with Network Rail, the Northern Franchisee and other relevant industry stakeholders in the delivery of communications and marketing campaigns in relation to the Future Enhancement Schemes;

- (c) within six months of the State Date, work with:

- (i) relevant Train operators and stakeholders, through multilateral industry dialogue; and

- (ii) the Secretary of State,

with a view to developing a process to measure and evaluate the benefits of each the Future Enhancement Schemes such that the parties can identify options to be developed and selected which will maximise value for money and deliver passenger benefits;

- (d) prior to the commencement of the works in relation to each Future Infrastructure Enhancement, undertake, in conjunction with Network Rail and all relevant Train Operators and freight operators, a review of Network Rail's plans and

programmes for each Future Enhancement Scheme for the purposes of identifying the most efficient strategy in relation to Restriction of Use; and

- (e) from the start of the programme for the commencement of works in respect of each Future Enhancement Scheme and throughout the Franchise Term, offer the Northern Franchisee the opportunity to attend any focus groups, stakeholder panels and the customer consultation forum organised by the Franchisee and relating to the Future Enhancement Schemes.

## 55. **Implementation of the new Franchisee branding**

55.1 Consistent with the Franchisee's proposal, the Franchisee shall implement a programme for transitional rebranding:

- (a) of the Franchisee's website, social media channels and all published and displayed timetables by 31 May 2016; and
- (b) of all customer facing aspects of the Franchisee's operation (excluding rolling stock) by no later than 31 March 2017,

Thereafter, the Franchisee shall refresh and maintain its branding in respect of those aspects of its operations referred to in paragraphs (a) and (b) above.

55.2 By no later than 1 July 2018, the Franchisee shall complete its programme of rebranding of the Class 185 rolling stock within the Train Fleet.

## 56. **Marketing**

56.1 Consistent with the Franchisee's proposal, throughout the Franchise Term, the Franchisee shall undertake revenue generating, brand awareness and product improvement campaigns, launch the brand and position the Franchise as the intercity operator for the North

56.2 Consistent with the Franchisee's proposal, and without prejudice (and in addition) to the Franchisee's obligations under paragraph 56.1, the Franchisee shall from the Start Date and thereafter throughout the Franchise Term undertake campaign activities targeted at encouraging modal shift and increased passenger numbers on the Passenger Services, through promotion and marketing campaigns in respect of, inter alia, the following aspects of the Franchise:

- (a) ease of travel to and from Manchester Airport and other regional airports;
- (b) the cost efficiencies of rail travel and promotion of travel and ticket offers;
- (c) discounts and offers available to students through the Franchisee's partnership with the National Union of Students;
- (d) improvements to the Franchise to facilitate use of the Passenger Services by business users and the benefits available to such customers; and
- (e) discounts and offers in connection with first class travel,

56.3 Consistent with the Franchisee's proposal, during each Franchisee Year, the Franchisee shall undertake market research activities including, in relation to understanding customer's awareness of the Franchisee's brand, customer satisfaction and market segmentation.

56.4 Consistent with the Franchisee's proposal, the Franchisee shall work and co-operate with strategic brand, business, leisure, tourism and transport partners on joint marketing opportunities to encourage an increase in passengers and the number of passenger journeys made using the Passenger Services.

- 56.5 Consistent with the Franchisee's proposal, in order to increase passenger numbers on the Passengers Services and promote the use of public transport more generally, the Franchisee shall support:
- (a) partnerships with other transport providers and industry representatives including Passenger Transport Executives relevant to the Franchise, metro and tram operators, other Train Operators, bus operators and cycling organisations; and
  - (b) the implementation and promotion of local ticket schemes allowing the use of multi-modal transport within specified geographic areas,
- 56.6 In complying with its obligations under paragraphs 55 and 56 the Franchisee shall in each Franchisee Year, incur operational expenditure of not less than the relevant amount set out in column 2 of the table below:

Column 1	Column 2 <sup>25</sup>
Franchisee Year	Minimum expenditure (£)
Year 1	
Year 2	
Year 3	
Year 4	
Year 5	
Year 6	
Year 7	
Year 8	
Year 9	

## 57. New Mobile Enabled Website

- 57.1 Consistent with the Franchisee's response to the Invitation to Tender, by no later than 1 April 2017, the Franchisee shall implement (and maintain throughout the Franchise Term) a new mobile enabled website for customers which will provide new functionality with greater ability for customers to personalise the information and functions available through the mobile enabled website. The Franchisee shall incur operational expenditure of not less than <sup>26</sup> in the first Franchisee Year in delivering this Committed Obligation and thereafter, <sup>27</sup> in operational expenditure in each Franchisee Year in maintaining and/or enhancing the same. Additionally, the Franchisee shall, in the fourth Franchisee Year incur operational

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expenditure of not less than <sup>28</sup> in undertaking a re-build of the Franchisee's mobile enabled website.

57.2 Consistent with the Franchisee's proposal, the Franchisee shall during the Franchise Term, incur operational expenditure of not less than <sup>29</sup> shall be incurred by 31 March 2020) in online advertising, including 'pay-per-click' and on-line displays in order to increase visits to the Franchisee's website.

## 58. **Customer Relationship Management**

Consistent with the Franchisee's proposal, the Franchisee's obligations in this paragraph 58 shall at all times be without prejudice to the Franchisee's obligations with respect to CRM Data and CRM Systems as set out in paragraph 3 and paragraph 5 of Schedule 1.5 (Information About Passengers).

58.1 Consistent with the Franchisee's proposal, the Franchisee shall:

(a) from no later than 31 March 2017 the Franchisee shall develop and implement a CRM Programme which will be supported through the development of a customer lifecycle model which shall:

- (i) determine when targeted information and data will be sent to customers enabling data and information to be customised to customers' needs and the re-establishment of contact with customers;
- (ii) permit the Franchisee to understand customer behaviour through the analysis and use of marketing data available to the Franchisee, and

(b) implement a Single Customer View data system (the "SCV"), by integrating into the SCV the following databases by no later than the specified dates:

- (i) by no later than 30 September 2017, integrate its customer database, revenue management system and train running database;
- (ii) by no later than 31 March 2018, integrate Wi-Fi data, the automatic Passenger Counting System, customer contact database and season ticket database;
- (iii) by no later than 31 March 2019 integrate the Smart database and real time reservation system,

and in so doing shall (in respect of its obligations in this paragraph 58) incur operational expenditure of not less than <sup>30</sup>. For the avoidance of doubt, the SCV shall form part of the CRM System and all data stored therein shall form CRM Data.

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58.2 For the avoidance of doubt, the CRM System shall form part of the CRM Programme and all data obtained and collated through the CRM System shall form CRM Data.

#### 59. **Registered Season Ticket Holders**

59.1 Consistent with the Franchisee's proposal, the Franchisee shall communicate with Registered Season Ticket Holders no less than every three months including providing information to Registered Season Ticket Holders in relation to improvements made to the Franchise including information about:

- (a) enhanced customer information in the event of delays;
- (b) enhanced compensation regimes;
- (c) capacity and timetable improvements or changes;
- (d) information relating to the introduction of new Rolling Stock;
- (e) on-board improvements made to rolling stock; and
- (f) special offers.

Such information shall be made available to Registered Season Ticket Holders on a selective basis such that each Registered Season Ticket Holder may elect which information (including marketing information) shall be communicated to them.

#### 60. **Customer Loyalty Scheme**

60.1 Consistent with the Franchisee's proposal, from the Start Date and throughout the Franchise Term, the Franchisee shall implement a Customer Loyalty Scheme which up to (and including) 31 March 2017 shall, as a minimum:

- (a) be the Nectar Rewards Scheme; and
- (b) reward customers with points when booking travel on the Franchisee's website or the Customer App.

60.2 Consistent with the Franchisee's proposal, the Franchisee may undertake a review of the Customer Loyalty Scheme in advance of 31 March 2017 and introduce such alternative scheme from 1 April 2017, which is materially comparable to, or more advantageous to customers than, the Nectar Rewards Scheme as the Franchisee may reasonably determine.

60.3 Pursuant to paragraphs 60.1 and 60.2 above, the Franchisee shall, over the course of the Franchise Term, incur operational expenditure of not less than <sup>31</sup>.

60.4 Consistent with the Franchisee's proposal, the Franchisee shall carry out a marketing campaign to raise public awareness of the Customer Loyalty Scheme, through such methods and media as the Franchisee may reasonably determine.

#### 61. **Smart in the North**

Consistent with the Franchisee's proposal, the Franchisee shall develop and implement a marketing and promotional plan in order to raise awareness of and increase and support the use of Smart in the North and in so doing shall incur operational expenditure of not less

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than <sup>32</sup> in the Franchisee Year in which Smart in the North is launched and a further <sup>33</sup> in operational expenditure in each of the subsequent two Franchisee Years.

## 62. **Discount Schemes**

62.1 The Franchisee shall:

- (a) from the Start Date and for the remainder of the Franchise Term, engage with schools and colleges within the geographic area of the Franchise and provide to students (from 16 to 18 years of age) of those schools and colleges that elect to take part, Student Season Tickets at child discount rates;
- (b) from 1 January 2017 and for the remainder of the Franchise Term:
  - (i) provide a discount of at least 50% on TPE Advance Fares to those passengers aged 16 to 18 years of age on production of reasonable proof of age demonstrating eligibility for the discount;
  - (ii) in addition to the discounts available to Job Seekers immediately prior to the Start Date, provide a discount of no less than 50% on TPE Advance Fares to those passengers holding a Jobcentre Plus Railcard; and
  - (iii) work with Job Centres and Local Authorities within the geographic area of the Franchise to make Jobseeker Travel Passes available to Job Seekers free of charge;
- (c) from 1 January 2018 and for the remainder of the Franchise Term, provide a discount of at least one-third off TPE Advance Fares for passengers travelling together in a group of three or more people.

62.2 The Franchisee shall throughout the Franchise Term offer the Club 55 Promotion on an annual basis to all passengers over the age of 55.

## 63. **Fares Simplification**

Consistent with the Franchisee's proposal, without prejudice to its obligations under Schedule 5 (Fares), the Franchise shall simplify the fares structure in existence as at the Start Date including by means of the initiatives listed in paragraphs 63.1 to 63.4 below.

### Fares simplification initiatives

63.1 From 1 January 2018 and for the remainder of the Franchise Term, introduce First Class Fares on Flows between Manchester and Leeds where such First Class Fares are not available at the Start Date.

63.2 From 1 January 2017 and for the remainder of the Franchise Term, reduce the following Fares by at least 10% on at least six Flows (in both directions) between stations on the Manchester and Leeds via Stalybridge Route:

- (a) "Standard Off-Peak Day Return";

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- (b) "Standard Anytime Day Single";
- (c) Standard Anytime Day Return (or Standard Anytime Return if Return Fare is not offered as the Start Date); and
- (d) Weekly Season Ticket.

63.3 Throughout the Franchise Period, co-operating in good faith with Rail North and other relevant stakeholders to develop a simpler fares structure to support the development and implementation of any smart ticketing schemes programme by Transport for the North and the Secretary of State or such other relevant stakeholder. The Franchisee shall provide revenue data and the expertise of the Franchisee's pricing manager, free of charge, to Rail North and such other relevant stakeholder.

63.4 Utilising the flex permitted by Schedule 5.5 (Regulation of Individual Fares) (the "**Flex**") to:

- (a) harmonise the Price of any Return Fare and Single Fare between the Flows to and from:

- (i) the stations located at Yarm, Thornaby and Middlesbrough; and
- (ii) Durham and Newcastle,

such that by 31 January 2023 the Price of such Fares will be the same ("**Harmonisation Initiative**"); and to

- (b) resolve Split Ticketing Anomalies.

For the purpose of this paragraph 63.4(b), "**Spilt Ticketing Anomalies**" shall mean anomalies in the Price of a Fare such that it is cheaper for a Customer to buy a combination of two or more Fares in respect of a through journey on the Passenger Services than a single Fare for that same journey, for example the aggregate Price of two single Fares from Manchester to Darlington and Darlington to Newcastle is less than the equivalent through Fare from Manchester to Newcastle.

provided that where the Flex is not sufficient or where, pursuant to paragraph 5 of Schedule 5.7, a Change occurs with the effect that the Flex is no longer available, in each case to enable the simplification identified in this paragraph 63.4, the Franchisee will, following consultation with the Secretary of State and Rail North, seek to implement alternative fares changes that deliver similar benefits to that offered by the Harmonisation Initiative and/or the resolution of Split Ticketing Anomalies.

63.5 After consultation with relevant Stakeholders including Rail North the Franchisee shall submit a report ("**Fares Simplification Report**") to the Secretary of State on 1st August 2017 and every subsequent 1 August during the Franchise Term. The Fares Simplification Report shall identify opportunities to:

- (a) create a more coherent Fare structure;
- (b) simplify Fares; and
- (c) use Fares to increase revenue;

and shall state the Franchisee's view as to the revenue and cost implications of each opportunity identified and any other matters relevant to the implementation of them.

The Secretary of State and Rail North may consult with Stakeholders on the contents of the Fares Simplification Report including for the purposes of considering if Rail North or any

Stakeholder would be prepared to provide funding that may be required in relation to the implementation of any opportunity identified in such a Fares Simplification Report.

64. **Revenue Management System**

64.1 The Franchisee shall, by no later than 31 July 2016, improve the functionality of the revenue management system in existence in the Franchise as at the Start Date ("**Current Revenue Management System**") such that, as a minimum, it:

- (a) takes account of variances in seasonal demand to assist in the setting of quotas in relation to TPE Advance Fares;
- (b) generates management information reports to improve the Franchisee's assessment of its strategy on revenue; and
- (c) includes basic journey controls designed to block the sale of TPE Advance Fares for specified short journeys.

64.2 By no later than the 30 April 2017, the Franchisee shall replace the Current Revenue Management System with a new automated revenue management system ("**New Revenue Management System**").

65. **Real time capacity information for passengers**

From no later than 1 December 2018 and for the remainder of the Franchise Term the Franchisee will make available to passengers real time capacity utilisation information in relation to all of the Passenger Services through its Customer App.

66. **Extended Booking Horizon**

The Franchisee shall, use its best endeavours to work with Network Rail and all relevant Stakeholders such that by 30 April 2017, passengers are able to purchase Advance Purchase Train-specific Fares for travel on the Passenger Services on the Anglo-Scottish Routes operating on Weekdays at least 26 weeks prior to the date of travel.

67. **Real Time Seat Reservations**

67.1 Consistent with the Franchisee's proposal, from 30 November 2018 the Franchisee shall include a functionality in its Customer App and website such that, from that date and for the remainder of the Franchise Term, passengers purchasing tickets for travel on the Passenger Services through the Customer App or website can:

- (a) make seat reservations up to 10 minutes before the departure time of that Passenger Service from the Station at which the Passenger intends to depart;
- (b) reserve the seat of their choice, using an on-line plan of the relevant rolling stock vehicles; and
- (c) receive to the passenger's mobile device the ticket for travel and related reservation.

68. **Advance Purchase On the Day Fares**

68.1 The Franchisee shall, from 1 January 2019 until 31 December 2019, offer for sale and sell APOD Fares on a trial basis and on such Flows as reasonably determined by the Franchisee (the "**APOD Trial**").

68.2 The Franchisee shall, as soon as reasonably practicable following the end of the APOD Trial and in any event within 3 months of the end of the APOD Trial, prepare and deliver to the Secretary of State a report setting out the results and outcomes of the APOD Trial. If the Franchisee reasonably determines, in consultation with the Secretary of State, that the APOD Trial has delivered revenue and passenger benefits the Franchisee shall as soon as

reasonably practicably thereafter implement the sale of APOD Fares on the remaining Flows in respect of which the Passenger Services operate.

## 69. Digital Experience

69.1 The Franchisee shall:

- (a) by 31 January 2017, implement improvements to the booking procedures and presentation of information on its Digital Channels and shall ensure that such improvements are tested with customers prior to any such implementation and maintained for the the remainder of the Franchise Term. The Franchisee shall incur additional operational expenditure of not less than <sup>34</sup> in implementing such improvements;
- (b) by 30 April 2017, implement the "My Account" functionality on its Digital Channels such that customers can set up a personal online account which can be accessed through all Digital Channels and provides for a Single Customer View;
- (c) continuously analyse data in relation to user behaviour on its Digital Channels to identify improvements and shall implement such improvements to its Digital Channels;
- (d) from no later than 30 September 2016 implement a traffic light system on its Digital Channels in order to inform passengers of levels of demand on the Passenger Services; and
- (e) from no later than 31 January 2017 and for the remainder of the Franchise Term enable passengers to change and upgrade their tickets for travel on the Passenger Services, in advance of travel and without any additional charge, through the Digital Channels.

## 70. Station Retail

70.1 The Franchisee shall:

- (a) by no later than 30 September 2016:
  - (i) <sup>35</sup>**install at least 26 new TVMs at Stations such that each Station shall have at least one new TVM. The TVMs to be installed pursuant to this paragraph 70.1(a)(i) shall include contactless pin entry devices; and**
  - (ii) improve the presentation of information and interface design on the TVMs installed pursuant to paragraph 70.1(a)(i), such improvements shall be identified through workshops with customers organised and carried out by the Franchisee and through consultation with relevant stakeholders,
  - (iii) introduce a traffic light system on all TVMs at Stations which will inform customers of expected levels of demand on the Passenger Services; and

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<sup>34</sup> Where text has been omitted from the document this is because the Director General Rail or Secretary of State has decided to exclude the text in accordance with the provisions within the Freedom of Information Act 2000.

<sup>35</sup> Date of contract change - 31/03/2016 - Agreed by the Secretary of State and Franchisee

- (iv) upgrade all TVMs at Stations such that customers are able to request remote assistance from Franchise Employees who are trained members of retail staff,

and in so doing shall incur capital expenditure of not less than <sup>36</sup>,

- (b) By no later than 31 December 2016:

- (i) introduce "Ticket Wizard" functionality on all TVMs to guide customers to the most appropriate ticket for their needs by asking similar questions that such customers would be asked if they were purchasing such ticket from the ticket office; and

- (ii) upgrade all TVMs at Stations such that customers can purchase Advance Purchase Train-specific Fares from all TVMs;

70.2 By no later than 31 March 2017, the Franchisee shall replace all ticket office machines in existence as at the Start Date with new ticket offices machines which are compliant with the requirements of paragraph 1.3 of Schedule 5.9 (Smart Ticketing) and include contactless pin entry devices and in so doing shall incur capital expenditure of not less than <sup>37</sup>.

## 71. **Season Ticket Enhancements**

71.1 The Franchisee shall:

- (a) from 30 October 2016, introduce and maintain for the remainder of the Franchise Term:

- (i) an mTicket Annual Season Ticket which the Franchisee shall make available for purchase through the Digital Channels; and

- (ii) an Annual Season Ticket that can be purchased by monthly direct debit; and

- (b) from 31 January 2017 and for the remainder of the Franchise Term, enable customers to purchase and renew all Season Ticket Fares through the Digital Channels.

71.2 By 31 December 2016, the Franchisee shall introduce an integrated rail and bus discounted Season Ticket Fare to be offered for sale and sold to students in full time higher education and which shall permit travel between Leeds and York and be valid for the duration of each academic term.

## 72. **Existing Multi-Modal Products and Ticketing Schemes**

72.1 From the Start Date, the Franchisee shall continue to:

- (a) promote and offer for sale PlusBus Fares at Stations and through the Digital Channels;

- (b) promote and offer for sale Airport Advance Fares to and from Manchester Airport;

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<sup>36</sup> Where text has been omitted from the document this is because the Director General Rail or Secretary of State has decided to exclude the text in accordance with the provisions within the Freedom of Information Act 2000.

<sup>37</sup> Where text has been omitted from the document this is because the Director General Rail or Secretary of State has decided to exclude the text in accordance with the provisions within the Freedom of Information Act 2000.

- (c) engage and co-operate with the operating company of Manchester Airport to promote the "Manchester Airport Staff Railcard" to all employees of businesses based at Manchester Airport.
- 72.2 From 31 January 2017 and for the remainder of the Franchise Term, the Franchisee shall include all Metrolink stations on WebTIS to enable customers to purchase, from the Digital Channels, Metrolink through tickets and TPE Advance Fares to destinations served by Metrolink and shall use all reasonable endeavours to include stations served by other transport networks (including the Tyne and Wear metro, Sheffield Supertram, Edinburgh tram and Glasgow subway) on WebTIS to enable customers to purchase, from the Digital Channels, through tickets and TPE Advance Fares to destinations served by those transport networks.
- 73. Interoperable Mobile Ticketing**
- 73.1 By 31 December 2016, the Franchisee shall:
- (a) expand its mTickets product to include all tickets that permit travel on the Passenger Services only; and
- (b) introduce mTickets offering Connections with FirstBus operators in Sheffield, Leeds and Manchester.
- 73.2 The Franchisee shall use all reasonable endeavours to enter into agreements with:
- (a) bus operators other than those referred to in paragraph 73.1(b), operating in the geographic area of the Franchise, by no later than 31 December 2016, establishing the terms for the introduction of RSP accredited mTickets for Connection with those bus operators' services;
- (b) other Train Operators by no later than 30 April 2016 establishing the terms for the implementation by the Franchisee and the relevant Train Operators of interoperable barcode tickets which are accredited by RSP; and
- (c) upon entry into such agreements with such bus and Train Operators, the Franchisee shall, within 3 months of bus and Train Operators having implemented the necessary interfaces for the purposes of validating Fares accepted by way of mTicket, accept such Train Operators' and bus operators' mTickets.
- 74. Smart Multi-Modal Schemes**
- 74.1 The Franchisee shall:
- (a) upgrade the functionality of those multi-modal fare schemes with which the Franchisee is bound to comply as at the Start Date, such that any requirement for paper counterparts to be carried by passengers travelling under those multi-modal fare schemes, shall be permanently abolished from a date no later than 30 September 2016; and
- (b) from a date no later than 31 December 2016 and for the remainder of the Franchise Term, offer for sale, through the Digital Channels, smartcard products of all Passenger Transport Executives and Combined Authorities in the geographic area of the Franchise.
- 74.2 By no later than 6 months after the date on which two geographically adjacent multi-modal fare schemes offer smart ticket functionality and thereafter throughout the Franchise Term, the Franchisee shall offer for sale Fares, by way of smart ticketing, for travel between those schemes. In offering such Fares, the Franchisee shall accept those smartcards and other ticketing media issued by the relevant Passenger Transport Executive or Combined Authority and will not require the use of the Franchisee's own branded smartcards.

74.3 The Franchisee shall from 30 September 2016 and for the remainder of the Franchise Term, employ no less than two individuals who shall be responsible for:

- (a) the co-ordination and delivery of the smart ticketing programme to be undertaken by the Franchisee; and
- (b) delivering the Franchisee's obligations under this Franchise Agreement in respect of smart ticketing and new products connected with multi-modal schemes.

75. **Airport Multi Modal Fares**

Consistent with the Franchisee's proposal, the Franchisee shall:

- (a) from the Start Date, engage and co-operate with the operating companies of the airports at Edinburgh, Glasgow, Newcastle, Leeds-Bradford and Liverpool John Lennon and respective local transport authorities in order to jointly promote the following multi-modal fares:
  - (i) Edinburgh Airport rail/tram integrated fare;
  - (ii) Glasgow Airport rail/shuttle bus integrated fare;
  - (iii) Newcastle Airport rail/metro integrated fare;
  - (iv) Leeds Bradford Airport rail/bus integrated fare; and
  - (v) Liverpool Airport rail/bus integrated fare; and
- (b) by 31 January 2017, ensure that such multi modal fares are available on WebTIS to enable customers to purchase such multi-modal fares from the Digital Channels.

76. **Common Sense Revenue Protection**

76.1 By no later than the date three months after the Start Date, the Franchisee shall introduce and publish a "Common Sense Policy" in relation to the implementation of revenue protection measures such that passengers who have not deliberately or intentionally evaded payment of the relevant Fare are not unduly or unfairly prejudiced as a result of the payment of any additional or penalty Fare that would be payable. Thereafter the Franchisee shall review and update the "Common Sense Policy" at least every two years in consultation with the Secretary of State, Rail North and Transport Focus.

76.2 The Common Sense Policy shall include the following passenger rights:

- (a) unless replaced by an alternative and comparable industry-wide initiative, a right to be refunded any excess Fare payable as a result of not producing on request an accompanying Discount Card, providing that the Discount Card is so produced at a Franchisee operated ticket office within 10 days of the excess Fare being paid;
- (b) a right not to be charged any late payment administration fees, pending the outcome of any appeal against an unpaid fare notice issued by the Franchisee;
- (c) from October 2016 and for the remainder of the Franchise Term a right not to be required to pay any excess Fare as a result of not producing a mandatory reservation with any TPE Advance Fare providing that alternative proof of the reservation can be provided by that passenger;
- (d) from 31 December 2017 and for the remainder of the Franchise Term, in respect of Season Ticket Fares purchased through the Digital Channels, not to require such Season Ticket Fare holders to pay any excess Fare if on no more than two occasions in each year the Season Ticket Fare cannot be produced on request.



- 76.3 By no later than 31 July 2016 and for the remainder of the Franchise Term, the Franchisee shall ensure that all Franchise Employees who undertake revenue protection duties are trained in the "Common Sense Policy".
- 76.4 The Franchisee shall:
- (a) include a functionality on its website such that from 31 January 2017 and for the remainder of the Franchise Term customers are able to pay unpaid fare notices through its website;
  - (b) from 31 January 2017 and for the remainder of the Franchise Term in respect of in each Reporting Period, publish details on the Franchisee's website of:
    - (i) the number of unpaid fare notices issued by the Franchisee in that Reporting Period; and
    - (ii) the number of appeals against unpaid fare notices issued by the Franchisee in that Reporting Period and the outcome of those appeals.

## 77. Ticket Gating and Gateline Computers

77.1 Consistent with the Franchisee's proposal, the Franchisee shall:

- (a) by no later than 30 April 2018:
  - (i) having undertaken and completed consultation with other relevant Train Operators regarding the installation of ticket gates at the applicable stations, install and commission the operation at each of the stations located at Dewsbury, Manchester Piccadilly (platforms 1 to 3 only), and Manchester Airport new ticket gates (which are compliant with the requirements specified in paragraph 1.3 of Schedule 5.9 and which have barcode validation capability at each such stations) and a computer to be located at each of those gatelines (providing real time updates as to the status of the Passenger Services for use by Franchise Employees); and
  - (ii) procure that such ticket gates (and the existing ticket gates as Huddersfield) are manned by Franchisee Employees for no less than 12 hours on each Weekday, and
- (b) by no later than 30 April 2017, install and commission the operation of a computer (providing real time updates as to the status of the Passenger Services for use by Franchise Employees) at the existing gateline at Huddersfield,

and in so doing shall incur capital expenditure of not less than <sup>38</sup>.

## 78. Reducing Ticketless Travel

78.1 The Franchisee shall in each Franchise Year use all reasonable endeavours to achieve the relevant reduction in instances of ticketless travel recorded on or in connection with the Passenger Services set out in column 2 of the table below, when compared to the instances of ticketless travel measured as occurring in the first Franchisee Year (the "**Ticketless Travel Targets**"):

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<sup>38</sup> Where text has been omitted from the document this is because the Director General Rail or Secretary of State has decided to exclude the text in accordance with the provisions within the Freedom of Information Act 2000.

Column 1	Column 2
Franchisee Year	Reduction in ticketless travel
Year 2	9%
Year 3	11%
Year 4	11%
Year 5	11%
Year 6	11%
Year 7	11%

- 78.2 The Franchisee shall, within three months of the Start Date, provide to the Secretary of State for his approval, a plan setting out the Franchisee's proposals and initiatives to be implemented by the Franchisee during the Franchise Term in order to achieve the Ticketless Travel Targets.
- 78.3 The Franchisee shall undertake surveys of ticketless travel at least twice in each year from 1 August 2016 until the end of the Franchise Term.
- 78.4 The Franchisee shall within three months of the end of each Franchisee Year, report to the Secretary of State the instances of ticketless travel recorded on or in connection with the Passenger Services during that Franchisee Year and since the Start Date and, if the Franchisee has failed to achieve the relevant Ticketless Travel Target in that Franchisee Year, it shall within the report provide to the Secretary of State, for his approval, details of the initiatives and actions that the Franchisee intends to implement during the following Franchisee Year in order to meet the Ticketless Travel Targets. The Franchisee shall have due regard to any comments of the Secretary of State and implement the initiatives and actions identified in the report.
- 78.5 Prior to the Passenger Change Date in December 2017, the Franchisee shall, agree with the Northern Franchisee, and upon reaching agreement, implement a joint revenue protection approach on the Manchester to Leeds route, such approach shall include:
- (a) the hours of staffing of stations and ticket gates at stations;
  - (b) the staffing by either Franchisee Employees or employees of the Northern Franchisee, of blocks at stations on the Manchester to Leeds Route;
  - (c) the sharing of data in order to target resources to reduce ticketless travel.
- (the "**Joint Revenue Protection Approach**").
- 78.6 By no later than 31 December 2018, the Franchisee shall undertake a review of the effectiveness of the Joint Revenue Protection Approach and implement any reasonable recommendations arising from such review. The Franchisee shall share the findings and recommendations from such review with Rail North and the Secretary of State.
- 78.7 The Franchisee shall not be in contravention of this Franchise Agreement if it fails to achieve a Ticketless Travel Target providing that the Franchisee has complied with its obligations to propose and implement initiatives intended to reduce ticketless travel as set out in this paragraph 78.
79. **Joint research with the Passengers' Council into customer and stakeholder requirements**
- 79.1 The Franchisee shall work together with the Passengers' Council to conduct research into such topics as the Franchisee may reasonably determine in relation to the requirements of passengers and relevant Stakeholders, and in so doing shall incur operational expenditure of not less than:

- (a) £30,000 (pounds sterling thirty thousand) during the second Franchisee Year;
  - (b) £30,000 (pounds sterling thirty thousand) during the fourth Franchisee Year;
  - (c) £30,000 (pounds sterling thirty thousand) during the sixth Franchisee Year; and
  - (d) if applicable, £30,000 (pounds sterling thirty thousand) in the eighth Franchisee Year in circumstances where the Secretary of State exercises his rights under paragraph 1.2 of Schedule 18 to extend the Franchise Term by 26 Reporting Periods.
- 79.2 As soon as reasonably practicable following completion of any research conducted by the Franchisee and the Passengers' Council pursuant to paragraph 79.1, the Franchisee shall publish the results of such research on its website.
- 79.3 To support the research to be conducted by the Franchisee and the Passengers' Council pursuant to paragraph 79.1 (and to provide a focal point for the relationship between the Franchisee and the Passenger's Council), the Franchisee shall from the Start Date fund a Passengers' Council Link Manager on a part time basis comprising:
- (a) two days per week during the first and second Franchisee Years; and
  - (b) one day per week during each subsequent Franchisee Year.
- 80. Accessibility Consultation Forum**
- 80.1 By no later than 30 April 2016, the Franchisee shall (together with Disability Rights UK) establish an accessibility consultation forum in accordance with the requirements of this paragraph 80 ("**Accessibility Consultation Forum**") for the purposes of:
- (a) providing feedback and advice on the Franchisee's proposed customer service initiatives including in relation to Franchisee's proposal for supporting the York College's 'Pathways Independence and Learning Initiative' and the St Helens Council's 'Travel Awareness Course'; and
  - (b) through open days, allowing customers with disabilities to explore new rolling stock, and, where applicable, to familiarise such customers with any significant physical, service and/or operating changes affecting any Stations.
- 80.2 From 30 April 2016 and thereafter for the remainder of the Franchise Term, the Franchisee shall ensure that meetings of the Accessibility Consultation Forum are convened and held on at least one occasion during each Franchisee Year.
- 80.3 The Franchisee shall procure that the Accessibility Consultation Forum is comprised of a representative membership of people with reduced mobility and those covered by the relevant provisions of the Equality Act.
- 81. BlueAssist and Assist-Mi**
- 81.1 The Franchisee shall ensure that:
- (a) all Franchise Employees who prior to the Start Date have not been trained in understanding BlueAssist, recognising BlueAssist Cards and providing assistance to customers using BlueAssist Cards are provided with such training; and
  - (b) all Franchise Employees who commence employment after the Start Date are provided with training in understanding BlueAssist, recognising BlueAssist Cards and providing assistance to customers using BlueAssist Cards as soon as reasonably practicable following the commencement of their employment;
  - (c) appropriate numbers of BlueAssist Cards are made available at all Stations.

For the purposes of this paragraph 81.1:

**"BlueAssist"** shall mean the system, promoted by BlueAssist UK Limited, which enables any person with difficulty communicating, to ask for help or assistance, using a BlueAssist Card; and

**"BlueAssist Card"** shall mean a card provided through BlueAssist on a which a person can write any requests or queries and thereby communicate with Franchise Employees.

81.2 From 31 March 2018 and for the remainder of the Franchise Term the Franchisee shall make available to customers the Assist-Mi App in respect of all Stations, subject to the successful completion (as may be reasonably determined by the Franchisee) of a trial of that app at six Stations, such trial to be commenced no later than 31 March 2017 for a period of no less than 12 months.

## 82. **Passenger Assistance reservations**

82.1 The Franchisee shall amend the Passenger's Charter to ensure that from no later than 30 April 2017 and for the remainder of the Franchise Term, the advance notice required to be given by a customer when making a Passenger Assistance reservation in respect of a rail journey between Stations is reduced to no more than 2 hours.

82.2 The Franchisee shall engage and use its reasonable endeavours to agree with:

- (a) Network Rail that the advance notice required to be given by a customer when making a Passenger Assistance reservation in respect of a rail journey from or to a Network Rail Managed Station at which the Passenger Services call is reduced to no more than 2 hours;
- (b) the Northern Franchisee that the advance notice required to be given by a customer when making a Passenger Assistance reservation in respect of a rail journey from or to a station in respect of which the Northern Franchisee is the Facility Owner and at which the Passenger Services call is reduced to no more than 2 hours ("**Advanced Notice Reduction**"). From the date of such agreement, the Franchisee shall establish and implement such procedures as are necessary for the purposes of giving effect to the Advance Notice Reduction as agreed with the Northern Franchisee.

## 83. **Disability awareness training**

83.1 By no later than 28 February 2017, the Franchisee shall provide (or procure the provision of) a programme of disability awareness training to all Franchise Employees based on board Passenger Services and/or at Stations to include as a minimum:

- (a) completion by each relevant Franchise Employee of a one hour "Deaf Awareness" e-learning module provided by Action on Hearing Loss;
- (b) attendance by each relevant Franchise Employee at dementia awareness training provided by Age UK;
- (c) in respect of Franchise Employees based on platforms at Stations and on board Passenger Services only, participation by each relevant Franchise Employee in "swap with me" events in partnership with local RNIB and Guide Dogs for the Blind groups (whereby each relevant Franchise Employee is given the opportunity to experience how it feels to be blind); and
- (d) in respect of Franchise Employees within the Franchisee's Marketing and Communications team only, attendance by each relevant Franchise Employee at accessible communications training provided by Mencap.

83.2 The Franchisee shall ensure that the programme of disability awareness training described in paragraph 83.1 is repeated for all relevant Franchise Employees by no later than 30 April 2020.

#### 84. **Customer Service Training**

84.1 In each Franchise Year the Franchisee shall ensure that at least 40 Franchisee Employees working in customer service roles achieve a customer service related professional qualification offered by the Institute of Customer Service or a professional institution which can reasonably be considered to offer qualifications of equivalent status and value.

84.2 By no later than 30 September 2017 the Franchisee shall provide customer service training to all On-board and Stations teams (including frontline management staff), such training to be refreshed for all such Franchise Employees during the fifth Franchisee Year.

84.3 The Franchisee shall procure that the customer service training to be provided by the Franchisee pursuant to paragraph 84.2 is sufficient to be capable of delivering, as a minimum, all of the following customer service excellence standards:

- (a) staff are visible, helpful and proactive;
- (b) customer service quality is at or above the average for UK intercity routes;
- (c) a step change in customer service quality is achieved compared with the standard within the Franchise as at the Start Date.

#### 85. **Customer satisfaction Surveys**

85.1 The Franchisee shall at least once each Reporting Period during the Franchise Term, and in accordance with the requirements of paragraph 85.2, undertake a Customer Satisfaction Survey.

85.2 The Franchisee shall ensure that each Station is the subject of a CSS at least four times in each Franchisee Year and shall use the results of such CSS to identify targets for improvement throughout the Franchise Term.

85.3 The Franchisee shall ensure that a summary of the results of Customer Satisfaction Surveys in respect of all Stations:

- (a) in each six month period are made available at all Stations and published on the Franchisee's website every six months throughout the Franchise Term (in such format as the Secretary of State may reasonably require);
- (b) are contained in each Customer Report to be published immediately following the completion of the CSS.

Within 12 months of the Start Date, the Franchisee shall in collaboration with Transport Focus undertake a review of the level of detail, format and frequency of the publication of the CSS results in order to best achieve customer needs. The Franchisee shall, for the remainder of the Franchise Term, implement the findings of the review in respect of every publication of CSS results following the completion of the review.

85.4 For the purposes of this paragraph 85, "**Customer Satisfaction Survey**" or "**CSS**" shall mean a survey of customer satisfaction to be undertaken by the Franchisee which is compatible with the Passenger Survey Methodology which may include questions in relation to customer satisfaction with:

- (a) Stations overall;
- (b) Station cleanliness;
- (c) Station facilities;

- (d) connections at Stations with other modes of public transport; and
- (e) personal security at Stations,

which may include bespoke questions to address specific aspects of business strategy.

**86. Single sign up Wi-Fi solution**

From no later than 31 July 2018 and thereafter for the remainder of the Franchise Term, the Franchisee shall implement, maintain and provide access to an SSU Solution across the entire Train Fleet and at all Stations.

**87. Annual catered train miles**

Consistent with the Franchisee's proposal, the Franchisee shall ensure that, in connection with the operation of the Passenger Services, it delivers not less than:

- (a) 7 million catered train miles per annum in the period from the Start Date until 31 December 2019; and
- (b) 8.5 million catered train miles per annum in the period from 31 December 2019 until the end of the Franchise Term,

such catered train miles to be pro-rated over the actual number of days in any per annum period which is less than 365 days. For these purposes of this paragraph 87, a "catered train mile" shall be one mile actually operated by a Passenger Service during which an on train catering service was available to passengers in Standard Class Accommodation.

**88. First class catering service**

Consistent with the Franchisee's proposal, by no later than 30 June 2016, the Franchisee shall introduce, and thereafter for the remainder of the Franchise Term provide, a complimentary at-seat catering service to all customers in First Class Accommodation on those Passenger Services where catering services are available in accordance with paragraph 87.

**89. Trial of in-journey ordering app**

89.1 Consistent with the Franchisee's proposal, by no later than 31 January 2019, the Franchisee shall commence a trial on Passenger Services operating on the Anglo-Scottish route of an in-journey refreshments ordering mobile app allowing passengers to order, pay for and arrange at-seat delivery of refreshments via the Franchisee's on-board Wi-Fi portal.

89.2 The Franchisee shall conduct the trial referred to in paragraph 89.1 for an initial period of 6 months following which the Franchisee shall within 3 months of the completion of the trial introduce the refreshments ordering mobile app on all Passenger Services where catering services are available in accordance with paragraph 87, unless the Franchisee determines in its reasonable opinion that, in considering the outcome of the trial, it is not economically feasible to do so.

**90. Transport Integration Manager**

By no later than 30 June 2016, the Franchisee shall appoint and employ on a full time basis for the remainder of the Franchise Term a "Transport Integration Manager", whose responsibilities will include:

- (a) working with the Secretary of State, Rail North, local transport authorities and other operators to provide up to date, comprehensive and integrated journey information (e.g. maps, timetables and CIS);
- (b) coordinating all "door-to-door" activities across the Franchise;

- (c) creation of "station travel plans";
- (d) production of route maps for use on-board trains, at stations and on the Franchisee's website showing each of the routes served by the Passenger Services and the routes served by other Train Operators in the same geographic area; and
- (e) management of policy for the carriage of cycles.

91. **"Door-to-door journey" planning function**

The Franchisee shall introduce and maintain the availability of a "door-to-door journey" planning function for use by customers via the Franchisee's website and the Customer App which will:

- (a) by no later than 30 June 2016, and thereafter for the remainder of the Franchise Term:
  - (i) allow passengers to plan an entire journey from origin to destination using the Passenger Services;
  - (ii) allow passengers to view alternative routes during periods of disruption to the Passenger Services; and
  - (iii) provide real-time comprehensive journey information which shall include information relating to passenger services and routes provided by other Train Operators that Connect with the Passenger Services; and
- (b) from 1 December 2017, inform passengers travelling from Manchester whether it would be quicker to travel to their final destination from Manchester Piccadilly or Manchester Victoria stations.

92. **Customer Information System ("CIS") and Public Announcement ("PA") system**

By no later than 30 April 2018, the Franchisee shall:

- (a) replace CIS screens in existence as at the Start Date and/or install new CIS screens at Stations. Such replacement or additional CIS screens shall collectively display enhanced service information with additional functionality benefits including:
  - (i) automatic advertising of the length of trains on displays and in announcements;
  - (ii) 'disruption mode', which operates to manage the useful content of displays and announcements when a significant number of cancellations occur (for instance, such that the PA will automatically announce the "the next fastest train for [X] will now be the [Y] service from platform [Z]" in the event of cancellations);
  - (iii) enhanced automated customer information including the availability of additional phrases (for example, "Change at [X] for connecting road transport to [Y] and [Z]"); and
  - (iv) comment lines on both summary and next train displays (for example, "Front 3 coaches only" or "Train reported full and standing"), and
- (b) replace PA systems at all Stations.

and in so doing shall incur capital expenditure of not less than <sup>39</sup>.

### 93. **Mobile devices for Franchise Employees**

93.1 The Franchisee shall:

- (a) from 31 May 2016 and for the remainder of the Franchise Term, ensure that all customer-facing Franchise Employees and customer-facing employees of any contractor of the Franchisee who are based at stations or on-board Passenger Services are equipped with new mobile devices which allow staff to easily access real-time information about the Passenger Services and from 30 April 2017 and for the remainder of the Franchise Term will provide information regarding any disruption to all Passenger Services, including departure times of any rail replacement bus services, and in so doing shall, during the Franchise Term, incur operational expenditure of not less than <sup>40</sup>; and
- (b) from no later than 31 March 2017 and for the remainder of the Franchise Term, provide Smart Devices to all Train Drivers for the purposes of facilitating improved efficiency and performance of the operation of the Passenger Services and in so doing shall incur operational expenditure of not less than <sup>41</sup>.
- (c) For the purposes of paragraph 93.1(b), "**Smart Devices**" means an electronic device which can operate interactively and autonomously via connection with other devices or networks such as Bluetooth and 4G and which shall include an employee app that will enable Train Drivers to have access to key information including the roster and allow the Franchisee's control centre to communicate to Train Drivers up to date information regarding alterations or disruptions to Passenger Services.
- (d) by no later than **30 September 2016**<sup>42</sup>, replace all on-train ticket issuing and validation systems in existence at the Start Date with new on-train ticket issuing and validation systems which:
  - (i) are compliant with the requirements of paragraph 1.3 of Schedule 5.9 (Smart Ticketing);
  - (ii) have barcode reader capabilities; and
  - (iii) include contactless pin entry devices,
  - (iv) and in so doing shall incur capital expenditure of not less than <sup>43</sup>.
- (e) by no later than 30 April 2017, provide Franchise Employees based at each of the Stations located at each Middlesbrough and Hull with radio microphones such that they are able to provide to passengers real time updates and information by way of the radio microphones during periods of disruption to the Passenger Services.

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<sup>39</sup> Where text has been omitted from the document this is because the Director General Rail or Secretary of State has decided to exclude the text in accordance with the provisions within the Freedom of Information Act 2000.

<sup>40</sup> Where text has been omitted from the document this is because the Director General Rail or Secretary of State has decided to exclude the text in accordance with the provisions within the Freedom of Information Act 2000.

<sup>41</sup> Where text has been omitted from the document this is because the Director General Rail or Secretary of State has decided to exclude the text in accordance with the provisions within the Freedom of Information Act 2000.

<sup>42</sup> Date of contract change 31/03/2016 - Agreed by the Secretary of State and Franchisee

<sup>43</sup> Where text has been omitted from the document this is because the Director General Rail or Secretary of State has decided to exclude the text in accordance with the provisions within the Freedom of Information Act 2000.



**94. Help Points**

- 94.1 By no later than 30 April 2018, the Franchisee shall procure the replacement of every 'Ascom Interactive' Help Point at each Station with a new Help Point.
- 94.2 By no later than 30 April 2018, the Franchisee shall procure the installation of additional Help Points (of the same type and functionality as the replacement Help Points to be installed pursuant to paragraph 94.1):
- (a) at each of Dewsbury, Grimsby, Manchester Airport and Stalybridge Stations, so as to provide a Help Point for use by customers on every platform at such Stations; and
  - (b) in the car parks at all Stations (excluding Stations at Barnetby and Manchester Airport).
- 94.3 In complying with its obligations in this paragraph 94, the Franchisee shall incur operational expenditure of not less than <sup>44</sup>.

**95. Passenger Information Hubs**

By no later than 31 January 2017 the Franchisee shall install, and thereafter for the remainder of the Franchise Term maintain, station information posters at each Station providing a variety of information about the Station including a plan of the Station, a map of the local vicinity, opening times, timetables for bus services from the Station and estimated walking and cycling times to local places of interest.

**96. Real-time bus information screens**

By no later than 30 April 2018 the Franchisee shall install (and thereafter maintain) one real-time bus information screen at each of the following Stations:

- (a) Scarborough;
- (b) Selby;
- (c) Northallerton;
- (d) Thirsk; and
- (e) Malton.

**97. Self-service lost property tool**

The Franchisee shall make available to customers:

- (a) from the Start Date and thereafter for the remainder of the Franchise Term, telephone facility; and
- (b) from no later than 31 March 2017 and thereafter for the remainder of the Franchise Term, a web-based facility,

by which customers shall themselves be able to search for and track lost property.

**98. Management of train service information queries**

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<sup>44</sup> Where text has been omitted from the document this is because the Director General Rail or Secretary of State has decided to exclude the text in accordance with the provisions within the Freedom of Information Act 2000.

The Franchisee shall:

- (a) from no later than 30 September 2016 and for the remainder of the Franchise Term, ensure that customers are able to contact the Franchisee's customer information team 24 hours a day, 7 days a week (except on days when no Passenger Services are scheduled to be operated) via Twitter with train service information enquiries and the Franchisee shall use all reasonable endeavours to ensure that a customer receives an informative response to that query within a reasonable time of such query being made; and
- (b) from no later than 31 January 2017 and for the remainder of the Franchise Term, ensure that a "web-chat" service (enabling customers to contact a customer service representative of the Franchisee in order to seek an immediate answer to a train service information enquiry) is continuously available to customers 7 days a week between the hours of 06:00 and 23:00.

99. **Real-time customer feedback tool**

From no later than 31 December 2016 and for the remainder of the Franchise Term, the Franchisee shall make available a real-time feedback tool for passengers and members of the local community to report issues and/or provide suggestions, and to receive direct feedback from the Franchisee, via the Customer App, email and SMS.

100. **Guidelines on discretionary compensation payments**

By no later than 30 September 2016, the Franchisee shall ensure that the basis on which discretionary compensation payments are made to customers and the quantum of such payments is based on objective criteria and guidelines. The Franchisee shall incur operational expenditure of not less than <sup>45</sup> in each Franchisee Year on such discretionary compensation payments (which shall be prorated for any Franchisee Year of less than 365 days).

101. **Recycling of delay repay savings**

- 101.1 The Franchisee shall by no later than one month following the end of each Franchisee Year, confirm to the Secretary of State whether an Annual Delay Repay Saving has occurred in respect of such Franchisee Year.
- 101.2 The Parties shall, acting reasonably, seek to agree an alternative scheme or schemes which would give rise to benefits to passengers using the Passenger Services to be funded using the Annual Delay Repay Saving and, once agreed, the Franchisee shall apply such Annual Delay Repay Saving in the delivery of the agreed scheme(s). In circumstances only where, despite having used reasonable endeavours the Parties fail to agree an alternative scheme in relation to which the Annual Delay Repay Saving will be applied, such Annual Delay Repay Saving shall be repaid to the Secretary of State by way of adjustment to Franchise Payments, on the next Payment Date falling no less than seven days from the date upon which the parties fail to so agree.

102. **Not used**

103. **Reducing Unexplained Delay Minutes**

- 103.1 The Franchisee shall, by the seventh Franchisee Year, use all reasonable endeavours to achieve a reduction of seventy per cent. (70%) in the number of Unexplained Delay Minutes when compared to the number of Unexplained Delay Minutes measured as occurring in the first Franchisee Year (the "**Unexplained Delay Minutes Reduction Target**").

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<sup>45</sup> Where text has been omitted from the document this is because the Director General Rail or Secretary of State has decided to exclude the text in accordance with the provisions within the Freedom of Information Act 2000.

103.2 The Franchisee shall within three months of the Start Date, provide to the Secretary of State for his approval, a plan setting out the Franchisee's proposals and initiatives to be implemented by the Franchisee during the Franchise Term in order to achieve the Unexplained Delay Minutes Reduction Targets. The Franchisee shall have due regard to any comments of the Secretary of State and implement the initiatives and actions identified in the plan.

103.3 The Franchisee shall, within 21 days of request by the Secretary of State, provide an annual update to the Secretary of State as to the Franchisee's progress, during the previous Franchisee Year, in the implementation of the initiatives and actions set out in the plan referred to in paragraph 103.2 and towards achieving the Unexplained Delay Minutes Reduction Target.

#### 104. **Station Development**

##### 104.1 **Hull Station Retail Development**

By 31 March 2017, the Franchisee shall:

- (a) create additional retail spaces; and
- (b) improve the waiting and toilet facilities,

in each case, at the Station located at Hull and in so doing shall incur capital expenditure of not less than <sup>46</sup>.

##### 104.2 **Manchester Airport Retail Development**

By no later than 30 April 2017, the Franchisee, as part of the Manchester Airport Redevelopment Scheme, improve retail space at Manchester Airport Station including by the provision of a new ticket office and in so doing shall incur operational expenditure of not less than <sup>47</sup>, provided that if the Manchester Airport Redevelopment Scheme is not commenced by 31 December 2019, the Franchisee shall by no later than 31 December 2020 upgrade other facilities at Manchester Airport Station which would give rise to such benefits to passengers as the Franchisee and Secretary of State may, acting reasonably, agree and in so doing the Franchisee shall incur operational expenditure of not less than <sup>48</sup> (the "**Manchester Airport Funding**"). In circumstances only where, despite having used reasonable endeavours the Parties fail to agree the upgrade of other facilities to which the Manchester Airport Funding will be applied, such Manchester Airport Funding shall be repaid to the Secretary of State, by way of adjustment to Franchise Payments, on the next Payment Date falling no less than seven days from the date upon which the parties fail to so agree.

##### 104.3 **Station Tenant Fund**

By 31 March 2018, the Franchisee establish a station tenant fund which shall be made available to its tenants at Stations who are SMEs for use in improvements to their business which shall include:

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<sup>47</sup> Where text has been omitted from the document this is because the Director General Rail or Secretary of State has decided to exclude the text in accordance with the provisions within the Freedom of Information Act 2000.

<sup>48</sup> Where text has been omitted from the document this is because the Director General Rail or Secretary of State has decided to exclude the text in accordance with the provisions within the Freedom of Information Act 2000.

- (a) presentational improvements to the retail units such as new signage and display cabinets;
- (b) product upgrades such as barista coffee machines and panini grills to replace instant coffee and microwaves; and
- (c) environmental initiatives such as replacing fluorescent strip lighting with LED lighting,

and in so doing the Franchisee shall incur operational expenditure of at least <sup>49</sup> by 31 March 2018 and at least a further <sup>50</sup> in operational expenditure by no later 31 March 2022.

#### 104.4 Other Station Improvements

- (a) By 31 March 2017 the Franchisee shall:
  - (i) introduce, at each of Brough, Dewsbury, Huddersfield, Hull, Middlesbrough, Northallerton, Selby, Stalybridge and Thornaby stations "Click and Collect Services" and delivery lockers whereby persons who purchase goods online from specified retailers can collect their goods from the delivery lockers located at each such Station and in so doing shall incur operational expenditure of at least <sup>51</sup>;
  - (ii) refurbish the waiting rooms at the Station located at Manchester Airport and in so doing shall incur operational expenditure of at least <sup>52</sup>. Such refurbishment shall include, transformation of the main waiting area with soft seating and cushions and the creation of designated spaces for business travellers to work with plug sockets available for all customers to charge their smart devices, such as phones and laptops;
  - (iii) improve waiting facilities and replace furniture at each of the Stations located at Cleethorpes and Scarborough and in so doing shall incur operational expenditure of at least <sup>53</sup>; and
  - (iv) incur operational expenditure of at least <sup>54</sup> in aggregate in the refurbishment of redundant spaces at Grimsby Town, Scarborough, Selby and Hull stations and shall from 31 March

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<sup>54</sup> Where text has been omitted from the document this is because the Director General Rail or Secretary of State has decided to exclude the text in accordance with the provisions within the Freedom of Information Act 2000.

2017 and for the remainder of the Franchise Term make such refurbished space available for use by the local community.

- (b) By 30 August 2016 the Franchisee shall introduce and maintain for the remainder of the Franchise Term pitches for stalls at each of Huddersfield, Hull and Middlesbrough stations, such pitches to be made available to local SMEs, local artists and other local community traders for the sale of their goods and services to customers calling at such Stations.
- (c) By no later than 31 March 2017 the Franchisee shall enhance ticket office retailing at each of the Stations located at Huddersfield and Hull, such enhancements to include:
  - (i) removing the glass from the ticket windows to create a more welcoming environment for customers; and
  - (ii) expanding the product ranges available for purchase by passengers at each of the ticket offices to include bus tickets (subject to entering into the required agreements with the relevant bus companies) and travel essentials such as headphones and umbrellas,

and in so doing, the Franchisee shall incur operational expenditure of no less than <sup>55</sup>.

To improve accessibility at the Station located at Seamer, the Franchisee shall by 31 March 2017 replace the heavy gates fitted at such Station as at the Start Date with a power assisted gate.

## 105. **Safe and Secure Stations**

### 105.1 **CCTV Facilities**

The Franchisee shall, from the Start and for the duration of the Franchise Term, maintain all the CCTV facilities available at each Station as at the Start Date.

### 105.2 **Passenger Awareness Monitors**

The Franchisee shall install Passenger Awareness Monitors:

- (a) by no later than 30 April 2017, at each of the Stations located at Hull, Middlesbrough, Scarborough and Cleethorpes; and
- (b) by no later than 30 June 2017, at each of the Stations located at Manchester Airport and Dewsbury.

For the purposes of this paragraph 105.2, "**Passenger Awareness Monitors**" are monitors positioned to provide a real-time view of CCTV coverage thereby making passenger aware of the existence of CCTV at Stations where such monitors are installed.

- 105.3 By 31 March 2017, the Franchisee shall facilitate the connection of all CCTV equipment installed at Stations to the CCTV control centre managed by the British Transport Police.

## 106. **Car Park Investments**

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<sup>55</sup> Where text has been omitted from the document this is because the Director General Rail or Secretary of State has decided to exclude the text in accordance with the provisions within the Freedom of Information Act 2000.

**106.1 Additional Car Parking Spaces**

The Franchisee shall, by 31 March 2018, create an additional 125 car parking spaces in aggregate at Stations located at Brough, Thornaby and Selby (or alternatively at other Stations where it is reasonably determined by the Franchisee that it is not feasible to create additional car parking spaces at Brough, Thornaby or Selby) and in so doing shall incur capital expenditure of at least <sup>56</sup>. The car parking spaces to be created pursuant to this paragraph 106.1 shall be:

- (a) additional to the 1,200 car parking spaces in existence at all Stations immediately prior to the Start Date; and
- (b) at least comparable in terms of size and quality to those in existence at such Stations immediately prior to the Start Date.

**106.2 Reconfiguration of Hull Car Park to Create Disabled Parking Spaces**

By 31 March 2017 the Franchisee shall reconfigure the car park located at Hull Station to improve accessibility at such car park for Disabled Persons. Such improvements shall include allocating the part of such car park accessed through Anlaby Road as disabled parking and drop off only with clear signage directing all other customers to the part of the car park accessed through St Stephens Street.

**106.3 Car Parks – Compliance with British Standard 8300:2009**

The Franchisee shall ensure that by 31 March 2018 all car parks located at Stations comply with the "British Standard 8300:2009: Design of buildings and their approaches to meet the needs of disabled people provides guidance on good practice for the design of new buildings and their approaches to meet the needs of disabled people".

**106.4 Car Park payment facilities**

- (a) By 30 September 2016, the Franchisee shall replace at least twenty four pay and display car park ticket machines in existence at car parks located at Stations as at the Start Date with new pay and display ticket machines which have at least the following functionality:
  - (i) ability to make payment by both coins and credit cards; and
  - (ii) remote monitoring capability.
- (b) By 30 March 2017 the Franchisee shall install automatic number plate recognition cameras at each of the car parks located at Hull, Northallerton and Scarborough.
- (c) Pursuant to paragraphs 106.4(a) and 106.4(b) above the Franchisee shall incur operational expenditure of at least <sup>57</sup>.
- (d) By 30 September 2016, the Franchisee shall introduce a new service which allows customers to pay for parking at car parks located at Stations by using their mobile phones.

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107. **Cycle Access and Parking**

107.1 **New Secure Cycle Parking Spaces/Cycle Wheel Channels**

By 31 March 2018 the Franchisee shall:

- (a) introduce 535 new secure cycle parking spaces at Huddersfield, Middlesbrough, Selby, Malton, Northallerton, Scarborough and Thirsk Stations (the "**Applicable Stations**") and in so doing shall incur operational expenditure of at least <sup>58</sup>. It is acknowledged by the Secretary of State and the Franchisee that the new secure cycle parking spaces introduced pursuant to this paragraph shall replace the cycle parking infrastructure in existence at the Stations as at the Start Date, such cycle parking infrastructure to be known as the "**Existing Cycle Parking Infrastructure**"; and
- (b) to facilitate the walking of a bicycle up or down the stairway, install cycle wheel channels on stairs at each of the Stations located at Huddersfield, Dewsbury, Thirsk, Middlesbrough and Scunthorpe and in so doing the Franchisee shall incur operational expenditure of at least <sup>59</sup>.

108. **Reuse of Existing Cycle Parking Spaces**

By 31 March 2018 the Franchisee shall undertake a review (a "**Cycle Review**") of the cycle parking spaces at twelve Stations (other than the Applicable Stations) and introduce cycle parking spaces by utilising the Existing Cycle Parking Infrastructure. The number of cycle parking spaces to be introduced at each such Station shall be determined by the Franchisee in accordance with the demand for cycle parking spaces as established by the Cycle Review.

109. **Cycle Information Signage/ Cycle Charter**

By 30 March 2017 the Franchisee shall:

- (a) install dedicated cycling information signage within each Station ("**Cycle Signs**") and publish cycling information on its website. The Franchisee shall adopt a common standard for all Cycle Signs installed at each such Station; and
- (b) in consultation with Sustrans, develop a cycle charter which sets out the Franchisee's aims and objectives for cycle-rail access across the Franchise including how the Franchisee will fulfil its obligations under paragraph 6 of Schedule 1.4 (Passenger Facing Obligations)).

110. **Fixing the Link**

110.1 **Bus Stop Waiting Shelters at Scunthorpe**

By 31 March 2017, the Franchisee shall upgrade all the bus stops located at the Station at Scunthorpe by installing waiting shelters at each such bus stop.

110.2 **Pedestrian Wayfinding Signage**

To assist with visitor orientation on arrival at Stations, the Franchisee shall, by no later than 31 March 2017, install post mounted finger signs outside all Stations for the provision of information such as distance, gradient and walking time to specific locations within the area

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where each such Station is located (such as places of historical relevance, tourist attractions, hospitals, police stations and local authority offices) and in so doing the Franchisee shall incur operational expenditure of at least <sup>60</sup>.

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**APPENDIX 1**

**INTRODUCTION OF INTERCITY ROLLING STOCK**

1. Intercity Coaches

<b>Target Date<sup>61</sup></b>	<b>Aggregate number of Intercity Coaches to be introduced by Target Date</b>
	10
	35
	40
	40
	40
	40
	40
	44
	46
	50
	52

2. Driving Trailers

<b>Target Date<sup>62</sup></b>	<b>Aggregate number of Intercity DTs to be introduced by Target Date</b>
	2
	6
	10
	14

Such intercity rolling stock shall be formed into sets of four coaches and a DT provided that before sufficient DTs are available the sets shall be formed of five coaches.

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**APPENDIX 2****INTRODUCTION OF ADDITIONAL EMU ROLLING STOCK**

<b>Target Date<sup>63</sup></b>	<b>Aggregate number of new five car EMUs to be introduced by Target Date</b>
	3
	7
	12

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<sup>63</sup> Where text has been omitted from the document this is because the Director General Rail or Secretary of State has decided to exclude the text in accordance with the provisions within the Freedom of Information Act 2000.

**APPENDIX 3****INTRODUCTION OF ADDITIONAL BI-MODE ROLLING STOCK**

<b>Target Date<sup>64</sup></b>	<b>Aggregate number of new five car Bi-Modes to be introduced by Target Date</b>
	3
	7
	10
	14
	15
	17
	19

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<sup>64</sup> Where text has been omitted from the document this is because the Director General Rail or Secretary of State has decided to exclude the text in accordance with the provisions within the Freedom of Information Act 2000.

**APPENDIX 4****CLASS 350 AND CLASS 185 HANDBACK****Class 350 Handback**

<b>Date</b>	<b>Minimum permitted Class 350 fleet size by number of vehicles (subject to relevant provisions of the Franchise Agreement that would prevent the Franchisee returning rolling stock)</b>
11 November 2018	40
09 December 2018	28
06 January 2019	28
03 February 2019	20
03 March 2019	12
01 April 2019	8

**Class 185 Handback**

<b>Date</b>	<b>Minimum permitted Class 185 fleet size by number of vehicles (subject to relevant provisions of the Franchise Agreement that would prevent the Franchisee returning rolling stock)</b>
13 October 2019	153
10 November 2019	129
8 December 2019	117
5 January 2020	99
2 February 2020	96
1 March 2020	90
1 April 2020	87

**APPENDIX 6****On-Board Monitoring Specification****1. OLE Camera Monitoring Equipment Specification**

Over-head line camera monitoring equipment shall be capable of:

- 1.1 surveying the pantograph and the overhead line; and in relation to both of these,
- 1.2 monitoring their interaction, any damage to either and any evidence of imminent failure; and
- 1.3 connecting to functioning data feeds that allow:
  - (a) output of both recorded and real-time information (including while the train is in operation);
  - (b) live streaming to the Train Driver;
  - (c) live streaming to control;
  - (d) download at the next station; and
  - (e) download at depot, and

the Franchisee shall allow Network Rail access to each of the live streaming, next station and depot download data streams referred to in this paragraph 1.3.

- 1.4 In order to optimise the sharing of on-train Wi-Fi connectivity between the outputs of the monitoring equipment and usage by passengers, the Franchisee shall work with Network Rail to design and implement appropriate data feed allocation rules.

**2. Forward Facing CCTV Specification**

- 2.1 Forward facing CCTV shall be capable of:
- 2.2 recording from the front of the train in the direction the train is facing, and shall have coverage and image quality sufficient to detect issues that include, but are not limited to:
  - (a) gaps in fences;
  - (b) vegetation issues;
  - (c) trespasses on the railway;
  - (d) problems with level crossings;
  - (e) actual or potential flooding of the tracks, and
- 2.3 connecting to functioning data feeds that allow:
  - (a) output of both recorded and real-time information (including while the train is in operation);
  - (b) live streaming to the Train Driver;
  - (c) live streaming to control;
  - (d) download at the next station;

(e) download at depot, and

the Franchisee shall allow Network Rail access to each of the live streaming, next station and depot download data streams referred to in this paragraph 2.3.

2.4 In order to optimise the sharing of on-train Wi-Fi connectivity between the outputs of monitoring equipment and usage by passengers, the Franchisee shall work with Network Rail to design and implement appropriate data feed allocation rules.

### 3. **Track Monitoring Equipment Specification**

3.1 Track Monitoring Equipment shall be either unattended geometry measurement systems or equipment of equivalent capability.

3.2 The Franchisee shall ensure that such Track Monitoring Equipment that it allows to be fitted, is connected to functioning data feeds that allow:

3.2.1 output of both recorded and real-time information (including while the train is in operation);

3.2.2 live streaming to the Train Driver;

3.2.3 live streaming to control;

3.2.4 download at the next station;

3.2.5 download at depot, and

the Franchisee shall allow Network Rail access to each of the live streaming, next station and depot download data streams referred to in this paragraph 3.2.

3.3 In order to optimise the sharing of on-train Wi-Fi connectivity between the outputs of the monitoring equipment and usage by passengers, the Franchisee shall work with Network Rail to design and implement appropriate data feed allocation rules.

**PART 2 TO SCHEDULE 6.1****Miscellaneous Provisions****1. Application**

This Part 2 of this Schedule 6.1 (Committed Obligations and Related Provisions) sets out further terms which apply to the Committed Obligations set out in Part 1 (List of Committed Obligations) to this Schedule 6.1 and the references to Committed Obligations in this Part 2 of this Schedule 6.1 are only to the Committed Obligations in Part 1 (List of Committed Obligations) of this Schedule 6.1.

**2. Continuation of Availability**

2.1 The Franchisee shall maintain facilities or activities or other matters established in accordance with its Committed Obligations throughout the remainder of the Franchise Term, regardless of whether or not such Committed Obligation specifically provides for the Franchisee to maintain throughout the Franchise Term the facilities, activities or other matters established in accordance with such Committed Obligation, unless such Committed Obligation expressly provides for the cessation of such maintenance at an earlier date.

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

2.3 Where Part 1 (List of Committed Obligations) to this Schedule 6.1 (Committed Obligations and Related Provisions) includes a commitment regarding staffing or particular appointments the Franchisee plans to make:

- (a) the obligation of the Franchisee shall not be regarded as being contravened by:
  - (i) temporary absences (for example for sickness or holiday); or
  - (ii) temporary non-fulfilment of a relevant post whilst the Franchisee is recruiting for that post, subject to the Franchisee using all reasonable endeavours to keep the duration between appointments as short as reasonably practicable; and
- (b) the Franchisee's rights and obligations in relation to the numbers or deployment of its other staff remain unaffected.

**3. Expenditure Commitments****Annual Expenditure**

3.1 Where Part 1 (List of Committed Obligations) to this Schedule 6.1 (Committed Obligations and Related Provisions) provides for the expenditure of an annual amount (or an amount over some other period) by the Franchisee, that amount:

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

**Expenditure Commitments in real amounts**

- 3.2 All expenditure commitments set out in Part 1 (List of Committed Obligations) to this Schedule 6.1 (Committed Obligations and Related Provisions), to the extent they have not already been incurred by the Franchisee, shall be indexed by the Retail Prices Index (in the same way as variable costs are indexed in Schedule 8.2 (Annual Franchise Payments)).

**Expenditure by Network Rail**

- 3.3 All amounts which the Franchisee has committed (whether unconditionally or otherwise) pursuant to Part 1 (List of Committed Obligations) to this Schedule 6.1 (Committed Obligations and Related Provisions) to expend in connection with improvements to track or Stations shall be in addition to any expenditure made by Network Rail as part of its infrastructure improvements or maintenance programme to the extent such expenditure is not directly funded or reimbursed by the Franchisee.

**Underspend**

- 3.4 Where in relation to any Committed Obligation that is expressed in terms of a requirement to spend not less than a specified sum in fulfilling its stated objective, the Franchisee is able to achieve that stated objective without incurring the full amount referred to in that Committed Obligation, whether because of cost savings or otherwise, the Franchisee shall notify the Secretary of State, together with a statement of the costs it has incurred (excluding any third party funding) in delivering the relevant obligations and a reconciliation against the amount it had committed to spend (excluding any third party funding) ("**Underspend**").
- 3.5 The Parties shall, acting reasonably, seek to agree an alternative scheme or schemes which would give rise to benefits to passengers using the Passenger Services to be funded using the Underspend and, once agreed, the Franchisee shall apply such Underspend in the delivery of the agreed scheme(s). In circumstances only where, despite having used reasonable endeavours the Parties fail to agree an alternative scheme in relation to which the Underspend will be applied, such Underspend shall be repaid to the Secretary of State as soon as reasonably practicable.

**4. Liaison and Co-Operation**

Where the Franchisee is committed to liaison and co-operation under Part 1 (List of Committed Obligations) to this Schedule 6.1 (Committed Obligations and Related Provisions), it shall participate actively in the relevant measures including through the application of management time and internal resources, correspondence and attendance at meetings, in each case as the Franchisee reasonably considers in all the circumstances to be an appropriate use of its resources and effective to help achieve the relevant objective.

**5. Nature of Commitment**

- 5.1 Any commitment in terms of Part 1 (List of Committed Obligations) to this Schedule 6.1 (Committed Obligations and Related Provisions) shall be in addition to any obligation of the Franchisee elsewhere in this Agreement and nothing in this Schedule 6.1 shall limit or restrict an obligation imposed on the Franchisee elsewhere in this Agreement.
- 5.2 Save as expressly provided in Part 1 (List of Committed Obligations) to this Schedule 6.1 (Committed Obligations and Related Provisions), each Committed Obligation is a separate obligation from any other Committed Obligation and satisfaction of or steps taken towards the satisfaction of one Committed Obligation will not amount to or contribute towards satisfaction of any other Committed Obligation.
- 5.3 Where in Part 1 (List of Committed Obligations) to this Schedule 6.1 (Committed Obligations and Related Provisions), references are made to particular manufacturers or suppliers of equipment or services, the Franchisee may fulfil its relevant commitment by using reasonable equivalents.



- 5.4 Each commitment under this Schedule 6.1 (Committed Obligations and Related Provisions) shall come to an end on expiry of the Franchise Term for whatever reason.

## 6. **Review of Compliance**

- 6.1 Progress with Committed Obligations shall be considered and discussed at Franchise Performance Meetings and the Franchisee shall ensure that progress with regard to Committed Obligations is included in Periodic Update Reports provided in accordance with paragraph 4A of Schedule 11 (Agreement Management Provisions).

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

## 7. **Late Completion or Non-Delivery of Committed Obligations**

If the Franchisee fails to deliver in full a Committed Obligation in accordance with and by the timeframe specified for its delivery in Part 1 (List of Committed Obligations) to this Schedule 6.1 (Committed Obligations and Related Provisions), such late, partial or non-delivery shall constitute a contravention of the Franchise Agreement.

## 8. **Specimen Schemes**

- 8.1 The Franchisee may propose to undertake an Alternative Scheme in place of a Specimen Scheme. Any such Alternative Scheme must:

- (a) be intended to deliver as a minimum the relevant Specimen Scheme Output;
- (b) require the Franchisee to incur expenditure of no less than the expenditure which the Franchisee is committed to incur in relation to the relevant Specimen Scheme; and
- (c) deliver at least an equivalent level of benefits (whether to passengers, the Secretary of State, the wider rail industry or otherwise) as the Specimen Scheme.

- 8.2 If the Franchisee wishes to propose an Alternative Scheme, the Franchisee will provide the Secretary of State with such details of the Alternative Scheme as the Secretary of State may reasonably require.

- 8.3 If the Secretary of State approves (such approval not to be unreasonably withheld or delayed) such Alternative Scheme then it shall replace the relevant Specimen Scheme and Part 1 of this Schedule 6.1 shall be amended accordingly.

- 8.4 For the avoidance of doubt, if the Franchisee does not propose or the Secretary of State does not approve an Alternative Scheme then the Franchisee shall remain obliged to deliver the relevant Specimen Scheme in accordance with Part 1 of this Schedule 6.1.

## 9. **Third Party Consents, Agreement and Conditions**

- 9.1 Where, in delivering a Committed Obligation, the Franchisee is required to obtain one or more consents or satisfy one or more conditions, the Franchisee shall use all reasonable endeavours to obtain such consents and/or satisfy such conditions within such timescales as would enable the Franchisee to deliver such Committed Obligation by the delivery date specified in respect of such Committed Obligation. If the Franchisee is unable to satisfy the relevant condition and/or obtain the relevant consent or the proposed terms upon which the relevant consent would be granted would, in the reasonable opinion of the Franchisee, be likely to prejudice the financial and/or commercial viability of delivering the Committed Obligation, the Franchisee may apply to the Secretary of State for the approval referred to in paragraph 9.2. For the purposes of this paragraph 9, the expression "**consent**" shall mean those approvals, authorisations, consents, derogations, exemptions, licences, permissions, and registrations which are required by Law or any contract to which the

Franchisee is a party, to be obtained by the Franchisee in connection with the delivery of a Committed Obligation.

- 9.2 The Secretary of State's approval for the purposes of this paragraph 9 is his approval for the Franchisee to modify the relevant Committed Obligation so as to deliver a scheme which would give rise to benefits to passengers using the Passenger Services similar to (but not necessarily the same as) those benefits which would have arisen if the Franchisee delivered the relevant Committed Obligation. The modifications to the relevant Committed Obligation shall be agreed between the Franchisee and the Secretary of State or failing such agreement shall be reasonably determined by the Secretary of State. The approval of the Secretary of State may not be unreasonably withheld.
- 9.3 If the Secretary of State gives his approval pursuant to this paragraph 9 in respect of a Committed Obligation, then to the extent that the Franchisee delivers the modified Committed Obligation by the date agreed between the Franchisee and the Secretary of State, or failing such agreement by the date reasonably determined by the Secretary of State, the Franchisee shall not be in breach of the Franchise Agreement.

#### 10. **Reasonable Endeavours**

Where in respect of any Committed Obligation the Franchisee is obliged to use all reasonable endeavours or reasonable endeavours to do or procure that something is done by a specified date then, without prejudice to any other rights the Secretary of State may have (whether under the Franchise Agreement or otherwise) in respect of any contravention arising if the same is not achieved by such specified date the Franchisee shall consult with the Secretary of State and if required by the Secretary of State shall continue to use all reasonable endeavours or reasonable endeavours (as applicable) to do or procure that the relevant thing is done as soon as reasonably practicable thereafter.

#### 11. **Designation of Primary Franchise Assets**

- 11.1 Save in respect of the property and rights comprised in Committed Obligations which are designated as RV Assets pursuant to Schedule 14.4, the Secretary of State may at any time and from time to time during the Franchise Period by serving notice on the Franchisee, designate as a Primary Franchise Asset some or all of the property and rights of the Franchisee comprised in any Franchise Asset introduced by a Committed Obligation (the "Designated CO Primary Franchise Assets") save that the Secretary of State acknowledges that he shall not be entitled to designate any RV Asset as a Designated CO Primary Franchise Asset. Such designation shall take effect from the date of delivery of such notice.
- 11.2 The transfer value in relation to any Designated CO Primary Franchise Asset, which at the end of the Franchise Periods is:
- (a) not de-designated as a Primary Franchise Asset pursuant to paragraph 10 of Schedule 14.4 (Designation of Primary Franchise Assets); and
  - (b) transferred to a Successor Operated (whether pursuant to the Transfer Scheme or otherwise),

shall (unless otherwise agreed by the Secretary of State) be nil.

**SCHEDULE 6.2****TransPennine Express Franchise Specific Provisions****1. British Transport Police**

1.1 The Franchisee shall give due consideration to any request by the British Transport Police to provide suitable accommodation (including additional or alternative accommodation) or facilities at Stations to enable the British Transport Police to effectively perform the services owed to the Franchisee under any contract or arrangement entered into between the British Transport Police and the Franchisee.

1.2 The Franchisee shall:

(a) work in partnership with the British Transport Police to assess and review regularly the security and crime risk at all Stations and across the franchise generally including by:

(i) attending such meetings as may be organised by the British Transport Police for these purposes; and

(ii) agreeing with the British Transport Police the priorities for the deployment of representatives of the British Transport Police at Stations and across the Franchise generally;

(b) work with the British Transport Police to:

(i) reduce crime and anti-social behaviour on the railway;

(ii) reduce minutes lost to police-related disruption;

(iii) increase passenger confidence with personal security on train and on station;

(c) co-operate with the British Transport Police to provide it with access to records and/or systems maintained by the Franchisee which relate to lost property to enable the British Transport Police to have access to such information when dealing with items reported to them as lost. The Franchisee shall consult with the British Transport Police as to its requirements in relation to such records and/or systems and shall ensure that the British Transport Police has access to such records and/or systems within 12 months of the Start Date.

1.3 The Franchisee shall consult with the British Transport Police in relation to plans to develop any part of the land within a Property Lease which could affect staff or customers and give the British Transport Police an opportunity to advise on and/or provide comments on any opportunities for the enhancement of safety and reduction in crime.

**2. Efficiency Benefit Share**

2.1 The Franchisee shall obtain the prior consent of the Secretary of State prior to exercising any rights it may have under the Track Access Agreement or otherwise to opt out from the Efficiency Benefit Share Mechanism.

2.2 Where a Train Operator under a Previous Franchise Agreement has exercised its right under a track access agreement to opt out from the Efficiency Benefit Share Mechanism, the Franchisee shall take all steps necessary to ensure that it opts back into the Efficiency Benefit Share Mechanism including through agreement of a new Track Access Agreement or a variation of an existing Track Access Agreement.

**3. ERTMS Programme**

## 3.1

- (a) The Franchisee shall:
- (i) co-operate in good faith with the relevant third parties involved in the implementation of the ERTMS Programme (including Network Rail and the relevant rolling stock providers) with the intention of ensuring its timely, efficient and cost effective implementation and, in particular assisting in the development and implementation of the programme for the design and fitment of the relevant ERTMS equipment on the first rolling stock unit of each class of rolling stock comprised in the Train Fleet for which the Franchisee is identified as the "Lead TOC" under the National Joint ROSCO First-In-Class Project (the "**First in Class Unit**") and the testing and commissioning of such equipment on each First in Class Unit. It is acknowledged by the Secretary of State and the Franchisee that Network Rail is responsible for the capital costs for the design and fitment of the relevant ERTMS equipment on each First in Class Unit;
  - (ii) prepare a plan and submit a plan to the Secretary of State within six months of the Start Date (and keep such plan under review and provide an updated plan to the Secretary of State on a quarterly basis) which addresses how it will deliver those activities for the implementation of the ERTMS Programme for which it is responsible including:
    - (A) the training of Franchise Employees who are drivers or rolling stock maintenance staff and other relevant Franchise Employees;
    - (B) the obtaining of such approvals and consents as may be required for the retro fitment of the relevant equipment to the other rolling stock units (other than the First In Class Units) comprised in the Train Fleet as are to be used for the operation of the Passenger Services on the ERTMS Enabled Network (the "**Affected Train Fleet**");
    - (C) the installation, testing and commissioning of the relevant ERTMS equipment on each unit comprised in the Affected Train Fleet; and
    - (D) the maintenance of any such ERTMS equipment fitted on the Affected Train Fleet and the First in Class Units,

(the "**Franchisee ERTMS Plan**") and any Franchisee ERTMS Plan prepared by the Franchisee pursuant to this paragraph shall be prepared on the basis that is consistent with the Proposed ERTMS Implementation Plan;
  - (iii) implement the Franchisee ERTMS Plan in accordance with its terms; and
  - (iv) following the implementation of ERTMS on any part of the routes specified in the Proposed ERTMS Implementation Plan (the "**ERTMS Enabled Network**") co-operate, in good faith, with Network Rail, the lessors of the Affected Train Fleet and the First in Class Units and other relevant third parties, with a view to ensuring the on-going efficient operation of the Passenger Services operated on the ERTMS Enabled Network including by working together with Network Rail, the lessors of the Affected

Train Fleet and the other relevant third parties to resolve any compatibility issues that may arise between the train borne equipment and the trackside equipment.

- (b) If at any time the Secretary of State (acting reasonably) is satisfied that the Franchisee has not complied or is not likely to comply with its obligations in this paragraph 3.1 he may at his discretion, and entirely without prejudice to his other rights consequent upon the relevant contravention, serve a Remedial Plan Notice pursuant to paragraph 1.1 of Schedule 10.1 (Remedial Plans and Remedial Agreements).

3.2 The Franchisee shall at the request of the Secretary of State provide to him (as soon as reasonably practicable and in any event within five Weekdays following the receipt by the Franchisee of any such request) such information (including progress reports and the latest Franchisee ERTMS Plan as at the date of such request) as the Secretary of State may reasonably require in relation to the implementation of the ERTMS Programme including for the purposes of:

- (a) satisfying himself that:
  - (i) the Franchisee ERTMS Plan is robust and deliverable; and
  - (ii) the implementation of the ERTMS Programme is being undertaken in accordance with the Proposed ERTMS Implementation Plan; and
- (b) reporting on progress in relation to matters relating to the implementation of the ERTMS Programme (including progress on the implementation of the Franchisee ERTMS Plan).

The Franchisee shall, upon reasonable notice, attend any such meeting as the Secretary of State may reasonably require for the purposes of discussing and explaining the Franchisee ERTMS Plan (including progress on the implementation of such plan).

3.3 Within one year following the first implementation of ERTMS on the ERTMS Enabled Network, the Franchisee shall carry out a detailed review of (i) the performance of the relevant ERTMS equipment installed by the Franchisee on the Affected Train Fleet and the First in Class Units pursuant to this paragraph 3 following the implementation of ERTMS on the ERTMS Enabled Network by Network Rail and (ii) the extent to which the performance of the relevant ERTMS equipment installed by the Franchisee on the Affected Train Fleet and the First in Class Units pursuant to this paragraph 3 has been adversely impacted or otherwise affected by failures in the trackside ERTMS equipment installed by Network Rail on the ERTMS Enabled Network and submit a report to the Secretary of State documenting the outcomes of such review in such format (and in such detail) as the Secretary of State may (acting reasonably) specify.

3.4 The Franchisee shall use all reasonable endeavours to ensure that any Track Access Agreement that it enters into with Network Rail reflects the following principles:

- (a) there will be no right for the Franchisee to claim compensation from Network Rail under Condition G.2 of the Network Code in relation to the direct or indirect consequences of any and all impacts on the Passenger Services due to the implementation of the ERTMS Programme except in the circumstances provided in paragraph 3.4(b) ("**Network Change Compensation Claims**"); and
- (b) the Franchisee will have the right to claim under Condition G.2 of the Network Code for any additional costs (which for these purposes shall include any loss of revenue which the Franchisee is entitled to claim thereunder) it incurs where there is a material change to the actual implementation plans (including the relevant timescales for the delivery of such plans) adopted by Network Rail in respect of the ERTMS Programme when compared to the plans as specified in the Proposed ERTMS Implementation Plan except where such material change is wholly attributable to the actions or inactions of the Franchisee.

- 3.5 If and to the extent that the Track Access Agreement entered into by the Franchisee does not reflect any of the principles set out in paragraph 3.4 including as a result of:
- (a) the Franchisee not being able to obtain the ORR's approval to any such terms; or
  - (b) the Franchisee not complying with its obligations under paragraph 3.4 and entirely without prejudice to the other rights the Secretary of State may have under the Franchise Agreement consequent upon a contravention by the Franchisee of the provisions of paragraph 3.4,

then the Franchisee shall immediately pay to the Secretary of State (as a debt), an amount equal to any amounts received by the Franchisee from Network Rail in respect of any Network Change Compensation Claim(s). Any amounts payable by the Franchisee to the Secretary of State pursuant to this paragraph 3.5 shall be paid on the next Payment Date following receipt by the Franchisee of any such amounts from Network Rail or where no such Payment Date exists shall be paid within 30 days of receipt by the Franchisee of any such amounts from Network Rail.

#### 4. **Stations related provisions**

##### **Station Asset Management Plan**

- 4.1 By 30 September 2016, the Franchisee shall ensure that:
- (a) the Station Asset Management Plan has been created so that it describes in relation to each Station:
    - (i) the maintenance, repair and renewal activity undertaken by the Franchisee, Network Rail, any Local Authority, any Community Rail Partnership and any other relevant stakeholder since the Start Date;
    - (ii) the maintenance, repair and renewal activity planned by the Franchisee, Network Rail, any Local Authority, any Community Rail Partnership and any other relevant stakeholder, which the Franchisee is aware of;
    - (iii) the assumptions the Franchisee has made about the current state and future degradation of station assets at the Start Date or, if an asset becomes a station asset on a later date, the assumptions of the Franchisee about the current state and future degradation of each relevant asset on the date that it becomes a station asset;
    - (iv) under and over provision of station assets at the Start Date given current and projected future customer volumes and reasonable customer demands;
    - (v) the plans to ensure that delivery of Station Services is resilient to periods of extreme weather and minimises disruption to passengers; and
    - (vi) how the Principles of Inclusive Design will be taken into account in the renewal of station assets,

and covers a period of forty years from the date it is created, as if the Franchisee was to operate the Stations for such period; and
  - (b) it has put in place such arrangements as are necessary (to the satisfaction of the Secretary of State) to ensure that the Station Asset Management Plan is (and continues to be maintained in) a format acceptable to the Secretary of State which is capable of being transferred to a Successor Operator as part of the Handover

Package so that the Successor Operator is able to access, use and amend the Station Asset Management Plan using the same format.

4.2 The Franchisee shall:

- (a) procure that, by 31 January 2017, the processes and procedures for the management of assets as detailed in the Station Asset Management Plan has been certified as complying with the requirements of ISO55001:2014 (or such other reasonably equivalent standard as may be approved in writing by the Secretary of State from time to time in place of ISO55001:2014) (the "**Station Asset Management Plan Accreditation**");
- (b) promptly upon receipt by the Franchisee, provide to the Secretary of State a certificate of accreditation issued by an organisation accredited by the United Kingdom Accreditation Service (UKAS) which has been signed by a statutory director of the Franchisee and which confirms that the Station Asset Management Plan Accreditation has been achieved the ("**Station Asset Management Plan Accreditation Certificate**"); and
- (c) maintain the Station Asset Management Plan Accreditation from the date that it is required to be achieved (being 31 January 2017) for the remainder of the Franchise Term.

If the Station Asset Management Plan Accreditation is at any time lost then the Franchisee shall promptly report that fact to the Secretary of State and secure the restoration of the Station Asset Management Plan Accreditation as soon as reasonably practicable, reporting to the Secretary of State on the measures it is proposing to take to achieve that restoration and progress made.

4.3 By the date of each anniversary of the Start Date, the Franchisee shall conduct consultations with relevant stakeholders (including ACoRP, passengers, Station users and members of relevant local communities) in relation to the potential risks, opportunities and priorities for investment and operational efficiencies in relation to Stations. The Franchisee shall act reasonably in determining the scope of the specification of such consultations including the Stations to be considered.

4.4 By the second anniversary of the Start Date and by the date of each subsequent anniversary of the Start Date the Franchisee shall have reviewed the Station Asset Management Plan and shall submit to the Secretary of State a draft updated version of the Station Asset Management Plan incorporating a schedule of any revisions to the Station Asset Management Plan and a brief summary of the rationale supporting any change for review and approval. Updating shall reflect changed and developing circumstances and the requirements of the Station Asset Management Plan Accreditation together with, where relevant, the outcomes of, and the Franchisee's responses to the stakeholder consultation process described in paragraph 4.3 above. The updated Station Asset Management Plan shall include the information required by paragraph 4.1(a) above, save that for the purposes of this paragraph 4.4, references to "**Start Date**" in paragraph 4.1(a) shall be read as "the date on which the Station Asset Management Plan is reviewed by the Franchisee in accordance with paragraph 4.3 of this Schedule 6.2. The Station Asset Management Plan shall be updated so that following each update it continues to cover a forty year time period from the date of the update.

4.5 If:

- (a) the Secretary of State approves an updated draft Station Asset Management Plan submitted to it pursuant to paragraph 4.4 above, such document shall become the then current Station Asset Management Plan; or
- (b) the Secretary of State does not approve an updated draft Station Asset Management Plan submitted to it pursuant to paragraph 4.4 above, then the Franchisee shall make such amendments to it as the Secretary of State shall reasonably direct.

### **Station Social and Commercial Development Plan**

- 4.6 By the date of each anniversary of the Start Date the Franchisee shall submit to the Secretary of State a draft updated version of the Station Social and Commercial Development Plan, incorporating a schedule of any revisions to the Station Social and Commercial Development Plan and a brief summary of the rationale supporting any change for review and approval. Updating shall reflect changed and developing circumstances together with, where relevant, the outcomes of, and the Franchisee's responses to, the stakeholder consultation process described in paragraph 4.3 above. The Station Social and Commercial Development Plan shall be updated so that following each update it continues to cover a ten year time period from the date of the update. The Franchisee shall implement the Station Social and Commercial Development Plan as it may be updated from time to time.
- 4.7 If:
- (a) the Secretary of State approves an updated draft Station Social and Commercial Development Plan submitted to it pursuant to paragraph 4.6 above, such document shall become the then current Station Social and Commercial Development Plan; or
  - (b) the Secretary of State does not approve an updated draft Station Social and Commercial Development Plan submitted to it pursuant to paragraph 4.6 above, then the Franchisee shall make such amendments to it as the Secretary of State shall reasonably direct (it being agreed that it will be unreasonable for the Secretary of State to make amendments that increase cost and risk to the Franchisee beyond parameters specified in the Record of Assumptions).

### **Inclusive design**

- 4.8 The Franchisee shall ensure that all renewal, enhancement and other building works at Stations are implemented in accordance with the Principles of Inclusive Design.

### **Information about Station improvement measures**

- 4.9 The Franchisee shall at all times during the Franchise Term maintain records in relation to the measures taken by it to improve the Station environment at each of the Stations, covering the areas and the information set out in Table A below. By no later than the end of the fourth anniversary of the Start Date, the Franchisee shall, in consultation with the Secretary of State and Rail North, undertake a review of the measures and metrics set out in Table A below and shall within 30 days of the completion of such review, deliver to the Secretary of State and Rail North a report setting out the findings and the outcome of such review. Following such review, the Secretary of State and the Franchisee may agree to make such necessary amendments to the measures and metrics specified in Table A of paragraph 4.12 to reflect the findings and outcomes of such review.
- 4.10 The Franchisee shall, subject to paragraph 4.11 below, provide to the Secretary of State the information set out in Table A within one Reporting Period of each anniversary of the Start Date during the Franchise Term.
- 4.11 When so requested by the Secretary of State, the Franchisee shall, within such reasonable period as the Secretary of State may specify, make such information available for review by the Secretary of State by reference to:
- (a) such level of disaggregation as is reasonably specified by the Secretary of State; and
  - (b) any particular Station as is reasonably specified by the Secretary of State.
- 4.12 The information to be provided by the Franchisee to the Secretary of State within the timescales stipulated in paragraph 4.10 are set out in the Table A below:



**Table A**

Information to be provided	Information (format)	When information to be provided
Levels of passenger satisfaction – NRPS targets	Passenger Focus reports	As per paragraph 4.10 but subject to paragraph 4.11.
Levels of passenger satisfaction – TPE Customer Satisfaction Survey	Slide deck of CSS analysis from market research firm	
Levels of inclusivity and Station accessibility	Annual update to Disabled People's Protection Policy by Customer Relationship Manager	
Meeting community needs - units available	Report by e-mail from Head of Social and Commercial Development	
Meeting community needs – stakeholder engagement	Log of meeting dates, attendees and summary of discussions in Excel spreadsheet	
Meeting community needs - Station Travel Plans	Completed STPs in pdf format	
Retail activity - opening hours index	Report by e-mail from Head of Social and Commercial Development	
Retail activity – turnover rents index	Report by e-mail from Head of Social and Commercial Development	
Station sustainability recycling	In accordance with the requirements of Appendix 1 to Schedule 13	
Station sustainability - energy usage index	In accordance with the requirements of Appendix 1 to Schedule 13	
Cost for provision of Station services – total QX index	Quotes document prepared annually for other access beneficiaries by the Commercial Contracts Manager	
Asset management - Organisational maturity	Report from UKAS-accredited assessor	
Crime and anti-social behaviour – number of	Report (in MS Word, pdf or equivalent format) by	

observed incidents of anti-social behaviour and criminality	e-mail from Head of Social and Commercial Development	
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### Addressing issues of security, antisocial behaviour and crime at Stations

4.13 The Franchisee shall, on a continuous basis during the Franchise Term, monitor and record all reported and observed incidents of:

- (a) anti-social behaviour; and
- (b) criminality (including assaults on passengers and Franchise Employees, theft, criminal damage to railway property and graffiti vandalism),

which occur at Stations, and shall in each case take active and vigorous steps to address, minimise and avoid future instances of anti social behaviour and criminality at Stations taking account of such data. The Franchisee may comply with its obligations to monitor and record incidents under this paragraph by providing copies of relevant information provided by the Franchisee to the British Transport Police where such information is relevant.

4.14 The Franchisee shall provide to the Secretary of State upon request such information as the Secretary of State may reasonably require from time to time in respect of the Franchisee's compliance with the requirements of paragraph 4.13 above.

4.15 Station transfers

- (a) The Franchisee shall use all reasonable endeavours to provide such assistance and information as the Secretary of State may reasonably require to assist Greater Manchester Combined Authority in preparing its plans in relation to the potential transfer of each of Stalybridge and/or Manchester Airport Stations (the "**TfGM Stations**") to the Greater Manchester Combined Authority during the Franchise Term.
- (b) If, during the Franchise Term, agreement is reached between the Secretary of State and the Greater Manchester Combined Authority in relation to the transfer of one or both of the TfGM Stations then the Secretary of State may direct the Franchisee (including by exercising his rights under paragraph 12 of Schedule 1.1 (Service Development)) to take such actions as may be necessary to give effect to the transfer of such TfGM Stations to the Greater Manchester Combined Authority. Any such direction by the Secretary of State shall constitute a Variation under paragraph 1.1(a) of Schedule 9.5 (Variations to the Franchise Agreement and Incentivising Beneficial Changes). Where a Variation occurs as contemplated under this paragraph 4.15(b), the Secretary of State shall be entitled to make such consequential changes to the terms of this Franchise Agreement as reasonably considered necessary by him in order to give effect to the transfer of such TfGM Stations (including, notwithstanding the provisions of paragraph 1.2(b) of Schedule 9.5, the provisions of paragraph 13 of Schedule 14 in order to ensure that such provisions will continue to apply in relation to any Network Rail Fixture Asset comprised in a transferring TfGM Station in the same way as such provisions would have applied had the Franchisee remained the Facility Owner at such TfGM Station).

4.16 Station Investment

- (a) The Franchisee shall at all times during the Franchise Term, co-operate with the Secretary of State and any third party nominated by the Secretary of State and notified to the Franchisee in developing opportunities for financing investment at Stations and Franchisee Access Stations in order to improve the station environment at such stations.

- (b) In co-operating with the Secretary of State and/or any nominated third party in developing any such financing opportunities, the Franchisee shall:
- (i) attend meetings with the Secretary of State and/or such third party to discuss such opportunities;
  - (ii) provide the Franchisee's opinion on those opportunities;
  - (iii) review and comment on implementation timetables and programmes for any such opportunities; and
  - (iv) where requested by the Secretary of State to do so use all reasonable endeavours to engage with Network Rail for the purposes of ascertaining the feasibility and costs of making amendments to any Station Leases in order to facilitate the implementation of those opportunities.

## 5. **Interface with Rail North**

The Franchisee agrees that it shall co-operate to the extent reasonably required with the Secretary of State and Rail North for the purposes of facilitating the management of this Agreement in the manner envisaged by the Rail North Agreement including through a "strategic board" and joint Rail North/Secretary of State management team. The Franchisee acknowledges that it has been provided with a redacted copy of the Rail North Agreement.

## 6. **Community Rail Partnerships**

- 6.1 The Franchisee shall engage with the Community Rail Partnerships relevant to the Passenger Services, including but not limited to:

<b>Community Rail Partnership</b>	<b>Line / Services forming Partnership</b>
Bentham Line	Leeds – Lancaster – Morecombe
Bishop Line	Darlington – Bishop Auckland
Clitheroe Line	Clitheroe – Manchester Victoria
Crewe – Manchester	Crewe – Manchester
Cumbrian Coast	Carlisle – Barrow
East Lancashire	Colne – Preston
Esk Valley Railway Development Company	Middlesbrough – Whitby
Furness Line	Lancaster – Barrow-in-Furness
Hope Valley & High Peak	Manchester – Sheffield / Buxton / Glossop
Humber Region	Cleethorpes – Barton-on-Humber
Lakes Line	Oxenholme – Windermere
Mid Cheshire	Manchester – Northwich – Chester
Penistone Line	Huddersfield – Sheffield
Settle Carlisle Railway Development Company	Leeds – Carlisle
South Fylde	Preston – Blackpool South
Tyne Valley	Newcastle – Carlisle
West Lancashire	Preston – Ormskirk
Yorkshire Coast	Hull – Scarborough

(and any successor Community Rail Partnerships).

6.2 The Franchisee shall, at the request of the Secretary of State:

- (a) co-operate with the Secretary of State, Network Rail, ACoRP, local transport authorities and/or any other person as the Secretary of State may nominate for the purposes of developing and furthering the success of Community Rail Partnerships; and
- (b) co-operate with, establish and/or participate in any Community Rail Partnership; and
- (c) co-operate in the development of the Secretary of State's initiatives to examine:
  - (i) options for a more cost effective delivery of the railway passenger services operated on any Community Rail Route (such options to include changes in working practices of the relevant Franchise Employees, reducing rolling stock lease costs and maximising opportunities for obtaining local funding of development at relevant stations and developing new ways of maintaining and renewing relevant railway infrastructure; and
  - (ii) the actual costs incurred in operating, maintaining and renewing the infrastructure relevant for such Community Rail Route.

6.3 The Secretary of State may at any time, by proposing a Variation pursuant to paragraph 1.1(a) of Schedule 9.5 (Variation to the Franchise Agreement and Incentivising Beneficial Changes), require the Franchisee to develop and/or implement any changes to the Franchise Services and/or the transfer of any Franchise Services to another Train Operator in order to deliver either of the initiatives that were examined pursuant to paragraph 6.2(c).

## 7. **TSR Enhancement Services**

7.1 The Franchisee acknowledges that the Secretary of State has specified in the Train Service Requirement a significant increase (in terms of number and frequency) in the provision of Passenger Services on certain Routes (each a "**TSR Enhancement Service**") and that the Secretary of State will wish to review whether the benefits of the continued provision of any TSR Enhancement Service outweighs the costs of operating any such TSR Enhancement Service.

7.2 Accordingly, at the request of the Secretary of State and within 3 months from the date of any such request (or such alternative period as may be agreed by the Secretary of State) the Franchisee shall submit a report containing such information and analysis as the Secretary of State may reasonably request in relation to any TSR Enhancement Service. In particular (without limitation), such information and analysis may include:

- (a) the level of passenger demand in relation to:
  - (i) TSR Enhancement Services that operate before 0700 or after 2100;
  - (ii) TSR Enhancement Services that operate on Routes where the applicable Train Service Requirement requires an increase in the number of Passenger Services that must be operated each day when compared to that specified in the timetable applicable as at December 2014;
- (b) the amount of revenue generated from the provision of each of the TSR Enhancement Services;

- (c) the costs incurred by the Franchisee for the operation of each of the TSR Enhancement Services; and
  - (d) any potential opportunities to increase revenue derived from, or to reduce costs incurred in, operating each of the TSR Enhancement Services.
- 7.3 In relation to the reports required to be provided by the Franchisee under paragraph 7.2 the Secretary of State:
- (a) shall only be entitled to require the Franchisee to submit no more than two such reports;
  - (b) may request that any information contained in any such report is made available by reference to such level of aggregation (including in relation to early – morning and late – evening Passenger Services in general) or disaggregation (including by particular routes, service group or passenger services) as the Secretary of State may reasonably require; and
  - (c) shall, prior to issuing a request to the Franchisee to submit a report pursuant to paragraph 7.2, consult the Franchisee such that the Franchisee has the opportunity to comment on whether or not it will be feasible to provide the information and analysis that the Secretary of State intends to request in exercise of his rights pursuant to paragraph 7.2. In exercising his rights under paragraph 7.2 to require the Franchisee to submit a report the Secretary of State shall have due regard to any such comments made by the Franchisee.
- 7.4 Following the submission of any report required pursuant to paragraph 7.2 the Franchisee shall:
- (a) promptly respond to the Secretary of State’s reasonable queries in relation to such report (including the provision of such assistance as the Secretary of State may reasonably require in connection with the verification of any information contained in such report); and
  - (b) upon reasonable notice, attend any such meeting as the Secretary of State may reasonably require for the purposes of discussing the contents of any such report.
- 8. Hope Valley Additional Services**
- 8.1 The Franchisee shall, at the request of the Secretary of State, consult with passengers, user groups, Network Rail, train operators licensed under the Act and who operate along the Hope Valley route between Manchester and Sheffield (“**Hope Valley Route**”) and other relevant Stakeholders on the options for the provision of additional railway passenger services along the Hope Valley Route. At the direction of the Secretary of State the Franchisee shall undertake the consultation required by this paragraph 8.1 in conjunction with the Northern Franchisee.
- 8.2 Following any consultation required pursuant to paragraph 11.1 and, within such timescales as the Secretary of State may require, the Franchisee shall prepare and submit such reports as the Secretary of State may request (provided that the Secretary of State shall only be entitled to request no more than two such reports during the Franchise Period) which set out as a minimum, the following:
- (a) its proposals for the provision of additional railway passenger services along the Hope Valley Route (“**Hope Valley Additional Services**”);
  - (b) the class and type of rolling stock that they propose to deploy in the provision of the Hope Valley Additional Services;
  - (c) the Franchisee’s reasons for opting to provide the Hope Valley Additional Services in the manner envisaged in the report and setting out how this

reasoning is supported by the findings of the consultation undertaken pursuant to paragraph 8.1; and

- (d) the impact on Franchise Payments (if any) if the Secretary of State (at his sole discretion) elects to vary the Train Service Requirement to require the provision of the Hope Valley Additional Services thereby triggering a Change pursuant to paragraph (e) of the definition of Change.

8.3 Following the submission of any report required pursuant to paragraph 7.2 the Franchisee shall:

- (a) promptly respond to the Secretary of State's reasonable queries in relation to such report (including the provision of such assistance as the Secretary of State may reasonably require in connection with the verification of any information contained in such report); and
- (b) upon reasonable notice, attend any such meeting as the Secretary of State may reasonably require for the purposes of discussing the contents of any such report.

## 9. **Proposals for the Liverpool to Nottingham Services**

9.1 Within 12 months of the Start Date (or such alternative later date as the Secretary of State may agree), the Franchisee shall:

- (a) undertake a feasibility study for the purposes of identifying options ("**EMT Services Options**") with regards to future service patterns that can be operated by the Franchisee in the event that the Secretary of State (at his sole discretion) elects to vary the train service requirement relating to the East Midlands Franchise such that the Franchisee assumes the responsibility for operating some or all of the railway passenger services between Liverpool and Nottingham. The EMT Services Options to be considered by the Franchisee shall include options which preserve the operation of through services between Liverpool and Norwich;
- (b) consult with passengers, user groups, Network Rail and other relevant Stakeholders on the EMT Services Options that it is considering as part of the feasibility study required pursuant to paragraph 9.1(a); and
- (c) prepare and submit to the Secretary of State a report which sets out the outcomes of the feasibility study undertaken pursuant to paragraph 9.1(a). Any such report shall include information relating to
  - (i) the EMT Services Options considered as part of the feasibility study required pursuant to paragraph 9.1(a) including the findings of the consultation undertaken pursuant to paragraph 9.1(b); and
  - (ii) the operational and financial consequences (if any) of implementing any of the EMT Services Options.

9.2 Following the submission of the report required pursuant to paragraph 9.1(c) the Franchisee shall:

- (a) promptly respond to the Secretary of State's reasonable queries in relation to such report (including the provision of such assistance as the Secretary of State may reasonably require in connection with the verification of any information contained in such report); and
- (b) upon reasonable notice, attend any such meeting as the Secretary of State may reasonably require for the purposes of discussing the contents of such report.

9.3 For the purposes of paragraph 9.1, "**East Midlands Franchise**" means the rights tendered by the Secretary of State to operate certain railway passenger services identified by him as the East Midlands passenger services (or such other name as he may notify to the Franchisee for this purpose from time to time).

## 10. **Journey Time Improvements**

10.1 For the purposes of producing the report required pursuant to paragraph 10.3, the Franchisee shall undertake a feasibility study for the purposes of identifying options (the "**JTI Options**") for delivering journey time improvements on Routes where such journey time improvements can be delivered including by:

- (a) implementing changes to the existing infrastructure;
- (b) improving rolling stock capability or reliability including through the modification of rolling stock or employing efficient maintenance arrangements; and/or
- (c) implementing changes in service patterns.

10.2 The Franchisee shall, as part of the feasibility study required pursuant to paragraph 10.1 and as a minimum:

- (a) consult with passengers, other train operators licensed under the Act who operate along the affected Routes, relevant user groups and other relevant Stakeholders. At the direction of the Secretary of State the Franchisee shall undertake the consultation required by this paragraph 10.2(a) in conjunction with the Northern Franchisee;
- (b) work with Network Rail with a view to considering the feasibility of implementing any of the JTI Options where Network Rail input is required or where implementation of such JTI Option will require changes to the infrastructure or the Timetable. The Franchisee shall robustly challenge Network Rail to identify efficient and cost-effective ways by which such JTI Options could be implemented and provide evidence that it has complied with this requirement in the report to be submitted to the Secretary of State pursuant to paragraph 10.3;
- (c) prepare an initial assessment of the likely costs and benefits of implementing the JTI Options;
- (d) engage with third party funders (including Local Authorities and local development agencies) to identify opportunities to secure grant funding for the purposes of implementing some or all of the JTI Options;
- (e) consider ways in which the Franchisee's New EMUs, New InterCity Coaches and New BiMode Vehicles could be utilised on the west coast mainline in order to improve journey times on the relevant Routes; and
- (f) using all reasonable endeavours, work with Network Rail to identify the underlying causes of temporary speed restrictions on the Routes with the intention of resolving those causes in order to reduce the likelihood and incidences of temporary speed restrictions.

10.3 Within 18 months of the Start Date, the Franchisee shall submit to the Secretary of State a report which sets out the outcomes of the feasibility study undertaken pursuant to paragraph 10.1, such report to include information relating to the matters set out in paragraphs 10.2(a) to 10.2(d).

10.4 Following the submission of the report required pursuant to paragraph 10.3 the Franchisee shall:

- (a) promptly respond to the Secretary of State's reasonable queries in relation to such report (including the provision of such assistance as the Secretary of State may reasonably require in connection with the verification of any information contained in such report); and
  - (b) upon reasonable notice, attend any such meeting as the Secretary of State may reasonably require for the purposes of discussing the contents of such report.
- 10.5 The Franchisee shall, at the request of the Secretary of State, co-operate with Network Rail and other relevant Stakeholders to undertake further development and, if appropriate, implementation of any or all of the JTI Options. The Secretary of State and the Franchisee acknowledge and agree that if any or all of the JTI Options are to be implemented this will be by way of amendment to the Train Service Requirement or by the Secretary of State proposing a Variation pursuant to paragraph 1.1(a) of Schedule 9.5 (Variations to the Franchise Agreement and Incentivising Beneficial Changes).

## 11. **Boxing Day Services**

11.1 Within 12 months of the Start Date the Franchisee shall:

- (a) consult with passengers, user groups, Network Rail, other train operators licensed under the Act and who operate along the affected Routes and other relevant Stakeholders on the potential demand for passenger services on 26 December in each Franchisee Year ("**Boxing Day Services**"); and
- (b) prepare and submit a report to the Secretary of State which sets out its proposals for operating Boxing Day Services. Such report shall include:
  - (i) the Franchisee's view on whether or not the operation of the Boxing Day Services will be commercially viable; and
  - (ii) the impact on Franchise Payments (if any) if the Secretary of State (at his sole discretion) elects to vary the Train Service Requirement to require the provision of the Boxing Day Services thereby triggering a Change pursuant to paragraph (e) of the definition of Change.

11.2 At the direction of the Secretary of State the Franchisee shall undertake the consultation required by paragraph 11.1(a) in conjunction with the Northern Franchisee.

11.3 Following the submission of the report required pursuant to paragraph 11.1 the Franchisee shall:

- (a) promptly respond to the Secretary of State's reasonable queries in relation to such report (including the provision of such assistance as the Secretary of State may reasonably require in connection with the verification of any information contained in such report); and
- (b) upon reasonable notice, attend any such meeting as the Secretary of State may reasonably require for the purposes of discussing the contents of such report.

## 12. **Infrastructure Projects/Other Third Party Promoted Schemes**

12.1 The Franchisee shall from the Start Date until completion of each Infrastructure Project engage constructively with all relevant parties responsible for the delivery of such Infrastructure Project with the intention of assisting its timely, efficient and effective completion.

12.2 To the extent that any Infrastructure Project leads to the Franchisee having rights under railway industry procedures (including Network Change and Station Change) the Franchisee shall not act in a way designed to directly or indirectly prevent, prejudice or frustrate the delivery of such Infrastructure Project and the Franchisee shall not unreasonably raise any



objection under any railway industry procedure (including Network Change or Station Change) and any reasonable objections shall be raised by the Franchisee in accordance with the relevant railway industry procedures. It is acknowledged that the Franchisee may make reasonable objections with a view to mitigating the impact of the Infrastructure Projects and their implementation on passengers and the Franchise Services, while recognising the need for the Infrastructure Projects to be able to be undertaken in a reasonable manner.

- 12.3 The Franchisee shall throughout the Franchise Term allocate such appropriate Franchise Employees and other relevant resource as is reasonably required for the purposes of complying with its obligations in relation to all of the Infrastructure Projects pursuant to both this Franchise Agreement and the Access Agreements to which it is a party.
- 12.4 The Franchisee shall provide within 17 days of the end of each Reporting Period a detailed report complying with the reasonable requirements of the Secretary of State describing progress in relation to matters relating to each Infrastructure Project and identifying and quantifying so far as the Franchisee is reasonably able the emerging risk position in relation to each such Infrastructure Project as it affects passengers and the Franchise Services. The Franchisee shall provide such additional information as the Secretary of State shall reasonably request and if requested by the Secretary of State it shall develop such alternative and contingency plans as the Secretary of State may reasonably require for the purpose of mitigating relevant risk and ensuring that the adverse impacts on passengers and the Franchise Services of any relevant risk arising is mitigated to the greatest extent reasonable practicable.
- 12.5 For the purposes of this paragraph 12:

**"Infrastructure Project"** means any of the infrastructure projects described or referred to in the document in agreed terms marked **"IAD"**.

#### **Third Party Promoted Schemes**

- 12.6 Where instructed to do so by the Secretary of State the Franchisee shall fully and effectively co-operate with the Secretary of State, Network Rail and any relevant Local Authority in relation to any scheme to reopen or divert any rail route.
- 12.7 The Franchisee shall fully and effectively co-operate with any Local Authority that seeks to promote a scheme for the provision of additional or varied Passenger Services including by attending meetings and contributing to feasibility schemes and project plans and liaising with relevant industry participants including Network Rail.
- 12.8 The Franchisee shall all times during the Franchise Term fully and effectively co-operate with the Secretary of State, Network Rail, any Local Authority or any relevant third party in the development of plans and proposals to enhance existing stations and open new stations. The obligation to co-operate pursuant to this paragraph 12.8 shall include the Franchisee carrying out in a timely manner all the activities and actions reasonably required to be carried out or taken by a Train Operator who is or would be the facility owner at a station including attending meetings with the Secretary of State, Network Rail, a Local Authority or a relevant third party (as the case may be), review and comment on the implementation timetables and programmes for the development of a new station and use reasonable endeavours to achieve any necessary amendments to any Station Lease or enter into new station leases as may be required for the purposes of the development and implementation of any such new station.

### **13. HS2 Project**

- 13.1 The Franchisee shall from the Start Date until the completion of the HS2 Project fully and effectively co-operate and engage constructively with all relevant parties responsible for the delivery of the HS2 Project with the intention of assisting in the timely, efficient and cost effective implementation and delivery of the HS2 Project in a manner which provides the best overall solution for the network. To the extent that the HS2 Project leads to the Franchisee having rights under railway industry procedures including Network Change or Station Change the Franchisee shall not act in a way designed to directly or indirectly

prevent, prejudice or frustrate the delivery of the HS2 Project and the Franchisee shall not unreasonably raise any objection under any railway industry procedure including Network Change or Station Change. It is acknowledged that the Franchisee may make reasonable objections with a view to mitigating the impact of the HS2 Project and their implementation on passengers and the Franchise Services, while recognising the need for the HS2 Project to be able to be undertaken in a reasonable manner.

13.2 The Franchisee shall provide such information in respect of the HS2 Project as the Secretary of State may reasonably request from time to time.

#### 14. **Remapping of certain Passenger Services**

14.1 It is acknowledged that:

(a) from the Start Date the Northern Franchisee shall be responsible for the operation of the passenger services between:

- (i) Blackpool North and Manchester Airport;
- (ii) Barrow-in-Furness and Manchester Airport; and
- (iii) Windermere and Oxenholme and Windermere and Manchester Airport,

which in each case, immediately prior to the Start Date, were operated by the Train Operator under the Previous Franchise Agreement; and

(b) the Northern Franchisee will, at the Start Date, become the Facility Owner at:

(i) the following stations:

- (A) Arnside;
- (B) Barrow-in-Furness;
- (C) Birchwood;
- (D) Burneside;
- (E) Carnforth;
- (F) Kendal;
- (G) Grange-over-Sands;
- (H) Staveley;
- (I) Ulverston;
- (J) Warrington Central; and
- (K) Windermere; and

(ii) the following depots:

- (A) Barrow-in-Furness; and
- (B) Blackpool.

14.2 It is further acknowledged that the Train Service Requirement which takes effect from the date that the Train Service Requirement in agreed terms "**TSR1**" is replaced by the Train

Service Requirement in agreed terms "**TSR2**" (as such date is specified in paragraph 1.2 of Schedule 1.1 (Service Development)) specifies certain changes in the pattern of the Passenger Services operated between Liverpool and Manchester, such changes to be effective from the date upon which the Train Service Requirement in the agreed terms "**TSR2**" comes into effect.

14.3 Accordingly the Franchisee agrees that the financial consequences of the remapping of the passenger services as contemplated in paragraphs 14.1 and 14.2 have been accounted for in the Financial Model and the Record of Assumptions applicable as at the date of the Franchise Agreement and, except as specified in paragraph 1.2 of Schedule 1.1 (Service Development) and Schedule 9.3 (Secretary of State Risk Assumptions), such remapping of the Passenger Services shall not trigger a Change for the purposes of the Franchise Agreement.

14.4 The Franchisee shall not object to any application made by the Northern Franchisee under the Ticketing and Settlement Agreement to become the Lead Operator in respect of the Compulsory Inter-available Flows comprised in the passenger services to be remapped as described in paragraph 14.1.

14.5 Train Crew Trading

(a) The Franchisee shall on or before the Start Date negotiate and enter into each of the following agreements with the Northern Franchisee:

- (i) an agreement under which the Franchisee will provide train crew to the Northern Franchisee for the provision of certain of the Northern Franchisee's passenger services, such agreement to be in substantially the same form as the agreement in the agreed terms marked "**TCTSA(1)**"; and
- (ii) an agreement under which the Northern Franchisee will provide train crew to the Franchisee for the provision of certain of its Passenger Services, such agreement to be in substantially the same form as the agreement in the agreed terms marked "**TCTSA(2)**"

such agreements being referred to together as the "the **Train Crew Trading Services Agreement**".

(b) It is acknowledged that there are certain provisions of the agreed terms documents marked "**TCTSA(1)**" and "**TCTSA(2)**" (such provisions prefixed as "Parties to agree" in the documents marked "**TCTSA(1)**" and "**TCTSA(2)**") which will need to be negotiated and agreed by the Franchisee and the Northern Franchisee prior to the completion and execution of the Train Crew Trading Services Agreement (the "**Negotiated Provisions**"). Accordingly the Franchisee shall co-operate in good faith with the Northern Franchisee to agree and finalise the Negotiated Provisions so that the Train Crew Trading Services Agreement is executed and comes into effect by no later than the Start Date. If:

- (i) the Franchisee and the Northern Franchisee fail to agree any of the Negotiated Provisions by the date that is 10 days prior to the Start Date; or
- (ii) the Secretary of State reasonably considers that the Franchisee and the Northern Franchisee are not likely to agree any of the Negotiated Provisions with the effect that they are unlikely to enter into the Train Crew Trading Services Agreement by the date that is 10 days prior to the Start Date,

then the Secretary of State may reasonably determine such Negotiated Provisions. If there is any dispute between the Franchisee and the Northern Franchisee in relation to any Negotiated Provision then such matter may be

referred to the Secretary of State for resolution. The Franchisee agrees that the decision of the Secretary of State in relation to any such matter shall be conclusive and binding.

- (c) Unless otherwise agreed by:
  - (i) the Secretary of State, the agreement referred to in paragraph 14.5(a)(i) shall remain in force until at least the Passenger Change Date occurring on or about December 2017; and
  - (ii) the Franchisee and the Northern Franchisee, the agreement referred to in paragraph 19.5(a)(ii) shall remain in force until at least the Passenger Change Date occurring on or about December 2017.

#### 14.6 Rolling Stock Hire Arrangements

- (a) On or before the Start Date the Franchisee shall negotiate and, following receipt of the written consent of the Secretary of State pursuant to paragraph 2 of Schedule 2.2 (Security of Access Agreements, Rolling Stock Leases, Station and Depot Leases), enter into a rolling stock hire agreement ("**TPE/Northern Rolling Stock Hire Agreement**") with the Northern Franchisee under which the Franchisee will make such rolling stock vehicles available to the Northern Franchisee so that the Northern Franchisee is able to operate the Remapped Diagram for the relevant day and for the duration of the term of the TPE/Northern Rolling Stock Hire Agreement. The Franchisee shall co-operate in good faith with the Northern Franchisee to agree the terms of the TPE/Northern Rolling Stock Hire Agreement such that the TPE/Northern Rolling Stock Hire Agreement is executed and comes into effect by no later than the Start Date. If:
  - (i) the Franchisee and the Northern Franchisee fail to agree the terms of the TPE/Northern Rolling Stock Hire Agreement by the date that is 10 days prior to the Start Date; or
  - (ii) the Secretary of State reasonably considers that the Franchisee and the Northern Franchisee are not likely to agree and enter into the TPE/Northern Rolling Stock Hire Agreement by the date that is 10 days prior to the Start Date,

then the Secretary of State may require the Franchisee and the Northern Franchisee to enter into a TPE/Northern Rolling Stock Hire Agreement on such terms as he may reasonably determine and which are consistent with the principles set out in paragraph 14.6(b). If there is any dispute between the Franchisee and the Northern Franchisee in relation to the terms of the TPE/Northern Rolling Stock Hire Agreement then such matter may be referred to the Secretary of State for resolution. The Franchisee agrees that the decision of the Secretary of State in relation to any such matter shall be conclusive and binding.

- (b) The TPE/Northern Rolling Stock Hire Agreement shall be on terms to be agreed by the Franchisee and the Northern Franchisee but must reflect the following principles:
  - (i) the scheduled expiry date shall be no earlier than the Passenger Change Date occurring on or about December 2017;
  - (ii) the TPE/Northern Rolling Stock Hire Agreement shall require the Franchisee to:
    - (A) make available to the Northern Franchisee in accordance with its Plan of the Day such rolling stock vehicles as will enable the Northern Franchisee to

- operate its Remapped Diagram on each relevant day;  
and
- (B) unless otherwise agreed by the Northern Franchisee, prioritise the Remapped Diagram in the event of a shortfall of rolling stock vehicles;
- (iii) the hire charge payable by the Northern Franchisee to the Franchisee for the hire of the rolling stock vehicles shall be agreed by the parties on a reasonable basis and in any event shall be consistent with the rent payable (per unit) by the Franchisee under the Rolling Stock Lease relating to the relevant rolling stock vehicles;
- (iv) maintenance of the relevant rolling stock vehicles will be carried out by the Franchisee and the Northern Franchisee shall pay a reasonable contribution to the maintenance costs of such rolling stock vehicles to reflect the period of time in respect of which such rolling stock vehicles are in operation for the purposes of fulfilling the Remapped Diagram;
- (v) there shall be a reasonable liquidated damages regime consistent with reasonable market practice in comparable circumstances;
- (vi) the terms of the TPE/Northern Rolling Stock Hire Agreement shall be consistent with the terms of the Rolling Stock Lease entered into by the Franchisee for the relevant rolling stock vehicles; and
- (vii) the Franchisee and the Northern Franchisee shall each bear their own costs and expenses incurred in connection with or arising out of the negotiation, preparation and execution of the TPE/Northern Rolling Stock Hire Agreement (including any costs relating to the negotiation, preparation and execution of any of the amendments required to be made to the Rolling Stock Lease relating to the relevant rolling stock vehicles as a consequence of the entry into of the TPE/Northern Rolling Stock Hire Agreement).
- (c) From the date upon which the TPE/Northern Rolling Stock Hire Agreement comes into full force and effect the Franchisee shall, at the request of the Secretary of State, enter into a replacement TPE/Northern Rolling Stock Hire Agreement on materially the same commercial terms with, as the case may be, a successor operator who becomes the franchisee of all or part of the services provided by the Northern Franchisee except to the extent that the Secretary of State otherwise directs.
- (d) <sup>65</sup>**For the purposes of this paragraph 14.6 "Remapped Diagram" means the rolling stock diagram relating only to the passenger services described in paragraph 14.1(a) to be operated by the Northern Franchisee from the Start Date.**
- (e) The Franchisee shall ensure that any Rolling Stock Lease relating to any of the rolling stock vehicles to be hired to the Northern Franchisee pursuant to the TPE/Northern Rolling Stock Hire Agreement are on terms which permit the hire of any such rolling stock vehicles to the Northern Franchisee in the manner contemplated under this paragraph 14.6 and without the need to obtain any further consent or approval of the lessor under such Rolling Stock Lease.

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<sup>65</sup> Date of contract change - 31/03/2016 - Agreed by the Secretary of State and Franchisee

**15. The North Trans Pennine Upgrade Variation**

15.1 The Franchisee and the Secretary of State acknowledge that:

- (a) the timing of the North Trans Pennine Upgrade is not yet finally determined and may be completed in phases (with potentially a few years between the completion of each such phase);
- (b) that if a North Trans Pennine Upgrade is completed during the Franchise Term it is likely that the Secretary of State will wish to vary the Franchise Services to ensure that the North Trans Pennine Upgrade Infrastructure Outputs are appropriately utilised.

15.2 The Franchisee shall from the Start Date until the completion of a North Trans Pennine Upgrade engage constructively with Network Rail and all other relevant parties responsible for the delivery of it with the intention of assisting its timely, efficient and cost effective completion.

15.3 The Franchisee shall be delivery partner to the Secretary of State in relation to planning of a North Trans Pennine Upgrade and accordingly it shall use all reasonable endeavours to lead and co-ordinate train operator input into the planning and delivery process for a North Trans Pennine Upgrade with the intention that the North Trans Pennine Upgrade is to the greatest extent reasonably practicable:

- (a) designed in a way that optimises the ability of train operators to utilise the outputs of the North Trans Pennine Upgrade; and
- (b) delivered in a cost efficient and effective manner balancing the needs to avoid undue disruption to passenger services and facilitate appropriate possessions.

In this context recognising its key interest in the North Trans Pennine Upgrade the Franchisee shall apply appropriate focus to co-operate closely with the Northern Franchisee.

15.4 To the extent that a North Trans Pennine Upgrade leads to the Franchisee having rights under railway industry procedures (including Network Change and Station Change) the Franchisee shall not act in a way designed to directly or indirectly prevent, prejudice or frustrate the delivery of such North Trans Pennine Upgrade and the Franchisee shall not unreasonably raise any objection under any railway industry procedure (including Network Change or Station Change) and any reasonable objections shall be raised by the Franchisee in accordance with the relevant railway industry procedures.

15.5 The Franchisee shall fully and effectively co-operate with the Secretary of State and Network Rail in the development and amendment of the specification of the North Trans Pennine Upgrade in accordance with the reasonable requirements of the Secretary of State. The Franchisee may be required to provide its opinion, as a skilled and experienced train operator, on the operational and commercial impacts of the proposed specification and any amendment to it and the benefits and disbenefits of different options to achieve the output specification required by the Secretary of State. The Franchisee may be required to comment on rolling stock implications of options under consideration.

15.6 The Secretary of State may at any time issue a Request for a North Trans Pennine Upgrade Franchise Services Proposal. The matters to be addressed in the North Trans Pennine Upgrade Franchise Services Proposal shall be those specified by the Secretary of State and may include:

- (a) the implications of proposed changes to the TSR;
- (b) the acquisition of electrically powered rolling stock and related depot facilities and stabling solutions and their specification;
- (c) proposals for a cascade of diesel rolling stock expected to be displaced by new electric rolling stock;

- (d) the implications for Franchisee Employees including in relation to training and recruitment;
- (e) support of integration of new electrically powered rolling stock and new infrastructure and the management of delivery and commissioning of new rolling stock and depot and stabling facilities;
- (f) potential staged changes to the specification of the Passenger Services in consequence of any staged completion of the North Trans Pennine Upgrade Infrastructure Outputs; and
- (g) the impacts of consequent alterations to costs and revenues and the likely scope and outcome of a Qualifying Change involving where required one or more indicative Run of the Financial Model.

The Franchisee shall submit the North Trans Pennine Upgrade Franchise Services Proposal on or before such date as the Secretary of State shall reasonably specify.

- 15.7 The Franchisee shall provide such further or additional information as the Secretary of State may reasonably require for the purposes of considering and developing the North Trans Pennine Upgrade Franchise Services Proposal and shall meet with the Secretary of State for discussion purposes as he shall reasonably require.
- 15.8 The Secretary of State and the Franchisee shall use reasonable endeavours to agree a Variation to the Franchise Agreement pursuant to paragraph 1 of the Schedule 9.5 (Variations to the Franchise Agreement and Incentivising Beneficial Changes) to implement the changes to the Franchise Services reasonably required to utilise the outputs of the North Trans Pennine Upgrade in accordance with the requirements of the Secretary of State. In the event that they disagree on any matter (including the nature and terms of any Rolling Stock Related Contract or Key Contract required to be entered into by the Franchisee to enable it to comply with its obligations under this Agreement after any Variation is implemented) the Secretary of State shall reasonably determine the matter. Following any required reasonable determination by the Secretary of State variations to this Agreement shall be made, at the option of the Secretary of State, by the service of a notice pursuant to paragraph 1.1(a) of Schedule 9.5 (Variations to the Franchise Agreement and Incentivising Beneficial Changes) or through the entering into of a deed of amendment to this Agreement pursuant to paragraph 1.1 (c) of Schedule 9.5 (Variations to the Franchise Agreement and Incentivising Beneficial Changes). In accordance with the provisions of paragraph 1 of Schedule 9.5 (Variations to the Franchise Agreement and Incentivising Beneficial Changes) such a variation shall be a Change. If the Secretary of State has given the Franchisee at least twelve months' notice of the date from which he expects the North Trans Pennine Upgrade to be completed and such date is after 31 December 2021 no such Change shall take into account any additional costs or charges payable to:
- (a) the lessor of rolling stock vehicles within the Train Fleet in consequence of the right to terminate such lease early being exercised by the Franchisee; and/or
  - (b) the provider of any services in relation to any rolling stock vehicles (including maintenance and repair, depot support and spares supply) in consequence of a right to terminate the provision of such services being exercised by the Franchisee.

## 16. **Branding**

Subject to the Franchisee obtaining a licence or consent from the relevant third party in respect of any such brand names which are Marks (which such licence or consent the Franchisee shall use all reasonable endeavours to obtain), the Franchisee shall ensure that it continues to co-brand each of the Stations listed in column 1 of the following table in the same manner as applied immediately prior to the Start Date by branding each such Station to include the brand names of the third party specified in respect of that Station in column 2 of such table:

<b>Column 1</b>	<b>Column 2</b>
<b>Station</b>	<b>Third Party Brand</b>
Dewsbury	West Yorkshire Combined Authority
Huddersfield	West Yorkshire Combined Authority
Manchester Airport	Transport for Greater Manchester
Stalybridge	Transport for Greater Manchester

17. **Co-operation with Local Authority Increment and Decrement schemes**

Without prejudice to its other obligations to the Secretary of State pursuant to this Agreement the Franchisee shall fully and effectively co-operate with relevant Local Authorities and act reasonably and in good faith in its engagement with each of them in relation to any Local Authority Increment Schemes and/or Local Authority Decrement Schemes proposed by a Local Authority during the Franchise Term.

18. **Arcturus II Rolling Stock Arrangement**

Unless the Secretary of State gives the Franchisee notice to the contrary the Franchisee shall take such steps as are necessary to ensure that it becomes a party to the Arcturus II Rolling Stock Arrangement on or before the Start Date.

19. **Service Option Schemes**

19.1 The Franchisee acknowledges the importance of appropriately developing the Franchise Services during the Franchise Term to respond to changes in circumstances including:

- (a) changes in passenger demand;
- (b) new potential sources of passenger demand arising out of housing, retail and other commercial developments near stations served by the Passenger Services;
- (c) enhancements or other changes relating to the specification or utilisation of the infrastructure of any of the Routes that permit the specification of the Passenger Services to be enhanced through the operation of faster, more frequent or otherwise improved Passenger Services;
- (d) opportunities to open new stations to create new markets for the Passenger Services; and
- (e) the developing public passenger transport aspirations of Rail North and other relevant Stakeholders,

and the Franchisee further acknowledges the potential need to take actions in response to the findings of studies and reports that it is required to prepare pursuant to the Franchise Agreement.

19.2 The Franchisee shall in accordance with the requirements of the table below pay, in respect of each specified Franchisee Year, amounts into a fund ("**Service Option Scheme Fund**") available to be drawn down to provide funding required to implement Service Option Schemes:



Franchisee Year commencing	Amount to be paid by the Franchisee into the Service Option Scheme Fund (such amount to be indexed by the Retail Prices Index (in the same way as variable costs are indexed in Schedule 8.2 (Annual Franchise Payments))). <sup>66</sup>
1 April 2018	
1 April 2019	
1 April 2020	
1 April 2021	
1 April 2022	
1 April 2023 See note below	
1 April 2024 See note below	

On the Payment Date for each Reporting Period in a Franchisee Year shown in the first column above, the Franchisee shall pay 1/13 of the amount shown opposite that Franchisee Year in the second column above.

- 19.3 The Service Option Scheme Fund shall be held in a separate named account of the Franchisee and funds in it shall only be applied for the purposes of funding a Service Option Scheme in accordance with the direction of the Secretary of State.
- 19.4 The Franchisee shall at any time be entitled to make one or more proposals (each a "**Service Option Scheme Proposal**") for the implementation of a scheme ("**Service Option Scheme**") for the enhancement of the Franchise Services such scheme to be consistent with paragraph 19.1 above and to be a scheme which it is not commercially viable for the Franchisee to implement without the provision of additional funding from the Service Option Scheme Fund either alone or as part of a funding package involving contributions from both the Service Option Scheme Fund and one or more third parties. A Service Option Scheme may involve some or all of:
- (a) alterations to the Train Service Requirement;
  - (b) modification of rolling stock or the acquisition of additional or replacement rolling stock;
  - (c) alterations, enhancements or additions to rail infrastructure including track, signalling, stations, depots,
- and shall be prepared, as appropriate, in consultation with the Secretary of State, Rail North, Network Rail and relevant Stakeholders.
- 19.5 The Franchisee shall use all reasonable endeavours to make appropriate Service Option Scheme Proposals and to do so on the basis that they will include an element of funding from one or more third parties on specified terms which would be contractually committed if the relevant Service Option Scheme is approved.

<sup>66</sup> Where text has been omitted from the document this is because the Director General Rail or Secretary of State has decided to exclude the text in accordance with the provisions within the Freedom of Information Act 2000.

- 19.6 Each Service Option Scheme Proposal shall include a business case prepared in accordance with criteria notified to the Franchisee by the Secretary of State and identify all cost and revenue implications in relation to the implementation of the proposed Service Option Scheme (including in relation to any period after the end of the Franchise Term). The Franchisee shall identify the amount that it is proposed is met from the Service Option Scheme Fund (after taking into account any committed third party funding commitments) including the proposed draw down that it proposes to make from the Service Option Scheme Fund in relation to each relevant Reporting Period.
- 19.7 The Franchisee shall meet with the Secretary of State to discuss the Service Option Scheme Proposal and provide such further information or analysis and further iterations in relation to it as the Secretary of State shall reasonably require.
- 19.8 Providing that there are, or will be, sufficient funds available in the Service Option Scheme Fund, the Secretary of State shall have the right to require that the Franchisee implements a Service Option Scheme contained in a Service Option Scheme Proposal by serving notice in writing on the Franchisee specifying:
- (a) any amendments to the Franchise Agreement (including through additional Committed Obligations in Schedule 6.1 (Committed Obligations and Related Provisions and changes to Benchmarks and/or Annual Benchmarks) and/or the Train Service Requirement that are required to implement a relevant Service Option Scheme; and
  - (b) the amount that the Franchisee shall be permitted to withdraw from the Service Option Scheme Fund on a Reporting Period by Reporting Period basis to fund the capital and operational costs net of revenue gain (on a basis which will be established as part of the finalisation of the Service Option Scheme Proposal) of the implementation of the Service Option Scheme,
- and the Franchisee shall act in accordance with such notice and the amended Franchise Agreement and/or Train Service Requirement.
- 19.9 Notwithstanding any other provision of the Franchise Agreement the implementation of a Service Option Scheme shall not constitute a Change.
- 19.10 The Secretary of State shall have the right to require at any time that any funds in the Service Option Scheme Fund not allocated to the delivery of a Service Option Scheme are transferred to him as soon as reasonably practicable after service of a notice requiring such transfer.
- 19.11 Any Franchise Asset arising as a result of a Service Option Scheme shall be designated as a Primary Franchise Asset and shall not be de-designated as such. Any such Primary Franchise Asset which falls to be valued in accordance with the Supplemental Agreement shall be valued at nil.
- 19.12 In relation to any Franchisee Year in relation to which the Franchisee is required to deliver one or more Service Option Schemes the Franchisee shall provide to the Secretary of State with the Annual Management Accounts to be provided pursuant to paragraph 3.6 of Schedule 13 (Information and Industry Initiatives) a report ("**Service Option Scheme Report**") detailing in relation to each Service Option Scheme:
- (a) progress in the implementation of the Service Option Scheme by reference to the Franchisee's implementation plan and the provisions of any relevant Committed Obligation;
  - (b) the outputs being delivered by the Service Option Scheme by reference to the Franchisee's expectations in relevant Service Option Scheme Proposals and any relevant Committed Obligations (including in relation to passenger numbers and revenues) and details of actual costs incurred; and

- (c) an update on amounts expended from the Service Option Scheme Fund, amounts in the Service Option Scheme Fund committed in relation to future expenditure on approved Service Option Schemes and uncommitted amounts in the Service Option Scheme Fund.

<sup>67 68</sup>**Termination rights prior to the Acceptance of the New BiMode Vehicles the New EMUs and the New InterCity Coaches**

**20.1 The Franchisee shall keep the Secretary of State fully informed of progress in relation to the performance by:**

- (a) the BiMode Vehicles Manufacturer of its obligations pursuant to the New BiMode MSA; and
- (b) the EMU Manufacturer of its obligations pursuant to the New EMU MSA; and
- (c) the InterCity Coaches Manufacturer of its obligations pursuant to the New InterCity Coaches MSA.

In particular the Franchisee shall keep the Secretary of State updated on progress in relation to compliance with the anticipated delivery schedule of each Relevant New Rolling Stock and risk that a Minimum Fleet Requirement Termination Right or any Manufacturer Events of Default Termination Right will become exercisable under the Relevant MSA prior to the date upon which all of the New BiMode Vehicles, New EMUs or the New InterCity Coaches (as applicable) that have been ordered have been Accepted. In the absence of significant unforeseen adverse developments (in which case the Franchisee shall keep the Secretary of State promptly informed), the Franchisee may keep the Secretary of State so informed through the regular reporting contemplated at paragraph 6 of Part 2 of Schedule 6.1 (Committed Obligations and Related Provisions).

**20.2 (a) In respect of the New BiMode Vehicles or the New InterCity Coaches (as applicable), the Franchisee shall consult with the Secretary of State if the Minimum Fleet Requirement Termination Right has become exercisable or is likely to become exercisable or if any Manufacturer Events of Default Termination Right has become exercisable or is likely to become exercisable prior to the date upon which all of the New BiMode Vehicles or New Intercity Coaches (as applicable) which have been ordered have been Accepted. Subject to sub paragraph (b) below the Franchisee shall not exercise the Minimum Fleet Requirement Termination Right or any Manufacturer Events of Default Termination Right prior to the date upon which all of the New BiMode Vehicles or New Intercity Coaches that have been ordered have achieved Accepted Unit or Accepted Vehicles status (as the case may be) without the prior consent of the Secretary of State.**

**(b) In circumstances where:**

**(i) in respect of the New BiMode Vehicles, Angel Trains Limited has the right to require the Franchisee to exercise any Manufacturer Event of Default Termination Right or Minimum Fleet Requirement Termination Right pursuant to the New BiMode Lease, the Franchisee shall consult with the Secretary of State in advance of this right becoming exercisable and make representations to Angel Trains Limited on his behalf including during a period specified under the terms of the New BiMode Lease for consultation in advance of such a right being exercisable by Angel Trains Limited; or**

<sup>67</sup> Date of contract change – 31/03/2016 - Agreed by the Secretary of State and Franchisee

<sup>68</sup> Date of contract change - 20/05/2016 - Agreed by the Secretary of State and Franchisee

(ii) in respect of the New Intercity Coaches, Beacon Rail Finance (Europe) Limited has the right to require the Franchisee to exercise any Manufacturer Event of Default Termination Right or Minimum Fleet Requirement Termination Right pursuant to the New InterCity Coaches Lease, the Franchisee shall consult with the Secretary of State in advance of this right becoming exercisable and make representations to Beacon Rail Finance (Europe) Limited on his behalf including during a period specified under the terms of the New InterCity Coaches Lease for consultation in advance of such a right being exercisable by Beacon Rail Finance (Europe) Limited.

- 20.3** In respect of New EMUs, the Franchisee shall consult with the Secretary of State if the Minimum Fleet Requirement Termination Right has become exercisable or is likely to become exercisable or if any Manufacturer Events of Default Termination Right has become exercisable or is likely to become exercisable prior to the date upon which all of the New EMUs which have been ordered have been Accepted. The Franchisee shall not exercise the Minimum Fleet Requirement Termination Right or any Manufacturer Events of Default Termination Right prior to the date upon which all of the New EMUs that have been ordered have achieved Accepted Unit status without the prior consent of the Secretary of State.
- 20.4** If the Minimum Fleet Requirement Termination Right or any Manufacturer Events of Default Termination Right has arisen or the Secretary of State believes that there is a material risk that the Minimum Fleet Requirement Termination Right or any Manufacturer Events of Default Termination Right may arise he may serve a notice on the Franchisee requiring it to produce a draft of a plan to a reasonable specification provided with the notice to mitigate the direct or indirect impact of the exercise of the Minimum Fleet Requirement Termination Right or any Manufacturer Events of Default Termination Right ("Termination Mitigation Plan"). The draft Termination Mitigation Plan shall be provided with a reasonably detailed analysis taking account of the circumstances backed by relevant data and assumptions of:
- (a) all cost and revenue and other financial implications of options contained within it including the potential implications for Franchise Payments;
  - (b) the implications (if any) for the Benchmarks; and
  - (c) the likely impact of options within it for existing and future passenger journeys and journey opportunities.
- 20.5** The draft Termination Mitigation Plan shall include to the greatest extent reasonably practicable mitigations which preserve benefits for passengers that would have been obtained had the affected Relevant New Rolling Stock been delivered in accordance with the obligations of the Franchisee under:
- (a) paragraph 36 of Schedule 6.1 (List of Committed Obligations), in respect of the New BiMode Vehicles;
  - (b) paragraph 35 of Schedule 6.1 (List of Committed Obligations), in respect of the New EMUs;
  - (c) paragraph 33 of Schedule 6.1 (List of Committed Obligations), in respect of the New InterCity Coaches,
- which is expected to involve the provision of replacement rolling stock of an equivalent output specification to such Relevant New Rolling Stock (including passenger carrying capacity, internal vehicle quality and operational performance (including permitted maximum speed)).
- 20.6** The Franchisee shall meet with the Secretary of State to discuss the Termination Mitigation Plan and provide such further information or analysis and further iterations of the draft Termination Mitigation Plan as the Secretary of State shall

reasonably require. The Secretary of State and the Franchisee shall use all reasonable endeavours to agree the terms of the Termination Mitigation Plan and in the absence of agreement the Secretary of State shall have the right to reasonably determine such terms. It is acknowledged that except to the extent that the Secretary of State agrees to treat the Termination Mitigation Plan as a Remedial Agreement it shall be without prejudice to his rights in relation to relevant contraventions of the Franchise Agreement.

- 20.7** If the Minimum Fleet Requirement Termination Right or any Manufacturer Events of Default Termination Right is exercised prior to the date upon which all of the Relevant New Rolling Stock that has been ordered has achieved Accepted Unit or Accepted Vehicle status (as the case may be) the Secretary of State shall have the right to require the Franchisee to comply with the relevant Termination Mitigation Plan as agreed or as reasonably determined by the Secretary of State.
- 20.8** The exercise of the Minimum Fleet Requirement Termination Right or any Manufacturer Events of Default Termination Right prior to the date upon which all of the Relevant New Rolling Stock that has been ordered has achieved Accepted Unit or Accepted Vehicle status (as the case may be) and any exercise by the Secretary of State of his right to require the Franchisee to implement a Termination Mitigation Plan shall be a Change which shall be a Qualifying Change if the consequences of a Qualifying Change would be financially beneficial to the Secretary of State (meaning that there would be an overall increase in Franchise Payments payable by the Franchisee to the Secretary of State or an overall decrease in Franchise Payments payable by the Secretary of State to the Franchisee as the case may be). There shall be no Change if the consequences of a Qualifying Change under this paragraph would be financially beneficial to the Franchisee (meaning that there would be an overall increase in Franchise Payments payable by the Secretary of State to the Franchisee or an overall decrease in Franchise Payments payable by the Franchisee to the Secretary of State as the case may be).
- 20.9** For the purposes of this paragraph 20:
- (a) "Accept", "Accepted Unit" or "Accepted Vehicle" (as applicable), "Owner" shall each have the meaning ascribed to it in the New BiMode MSA, New Intercity MSA or the New EMU MSA (as the case may be);
  - (b) "Manufacturer Events of Default Termination Right" means the right given to the Franchisee jointly with the Owner pursuant to:
    - (iii) in relation to the New BiMode Vehicles, clause 18 of the New BiModes MSA;
    - (iv) in relation to the New EMUs, clause 18 of the New EMU MSA; and
    - (v) in relation to the New InterCity Coaches, clause 18 of the New InterCity Coaches MSA,

in each case to terminate such agreement in specified circumstances;
  - (c) "Minimum Fleet Requirement Termination Right" means the right given to the Franchisee jointly with the Owner pursuant to:
    - (vi) in relation to the New BiMode Vehicles, clause 20 of the New BiModes MSA;
    - (vii) in relation to the New EMUs, clause 20 of the New EMU MSA; and
    - (viii) in relation to the New InterCity Coaches, clause 20 of the New InterCity Coaches MSA,

in each case to terminate such agreement if a minimum quantity of New BiMode Vehicles, New EMUs or New Intercity Coaches (as applicable) are not supplied by a specified date;

- (d) "New BiMode MSA" means the manufacture and supply agreement in respect of the fleet of 19 x 5 car AT300 bimode multiple units and associated equipment dated 31 March 2016 and entered into between Hitachi Rail Europe Limited, Angel Trains Limited and First TransPennine Express Limited;
- (e) "New BiMode Lease" means the rolling stock lease in respect of the fleet of 19 x 5 car AT300 bimode multiple units and associated equipment dated 31 March 2016 and entered into between Angel Trains Limited and the Franchisee;
- (f) "New EMU MSA" means the manufacture and supply agreement in respect of the fleet of 12 x 5 car Civity UK electric multiple units and associated equipment dated on or about 20 May 2016 and entered into between Construcciones y Auxiliar de Ferrocarriles, SA, European Rail Finance (GB) Limited and First TransPennine Express Limited;
- (g) "New InterCity Coaches Lease" means the rolling stock lease in respect of the fleet of 66 CAF trailer and driving trailer cars and associated equipment dated on or about 20 May 2016 and entered into between Beacon Rail Finance (Europe) Limited and the Franchisee;
- (h) "New InterCity Coaches MSA" means the manufacture and supply agreement in respect of the fleet of 66 passenger coaches and associated equipment dated on or about 20 May 2016 and entered into between Construcciones y Auxiliar de Ferrocarriles, SA, Beacon Rail Finance (Europe) Limited and First TransPennine Express Limited; and
- (i) "Relevant MSA" shall mean, as the case may be, either of the New BiMode MSA, the New EMU MSA or the New InterCity Coaches MSA;
- (j) "Relevant New Rolling Stock" shall mean, as the case may be, either the New BiMode Vehicles, the New EMUs or the New InterCity Coaches.

**20.10** Pursuant to clause 4.10 of the New BiMode MSA the Franchisee owes obligations to Hitachi Rail Europe Limited in relation to procuring gauge clearance works and obtaining satisfactory stepping distances at platforms ("Clause 4.10 Obligations"). It is agreed that the obligations of the Franchisee to use all reasonable endeavours pursuant to paragraphs 5 and 7 of Schedule 1.1 and paragraph 1 of Schedule 1.2 (Operating Obligations) to deliver specified outputs and outcomes shall be deemed not to have been complied with where:

- (a) the relevant output or outcome which the Franchisee is required to use all reasonable endeavours to deliver is not actually delivered; and
- (b) it is reasonably likely that such obligation would have been delivered if the Franchisee had complied with the Clause 4.10 Obligations.

## **21. Project Arcturus IIB<sup>69</sup>**

*It is acknowledged that the TPE/Northern Rolling Stock Hire Agreement shall be amended by revising the details of the diagrams for which Class 185 units are to be hired by the Franchisee to the Northern Franchisee so that they are consistent with the number of Class 185 units required to be hired reducing from five units to four units from 15 May 2016 and from four to three units from 10 July 2016 until 9 December 2017.*

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<sup>69</sup> Date of contract insertion - 13/05/2016 – Agreed by the Secretary of State and Franchisee

**SCHEDULE 7**

**Performance Benchmarks**

**Schedule 7.1: Performance Benchmarks**

**Appendix 1: Cancellations Benchmark Table**

**Appendix 2: TOC Minute Delay Benchmark Table**

**Appendix 3: Short Formation Benchmark Table**

**Schedule 7.2: National Rail Passenger Surveys and Customer and Communities Improvement Fund**

**Appendix 1: NRPS Benchmark Table**

## SCHEDULE 7.1

### Performance Benchmarks

#### 1. Benchmarks and Annual Benchmarks

##### Location and amendment of Benchmarks and Annual Benchmarks

- 1.1 The Cancellations Benchmarks are set out in the table in Part 1 (Cancellations Benchmark Table) of Appendix 1 (Cancellations Benchmarks and Annual Cancellations Benchmarks) to this Schedule 7.1.
- 1.2 The Annual Cancellations Benchmarks are set out in the table in Part 2 (Annual Cancellations Benchmark Table) of Appendix 1 (Cancellations Benchmarks and Annual Cancellations Benchmarks) to this Schedule 7.1.
- 1.3 The TOC Minute Delay Benchmarks are set out in the table in Part 1 (TOC Minute Delay Benchmark Table) of Appendix 2 (TOC Minute Delay Benchmarks and Annual TOC Minute Delay Benchmarks) to this Schedule 7.1.
- 1.4 The Annual TOC Minute Delay Benchmarks are set out in the table in Part 2 (Annual TOC Minute Delay Benchmark Table) of Appendix 2 (TOC Minute Delay Benchmarks and Annual TOC Minute Delay Benchmarks) to this Schedule 7.1.
- 1.5 The Short Formation Benchmarks are set out in the table in Part 1 (Short Formation Table) of Appendix 3 (Short Formation Benchmark and Annual Short Formation Benchmark Table) to this Schedule 7.1.
- 1.6 The Annual Short Formation Benchmarks are set out in the table in Part 2 (Annual Short Formation Benchmark Table) of Appendix 3 (Short Formation Benchmark and Annual Short Formation Benchmark Table) to this Schedule 7.1.
- 1.7 The Secretary of State may at any time after a Charging Review vary, on giving not less than 3 months' notice in writing, any of the Benchmarks and/or the Annual Benchmarks to reflect the Secretary of State's reasonable view of the performance trajectory set as part of such Charging Review. Where the Secretary of State exercises his right pursuant to this paragraph 1.7, the relevant Benchmark Tables and/or Annual Benchmark Tables shall be deemed to have been amended accordingly. The exercise by the Secretary of State of his rights pursuant to this paragraph 1.7 shall be a Change as specified in paragraph (m) of the definition of Change.

#### 2. Information Provisions

##### Cancellations Benchmarks and Annual Cancellations Benchmarks

- 2.1 At the end of each Reporting Period, the Franchisee shall, in accordance with the relevant requirements of Appendix 3 (Operational Information) to Schedule 13 (Information and Industry Initiatives), report to the Secretary of State:
  - (a) the total number of Cancellations and Partial Cancellations in that Reporting Period;
  - (b) the total number of Disputed Cancellations and Disputed Partial Cancellations in that Reporting Period;
  - (c) the total number of Network Rail Cancellations and Network Rail Partial Cancellations in that Reporting Period;



- (d) the total number of Disputed Cancellations and Disputed Partial Cancellations from the 12 preceding Reporting Periods for which the attribution remains in dispute; and
- (e) the total number of Disputed Cancellations and Disputed Partial Cancellations for which the disputed attribution has been resolved since the Franchisee's last report pursuant to this paragraph 2.1 (including whether each relevant Disputed Cancellation and/or Disputed Partial Cancellation was attributed to Network Rail or to the Franchisee).

## 2.2 Reporting Period Cancellations Calculations

### **Cancellation Calculations during the No Breach Reporting Periods**

2.2A For each of the first five Reporting Periods falling within the first Franchisee Year (the "**No Breach Reporting Periods**"), the Secretary of State shall perform the following calculation for the purposes of determining the value of A for each such Reporting Period:

where A is ascertained as follows:

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

Where:

B is the total number of Cancellations or Partial Cancellations of Passenger Services scheduled to be operated in the Enforcement Plan of the Day for that No Breach Reporting Period, on the basis that:

- (a) a Cancellation shall count as 1;
- (b) a Partial Cancellation shall count as 0.5;
- (c) any Cancellations or Partial Cancellations during that Reporting Period which were caused by:
  - (i) the Franchisee's implementation of a Service Recovery Plan during that Reporting Period; or
  - (ii) the occurrence or continuing effect of a Force Majeure Event,

shall, if the Franchisee has complied with paragraph 4.4 of this Schedule 7.1, be disregarded in determining such total number of Cancellations and Partial Cancellations; and

C is the total number of Passenger Services scheduled to be operated in the Enforcement Plan of the Day for that No Breach Reporting Period, disregarding, if the Franchisee has complied with paragraph 4.4 of this Schedule 7.1, any Cancellations or Partial Cancellations during that Reporting Period which were caused by:

- (a) the Franchisee's implementation of a Service Recovery Plan during that No Breach Reporting Period; or
- (b) the occurrence or continuing effect of a Force Majeure Event.

### **Cancellation Calculations during the Breach Reporting Periods**

2.2B For each Breach Reporting Period the Secretary of State shall calculate the Franchisee's performance against the Cancellations Benchmark in accordance with the following formula:

$$\frac{A + D}{n}$$

Where:

A is ascertained as follows:

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

Where:

B is the total number of Cancellations or Partial Cancellations of Passenger Services scheduled to be operated in the Enforcement Plan of the Day for that Breach Reporting Period, on the basis that:

- (a) a Cancellation shall count as 1;
- (b) a Partial Cancellation shall count as 0.5;
- (c) any Cancellations or Partial Cancellations during that Reporting Period which were caused by:
  - (i) the Franchisee's implementation of a Service Recovery Plan during that Reporting Period; or
  - (ii) the occurrence or continuing effect of a Force Majeure Event, shall, if the Franchisee has complied with paragraph 4.4 of this Schedule 7.1, be disregarded in determining such total number of Cancellations and Partial Cancellations; and

C is the total number of Passenger Services scheduled to be operated in the Enforcement Plan of the Day for that Breach Reporting Period, disregarding, if the Franchisee has complied with paragraph 4.4 of this Schedule 7.1, any Cancellations or Partial Cancellations during that Reporting Period which were caused by:

- (a) the Franchisee's implementation of a Service Recovery Plan during that Breach Reporting Period; or
- (b) the occurrence or continuing effect of a Force Majeure Event.

D is the sum of the values of A in each of the Reporting Periods in the first Franchisee Year immediately preceding that Breach Reporting Period; and

n is the number of Reporting Periods that have elapsed since the Start Date.

#### **Cancellation Calculations during the Subsequent Reporting Periods**

2.2C For each Reporting Period (other than the No Breach Reporting Periods and the Breach Reporting Periods for which the provisions of paragraphs 2.2A and 2.2B shall apply respectively), the Secretary of State shall calculate a moving annual average of the Franchisee's performance against the Cancellations Benchmark in accordance with the following formula:

$$\frac{A + D}{13}$$

where:

A is ascertained as follows:

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

where:

B is the total number of Cancellations or Partial Cancellations of Passenger Services scheduled to be operated in the Enforcement Plan of the Day for that Reporting Period, on the basis that:

- (a) each Cancellation shall count as 1;
- (b) each Partial Cancellation shall count as 0.5; and
- (c) any Cancellations or Partial Cancellations during that Reporting Period which were caused by:
  - (i) the Franchisee’s implementation of a Service Recovery Plan during that Reporting Period; or
  - (ii) the occurrence or continuing effect of a Force Majeure Event,

shall, if the Franchisee has complied with paragraph 4.4 of this Schedule 7.1, be disregarded in determining such total number of Cancellations and Partial Cancellations;

C is the total number of Passenger Services scheduled to be operated in the Enforcement Plan of the Day for that Reporting Period, disregarding, if the Franchisee has complied with paragraph 4.4 of this Schedule 7.1, any Cancellations or Partial Cancellations during that Reporting Period which were caused by:

- (a) the Franchisee's implementation of a Service Recovery Plan during that Reporting Period; or
- (b) the occurrence or continuing effect of a Force Majeure Event; and

D is the sum of the values of A in each of the 12 preceding Reporting Periods (which for the avoidance of doubt and in respect of the 13<sup>th</sup> Reporting Period in the first Franchisee Year, shall be the sum of the values of A for the 12 preceding Reporting Periods in that first Franchisee Year).

**Annual Performance Cancellations Calculations**

2.3 At the end of each Franchisee Year the Secretary of State shall calculate a moving annual average of the Franchisee's performance against the Annual Cancellations Benchmark in accordance with the following formula:

$$ACTUAL_C = \frac{\sum A}{B}$$

where:

ACTUAL<sub>C</sub> is the moving annual average of the Franchisee's performance against the Annual Cancellations Benchmark for that Franchisee Year;

$\sum A$  is the sum of the values of A as determined in accordance with paragraph 2.2 for each Reporting Period in that Franchisee Year; and

B is in respect of a Franchisee Year consisting of 13 Reporting Periods, 13 and in respect of a Franchisee Year consisting of less than 13 Reporting Periods, the number of Reporting Periods in such Franchisee Year.

#### **Allocation of Disputed Cancellations/Disputed Partial Cancellations**

2.4 Where there are any Disputed Cancellations and/or Disputed Partial Cancellations at the end of a Reporting Period and/or a Franchisee Year (as applicable) the Secretary of State shall, for the purpose of performing the calculations referred to in paragraphs 2.2 and/or 2.3 allocate any Disputed Cancellations and/or Disputed Partial Cancellations between the Franchisee and Network Rail in the proportions of:

A to B

where

A is:

- (i) for the purposes of the calculations specified in paragraph 2.2A, the total number of undisputed Cancellations and/or Partial Cancellations (that is, which are not Disputed Cancellations or Disputed Partial Cancellations) in respect of a No Breach Reporting Period including any Disputed Cancellations or Disputed Partial Cancellations which were resolved or determined (and attributed to the Franchisee) during such No Breach Reporting Period;
- (ii) for the purposes of the calculations specified in paragraph 2.2B, the total number of undisputed Cancellations and/or Partial Cancellations (that is, which are not Disputed Cancellations or Disputed Partial Cancellations) for the Reporting Periods preceding that Breach Reporting Period including any Disputed Cancellations or Disputed Partial Cancellations which were resolved or determined (and attributed to the Franchisee) during such Breach Reporting Period; and
- (iii) for the purposes of the calculations specified in paragraphs 2.2C and 2.3, the total number of undisputed Cancellations and/or Partial Cancellations (that is, which are not Disputed Cancellations or Disputed Partial Cancellation) from the 12 preceding Reporting Periods including any Disputed Cancellations or Disputed Partial Cancellations which were resolved or determined (and attributed to the Franchisee) during such 12 preceding Reporting Periods; and

B is:

- (i) for the purposes of the calculations specified in paragraph 2.2A, the total number of undisputed Network Rail Cancellations and/or Network Rail Partial Cancellations (that is, which are not Disputed Cancellations or Disputed Partial Cancellations) in respect of a No Breach Reporting Period including any Disputed Cancellations or Disputed Partial Cancellations which were resolved or determined (and attributed to Network Rail) during such No Breach Reporting Period;
- (ii) for the purposes of paragraph 2.2B, the total number of undisputed Network Rail Cancellations and/or Network Rail Partial Cancellations (that is, which are not Disputed Cancellations or Disputed Partial Cancellations) for the Reporting Periods preceding that Breach Reporting Period including any Disputed Cancellations or Disputed Partial Cancellations which were resolved or determined (and attributed to Network Rail) during such Breach Reporting Period; and

- (iii) for the purposes of paragraph 2.2C and 2.3, the total number of undisputed Network Rail Cancellations and/or Network Rail Partial Cancellations (that is, which are not Disputed Cancellations or Disputed Partial Cancellations) from the 12 preceding Reporting Periods including any Disputed Cancellations or Disputed Partial Cancellations which were resolved or determined (and attributed to Network Rail) during such 12 preceding Reporting Periods.

**TOC Minute Delay Benchmarks and Annual TOC Minute Delay Benchmarks**

2.5 At the end of each Reporting Period the Franchisee shall, in accordance with the relevant requirements of Appendix 3 (Operational Information) to Schedule 13 (Information and Industry Initiatives), report to the Secretary of State:

- (a) the total number of Minutes Delay:
  - (i) in that Reporting Period attributable to the Franchisee;
  - (ii) in that Reporting Period for which the attribution is in dispute between Network Rail and the Franchisee;
  - (iii) from the 12 preceding Reporting Periods for which the attribution remains in dispute; and
  - (iv) from the 12 preceding Reporting Periods for which disputed attributions have been resolved or determined since the Franchisee's last report pursuant to this paragraph 2.5, and the number of such Minutes Delay attributed to each of the Franchisee and Network Rail as a result of such resolution or determination; and
- (b) the aggregate Train Mileage operated in that Reporting Period.

2.6 Reporting Periods TOC Minute Delay Calculations

TOC Minute Delay Calculations during the No Breach Reporting Periods

2.6A For each of the No Breach Reporting Periods, the Secretary of State shall perform the following calculation for the purposes of determining the Franchisee's performance against the TOC Minute Delay Benchmark for each such Reporting Period:

$$\frac{A}{D}$$

where:

A is the sum of the number of Minutes Delay that are attributable to the Franchisee in such No Breach Reporting Period; and

D is ascertained as follows:

$$\frac{B}{1000}$$

where:

B is the sum of the actual Train Mileage operated by the Franchisee in that No Breach Reporting Period.

TOC Minute Delay Calculations during the Breach Reporting Periods

- 2.6B For each Breach Reporting Period the Secretary of State shall calculate the Franchisee's performance against the TOC Minute Delay Benchmark in accordance with the following formula:

$$\frac{A}{D}$$

where:

A is the sum of the number of Minutes Delay that are attributable to the Franchisee:

- (a) in such Breach Reporting Period; and
- (b) in each of the Reporting Periods in the first Franchisee Year immediately preceding that Breach Reporting Period; and

D is ascertained as follows:

$$\frac{B}{1000}$$

where:

B is the sum of the actual Train Mileage operated by the Franchisee:

- (a) in such Breach Reporting Period; and
- (b) in each of the Reporting Periods in the first Franchisee Year immediately preceding that Breach Reporting Period.

#### **TOC Minute Delay Calculations during the Subsequent Reporting Periods**

- 2.6C For each Reporting Period (other than the No Breach Reporting Periods and the Breach Reporting Periods for which the provisions of paragraphs 2.6A and 2.6B shall apply respectively), the Secretary of State shall calculate a moving annual average of the Franchisee's performance against the TOC Minute Delay Benchmark in accordance with the following formula:

$$\frac{A}{D}$$

where:

A is the sum of the number of Minutes Delay that are attributable to the Franchisee:

- (a) in such Reporting Period; and
- (b) in each of the 12 preceding Reporting Periods (which for the avoidance of doubt and in respect of the 13<sup>th</sup> Reporting Period in the first Franchisee Year, shall be the sum of the values of A for the 12 preceding Reporting Periods in that first Franchisee Year); and

D is ascertained as follows:

$$\frac{B}{1000}$$

where:

B is the sum of the actual Train Mileage operated by the Franchisee:

- (a) in such Reporting Period; and

- (b) in each of the 12 preceding Reporting Periods (which for the avoidance of doubt and in respect of the 13th Reporting Period in the first Franchisee Year, shall be the sum of the values of B for the 12 preceding Reporting Periods in that first Franchisee Year).

**Annual Performance TOC Minute Delay Calculations**

2.7 At the end of each Franchisee Year the Secretary of State shall calculate a moving annual average of the Franchisee's performance against the Annual TOC Minute Delay Benchmark in accordance with the following formula:

$$ACTUAL_{MD} = \frac{AA}{AD}$$

where:

ACTUAL<sub>MD</sub> is the Franchisee's performance against the Annual TOC Minute Delay Benchmark for that Franchisee Year;

AA is the sum of the number of Minutes Delay that are attributable to the Franchisee in each Reporting Period in that Franchisee Year; and

AD is ascertained as follows:

$$\frac{AB}{1000}$$

where:

AB is the sum of the actual Train Mileage operated by the Franchisee in each Reporting Period in that Franchisee Year.

2.8 In performing the calculation pursuant to paragraph 2.6 and/or 2.7, the Secretary of State shall disregard any Minutes Delay that are caused by the occurrence or continuing effect of a Force Majeure Event.

**Allocation of Disputed Minutes Delay**

2.9 Where the attribution of any Minutes Delay is in dispute between Network Rail and the Franchisee at the end of a Reporting Period and/or a Franchisee Year (as applicable) the Secretary of State shall, for the purpose of performing the calculation referred to in paragraph 2.6 and/or 2.7, allocate any disputed Minutes Delay between the Franchisee and Network Rail in the proportions of:

A to B

where:

A is:

- (i) for the purposes of the calculations specified in paragraph 2.6A, the total number of undisputed Minutes Delay in respect of a No Breach Reporting Period that are attributable to the Franchisee including any disputed attributions which were resolved or determined (and attributed to the Franchisee) during such No Breach Reporting Period;

- (ii) for the purposes of the calculations specified in paragraph 2.6B, the total number of undisputed Minutes Delay for the Reporting Periods

preceding that Breach Reporting Period that are attributable to the Franchisee including any disputed attributions which were resolved or determined (and attributed to the Franchisee) during such Breach Reporting Period; and

- (iii) for the purposes of the calculations specified in paragraphs 2.6C and 2.7, the total number of undisputed Minutes Delay, in each case, from the 12 preceding Reporting Periods that are attributable to the Franchisee including any disputed attributions which were resolved or determined (and attributed to the Franchisee) during such 12 preceding Reporting Periods; and

B is:

- (i) for the purposes of the calculations specified in paragraph 2.6A, the total number of undisputed Minutes Delay in respect of a No Breach Reporting Period that are attributable to Network Rail including any disputed attributions which were resolved or determined (and attributed to Network Rail) during such No Breach Reporting Period;
- (ii) for the purposes of paragraph 2.6B, the total number of undisputed Minutes Delay for the Reporting Periods preceding that Breach Reporting Period that are attributable to Network Rail including any disputed attributions which were resolved or determined (and attributed to Network Rail) during such Breach Reporting Period; and
- (iii) for the purposes of paragraphs 2.6C and 2.7, the total number of undisputed Minutes Delay from the 12 preceding Reporting Periods that are attributable to Network Rail including any disputed attributions which were resolved or determined (and attributed to Network Rail) during such 12 preceding Reporting Periods.

2.10 The Franchisee agrees with the Secretary of State to comply with the requirements of the Track Access Agreement in respect of Minutes Delay attribution.

**Short Formation Benchmarks and Annual Short Formation Benchmark**

2.11 At the end of each Reporting Period, the Franchisee shall, in accordance with the relevant requirements of Appendix 3 (Operational Information) to Schedule 13 (Information and Industry Initiatives), report to the Secretary of State the total number of Short Formation Passenger Services in that Reporting Period operated with less Passenger Carrying Capacity than that specified for each such Short Formation Passenger Service in the Train Plan.

2.12 Reporting Periods Short Formation Calculations

**Short Formation Calculations during the No Breach Reporting Periods**

2.12A For each of the No Breach Reporting Periods, the Secretary of State shall perform the following calculation for the purposes of determining the values of A for each such Reporting Period:

where A is ascertained as follows:

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

where:

- B is the total number of Short Formation Passenger Services in that No Breach Reporting Period operated with less Passenger Carrying Capacity than that specified for each such Short Formation Passenger Service in the Train Plan disregarding, if



the Franchisee has complied with paragraph 4.4 of this Schedule 7.1, any such Short Formation Passenger Services which were operated in that way as a result of:

(a) the Franchisee's implementation of a Service Recovery Plan during that Reporting Period; or

(b) the occurrence or continuing effect of a Force Majeure Event; and

C is the total number of Short Formation Passenger Services scheduled to be operated in that No Breach Reporting Period disregarding, if the Franchisee has complied with paragraph 4.4 of this Schedule 7.1, any such Short Formation Passenger Service operated with less Passenger Carrying Capacity than that specified for each such Short Formation Passenger Service in the Train Plan as a result of:

(a) the Franchisee's implementation of a Service Recovery Plan during that Reporting Period; or

(b) the occurrence or continuing effect of a Force Majeure Event.

**Short Formation Calculations during the Breach Reporting Periods**

2.12B For each Breach Reporting Period the Secretary of State shall calculate the Franchisee's performance against the Short Formation Benchmark in accordance with the following formula:

$$\frac{A + D}{n}$$

where:

A is ascertained as follows:

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

where:

B is the total number of Short Formation Passenger Services in that Breach Reporting Period operated with less Passenger Carrying Capacity than that specified for each such Short Formation Passenger Service in the Train Plan, disregarding, if the Franchisee has complied with paragraph 4.4, any such Short Formation Passenger Services which were operated in that way as a result of:

(a) the Franchisee's implementation of a Service Recovery Plan during that Breach Reporting Period; or

(b) the occurrence or continuing effect of a Force Majeure Event;

C is the total number of Short Formation Passenger Services scheduled to be operated in that Breach Reporting Period, disregarding, if the Franchisee has complied with paragraph 4.4 of this Schedule 7.1, any Short Formation Passenger Service operated with less Passenger Carrying Capacity than that specified for each such Short Formation Passenger Service in the Train Plan as a result of:

(a) the Franchisee's implementation of a Service Recovery Plan during that Breach Reporting Period; or

(b) the occurrence or continuing effect of a Force Majeure Event;

D is the sum of the values of A in each of the Reporting Periods in the first Franchisee Year immediately preceding that Breach Reporting Period; and

n is the number of Reporting Periods that have elapsed since the Start Date.

#### Short Formation Calculations during the Subsequent Reporting Periods

2.12C For each Reporting Period (other than the No Breach Reporting Periods and the Breach Reporting Periods for which the provisions of paragraphs 2.12A and 2.12B shall apply respectively), the Secretary of State shall calculate a moving annual average of the Franchisee's performance against the Short Formation Benchmark in accordance with the following formula:

$$\frac{A + D}{13}$$

where:

A is ascertained as follows:

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

where

B is the total number of Short Formation Passenger Services in that Reporting Period operated with less Passenger Carrying Capacity than that specified for each such Short Formation Passenger Service in the Train Plan, disregarding, if the Franchisee has complied with paragraph 4.4 of this Schedule 7.1, any such Short Formation Passenger Services which were operated in that way as a result of:

- (a) the Franchisee's implementation of a Service Recovery Plan during that Reporting Period; or
- (b) the occurrence or continuing effect of a Force Majeure Event;

C is the total number of Short Formation Passenger Services scheduled to be operated in that Reporting Period, disregarding, if the Franchisee has complied with paragraph 4.4 of this Schedule 7.1, any Short Formation Passenger Services operated with less Passenger Carrying Capacity than that specified for each such Short Formation Passenger Service in the Train Plan as a result of:

- (a) the Franchisee's implementation of a Service Recovery Plan during that Reporting Period; or
- (b) the occurrence or continuing effect of a Force Majeure Event; and

D is the sum of the values of A in each of the 12 preceding Reporting Periods (which for the avoidance of doubt and in respect of the 13<sup>th</sup> Reporting Period in the first Franchisee Year, shall be the sum of the values of A for the 12 preceding Reporting Periods in that first Franchisee Year).

#### Annual Short Formation Performance Calculations

2.13 At the end of each Franchisee Year the Secretary of State shall calculate a moving annual average of the Franchisee's performance against the Annual Short Formation Benchmark in accordance with the following formula:

$$\text{ACTUAL}_{\text{SF}} = \frac{\sum A}{B}$$

where:

$\text{ACTUAL}_{\text{SF}}$  is the moving annual average of the Franchisee's performance against the Annual Short Formation Benchmark for that Franchisee Year;

$\sum A$  is the sum of the values of A as determined in accordance with paragraph 2.12 for that Franchisee Year; and

B is in respect of a Franchisee Year consisting of 13 Reporting Periods, 13 and in respect of a Franchisee Year consisting of fewer than 13 Reporting Periods, the number of Reporting Periods in such Franchisee Year.

- 2.14 For the purposes of the calculations to be undertaken by the Secretary of State pursuant to paragraphs 2.12 and 2.13 any Passenger Service that is the subject of a Cancellation or a Partial Cancellation shall be disregarded.

### Calculations

- 2.15 The Secretary of State shall perform the calculations referred to in paragraphs 2.2, 2.3, 2.6, 2.7, 2.12, 2.13 and 3 rounded to two decimal places, with the midpoint (that is, 11.115) rounded upwards (that is, 11.12).

### Notice of Performance Results

- 2.16 As soon as reasonably practicable after the end of each Reporting Period and each Franchisee Year, the Secretary of State shall notify the Franchisee of the results of the calculations performed pursuant to this paragraph 2.

### Meaning of Train Plan

- 2.17 For the purposes of this Schedule 7.1, Train Plan shall, unless otherwise stated, mean the then current Train Plan and which includes any amendments thereto pursuant to paragraph 3 of Schedule 1.2 (Operating Obligations) where:
- (a) such amendments are required as a consequence of Network Rail exercising its rights pursuant to the Track Access Agreement; and
  - (b) the Franchisee has complied with the provisions of such paragraph in respect thereof.

### 3. Performance Sum Payments

- 3.1 At the end of each Franchisee Year the Secretary of State shall, in accordance with this paragraph 3, calculate:
- (a) the Cancellations Performance Sum and the TOC Minute Delay Performance Sum payable by the Secretary of State to the Franchisee or required to be incurred by the Franchisee (as the case may be); and
  - (b) the Short Formation Performance Sum required to be incurred by the Franchisee.

### 3.2 Cancellations Performance Sum

Where for any Franchisee Year, the Franchisee's performance in relation to the Annual Cancellations Benchmark as calculated pursuant to paragraph 2.3 (that is, the value of  $\text{ACTUAL}_{\text{C}}$ ) is:

- (a) less than (that is, better than) the Annual Target Performance Level for that Annual Cancellations Benchmark and is less than (that is, better than) or equal to the Annual Cap Performance Level for such Annual Cancellations Benchmark, in each case for that Franchisee Year, then the Cancellations Performance Sum in respect of that Franchisee Year shall subject to paragraph 3.6 be payable by the Secretary of State to the Franchisee and shall be an amount calculated as follows:

$$(TARGET_C - CAP_C) \times PBP_C$$

where:

TARGET<sub>C</sub> is the Annual Target Performance Level relating to that Annual Cancellations Benchmark for that Franchisee Year;

CAP<sub>C</sub> is the Annual Cap Performance Level relating to that Annual Cancellations Benchmark for that Franchisee Year;

PBP<sub>C</sub> is, in respect of any Franchisee Year, an amount calculated as follows:

$$PBP_C \times RPI$$

where:

PBP<sub>C</sub> is where the Actual CaSL Performance Level is:

- (i) less than (that is better than) or equal to the Annual CaSL Target Performance Level for that Franchisee Year, the amount equal to the amount specified in row 3 in the column headed "With Multiplier" of the table in Part 3 (Annual Cancellations Payment Table) of Appendix 1 (Cancellations Benchmarks and Annual Cancellations Benchmarks) to this Schedule 7.1; and
- (ii) more than (that is worse than) the Annual CaSL Target Performance Level for that Franchisee Year, the amount specified in row 3 in the column headed "Without Multiplier" of the table in Part 3 (Annual Cancellation Payment Table) of Appendix 1 (Cancellations Benchmarks and Annual Cancellations Benchmarks) to this Schedule 7.1; and

RPI is the quotient of the Retail Prices Index for the January which immediately precedes the commencement of the relevant Franchisee Year divided by the Retail Prices Index for January 2015;

- (b) less than (that is, better than) or equal to the Annual Target Performance Level for that Annual Cancellations Benchmark but more than (that is, worse than) the Annual Cap Performance Level for that Annual Cancellations Benchmark, in each case for that Franchisee Year, then the Cancellations Performance Sum in respect of that Franchisee Year shall subject to paragraph 3.6 be payable by the Secretary of State to the Franchisee and shall be an amount calculated as follows:

$$(TARGET_C - ACTUAL_C) \times PBP_C$$

where:

TARGET<sub>C</sub> has the meaning given to it in paragraph 3.2(a);

ACTUAL<sub>C</sub> has the meaning given to it in paragraph 2.3; and

PBP<sub>C</sub> has the meaning given to it in paragraph 3.2(a);

- (c) more than (that is, worse than) the Annual Target Performance Level for that Annual Cancellations Benchmark but less than (that is, better than) the Annual Floor Performance Level for that Annual Cancellations Benchmark, in each case for that Franchisee Year, then the Cancellations Performance Sum in respect of that Franchisee Year shall be required to be incurred by the Franchisee in accordance with paragraph 3.7 and shall subject to paragraph 3.6 be an amount calculated as follows:

$$(\text{ACTUAL}_C - \text{TARGET}_C) \times \text{PPP}_C$$

where:

$\text{ACTUAL}_C$  has the meaning given to it in paragraph 2.3;

$\text{TARGET}_C$  has the meaning given to it in paragraph 3.2(a);

$\text{PPP}_C$  is, in respect of any Franchisee Year, an amount calculated as follows:

$$\text{PPP}_C \times \text{RPI}$$

where

$\text{PPP}_C$  where the Actual CaSL Performance Level is:

- (i) more than (that is worse than) the Annual CaSL Target Performance Level for that Franchisee Year, the amount equal to the amount specified in row 4 in the column headed "With Multiplier" of the table in Part 3 (Annual Cancellations Payment Table) of Appendix 1 (Cancellation Benchmarks and Annual Cancellations Benchmarks) to this Schedule 7.1; or
- (ii) less than (that is better than) or equal to the Annual CaSL Target Performance Level for that Franchisee Year, the amount equal to the amount specified in row 4 in the column headed "Without Multiplier" of the table in Part 3 (Annual Cancellations Payment Table) of Appendix 1 (Cancellation Benchmarks and Annual Cancellations Benchmarks) to this Schedule 7.1;

$\text{RPI}$  has the meaning given to it in paragraph 3.2(a); and

- (d) more than (that is, worse than) or equal to the Annual Floor Performance Level for that Annual Cancellations Benchmark for that Franchisee Year then the Cancellations Performance Sum in respect of that Franchisee Year shall be required to be incurred by the Franchisee in accordance with paragraph 3.7 and shall subject to paragraph 3.6 be an amount calculated as follows:

$$(\text{FLOOR}_C - \text{TARGET}_C) \times \text{PPP}_C$$

where:

$\text{FLOOR}_C$  is the Annual Floor Performance Level relating to that Annual Cancellations Benchmark for that Franchisee Year;

$\text{TARGET}_C$  has the meaning given to it in paragraph 3.2(a); and

$\text{PPP}_C$  has the meaning given to it in paragraph 3.2(c).

**3.3 TOC Minute Delay Performance Sum**

Where for any Franchisee Year, the Franchisee's performance in relation to the Annual TOC Minute Delay Benchmark as calculated pursuant to paragraph 2.7 (that is, the value of ACTUAL<sub>MD</sub>) is:

- (a) less than (that is, better than) the Annual Target Performance Level for that Annual TOC Minute Delay Benchmark and is less than (that is, better than) or equal to the Annual Cap Performance Level for such Annual TOC Minute Delay Benchmark, in each case for that Franchisee Year, then the TOC Minute Delay Performance Sum in respect of that Franchisee Year shall be payable by the Secretary of State to the Franchisee and shall subject to paragraph 3.6 be an amount calculated as follows:

$$(TARGET_{MD} - CAP_{MD}) \times PBP_{MD}$$

where:

TARGET<sub>MD</sub> is the Annual Target Performance Level relating to that Annual TOC Minute Delay Benchmark for that Franchisee Year;

CAP<sub>MD</sub> is the Annual Cap Performance Level relating to that Annual TOC Minute Delay Benchmark for that Franchisee Year;

PBP<sub>MD</sub> is, in respect of any Franchisee Year, an amount calculated as follows:

$$PBP_{MD} \times RPI$$

where:

PBP<sub>MD</sub> is, where the Actual PPM Performance Level is;

- (i) more than (that is, better than) or equal to the Annual PPM Target Performance Level for that Franchisee Year, the amount equal to the amount specified in row 3 of the column headed "With Multiplier" of the table in Part 3 (Annual TOC Minute Delay Payment Table) of Appendix 2 (TOC Minute Delay Benchmarks and Annual TOC Minute Delay Benchmarks) to this Schedule 7.1; and
- (ii) less than (that is worse than) the Annual PPM Target Performance Level for that Franchisee Year, the amount specified in row 3 of the column headed "Without Multiplier" of the table in Part 3 (Annual TOC Minute Delay Payment Table) of Appendix 2 (TOC Minute Delay Benchmarks and Annual TOC Minute Delay Benchmarks) to this Schedule 7.1;

RPI is the quotient of the Retail Prices Index for the January which immediately precedes the commencement of the relevant Franchisee Year divided by the Retail Prices Index for January 2015;

- (b) less than (that is, better than) or equal to the Annual Target Performance Level for that Annual TOC Minute Delay Benchmark but

more than (that is, worse than) the Annual Cap Performance Level for that Annual TOC Minute Delay Benchmark, in each case for that Franchisee Year, then the TOC Minute Delay Performance Sum in respect of that Franchisee Year shall be payable by the Secretary of State to the Franchisee and shall subject to paragraph 3.6 be an amount calculated as follows:

$$(TARGET_{MD} - ACTUAL_{MD}) \times PBP_{MD}$$

where:

TARGET<sub>MD</sub> has the meaning given to it in paragraph 3.3(a);

ACTUAL<sub>MD</sub> has the meaning given to it in paragraph 2.7; and

PBP<sub>MD</sub> has the meaning given to it in paragraph 3.3(a);

- (c) more than (that is, worse than) the Annual Target Performance Level for that Annual TOC Minute Delay Benchmark but less than (that is, better than) the Annual Floor Performance Level for that Annual TOC Minute Delay Benchmark, in each case for that Franchisee Year, then the TOC Minute Delay Performance Sum in respect of that Franchisee Year shall be required to be incurred by the Franchisee in accordance with paragraph 3.7 and shall subject to paragraph 3.6 be an amount calculated as follows:

$$(ACTUAL_{MD} - TARGET_{MD}) \times PPP_{MD}$$

where:

ACTUAL<sub>MD</sub> has the meaning given to it in paragraph 2.7;

TARGET<sub>MD</sub> has the meaning given to it in paragraph 3.3(a);

PPP<sub>MD</sub> is, in respect of any Franchisee Year, an amount calculated as follows:

$$PPP_{MD} \times RPI$$

where

PPP<sub>MD</sub> is, where the Actual PPM Performance Level is;

- (i) less than (that is worse than) the Annual PPM Target Performance Level for that Franchisee Year, the amount equal to the amount specified in row 4 of the column headed "With Multiplier" of the table in Part 3 (Annual TOC Minute Delay Payment Table) of Appendix 2 (TOC Minute Delay Benchmarks and Annual TOC Minute Delay Benchmarks) to this Schedule 7.1; and
- (ii) more than (that is better than) or equal to the Annual PPM Target Performance Level for that Franchisee Year, the amount equal to the amount specified in row 4 of the column headed "Without Multiplier" of the table in Part 3 (Annual TOC Minute Delay Payment Table) of Appendix 2 (TOC Minute Delay

Benchmarks and Annual TOC Minute Delay Benchmarks) to this Schedule 7.1;

RPI has the meaning given to it in paragraph 3.3(a); and

- (d) more than (that is, worse than) or equal to the Annual Floor Performance Level for that Annual TOC Minute Delay Benchmark for that Franchisee Year then the TOC Minute Delay Performance Sum in respect of that Franchisee Year shall be required to be incurred by the Franchisee in accordance with paragraph 3.7 and shall subject to paragraph 3.6 be an amount calculated as follows:

$$(FLOOR_{MD} - TARGET_{MD}) \times PPP_{MD}$$

where:

FLOOR<sub>MD</sub> is the Annual Floor Performance Level relating to that Annual TOC Minute Delay Benchmark for that Franchisee Year;

TARGET<sub>MD</sub> has the meaning given to it in paragraph 3.3(a); and

PPP<sub>MD</sub> has the meaning given to it in paragraph 3.3(c).

3.4 Short Formations Performance Sum

Where for any Franchisee Year, the Franchisee’s performance in relation to the Annual Short Formation Benchmark as calculated pursuant to paragraph 2.13 (that is the value of ACTUAL<sub>SF</sub>) is:

- (a) more than (that is, worse than) or equal to the Annual Target Performance Level for that Annual Short Formation Benchmark but less than (that is, better than) the Annual Floor Performance Level for that Annual Short Formation Benchmark, in each case for that Franchisee Year, then the Short Formation Performance Sum in respect of that Franchisee Year shall be required to be incurred by the Franchisee in accordance with paragraph 3.7 and shall subject to paragraph 3.6 be an amount calculated as follows:

$$(ACTUAL_{SF} - TARGET_{SF}) \times PPP_{SF}$$

where:

where:

ACTUAL<sub>SF</sub> has the meaning given to it in paragraph 2.13

TARGET<sub>SF</sub> is the Annual Target Performance Level relating to the Annual Short Formation Benchmark for that Franchisee Year; and

PPP<sub>SF</sub> is, in respect of any Franchisee Year, an amount calculated as follows:

$$PPP_{SF} \times RPI$$

where:

PPP<sub>SF</sub> is the amount specified in the table in Part 3 (Annual Short Formations Payment Table) of Appendix 3 (Short Formations Benchmark and Annual Short Formation Benchmark Table) to this Schedule 7.1;



RPI is the quotient of the Retail Prices Index for the January which immediately precedes the commencement of the relevant Franchisee Year divided by the Retail Prices Index for January 2015;

- (b) more than (that is, worse than) or equal to the Annual Floor Performance Level for that Annual Short Formation Benchmark for that Franchisee Year then the Short Formation Performance Sum in respect of that Franchisee Year shall be required to be incurred by the Franchisee in accordance with paragraph 3.7 and shall subject to paragraph 3.6 be an amount calculated as follows:

$$(\text{FLOOR}_{\text{SF}} - \text{TARGET}_{\text{SF}}) \times \text{PPP}_{\text{SF}}$$

where:

$\text{FLOOR}_{\text{SF}}$  is the Annual Floor Performance Level relating to that Annual Short Formation Benchmark for that Franchisee Year;

$\text{TARGET}_{\text{SF}}$  has the meaning given to it in paragraph 3.4(a); and

$\text{PPP}_{\text{SF}}$  has the meaning given to it in paragraph 3.4(a).

3.5 For the purpose of the calculations referred to in this paragraph 3, each of the Annual Cap Performance Level, the Annual Target Performance Level and the Annual Floor Performance Level will be specified as an absolute number not as a percentage (i.e. 1.5% equals 1.5).

3.6 The maximum amount:

- (a) payable by the Secretary of State by way of Cancellations Performance Sum and TOC Minute Delay Performance Sum shall, in respect of any Franchisee Year, be limited to an aggregate amount of:

(i) for Cancellations Performance Sum, £2,566,486 x RPI (where RPI has the meaning given to it in paragraph 3.2(a)); and

(ii) for TOC Minute Delay Performance Sum, £2,566,486 x RPI (where RPI has the meaning given to it in paragraph 3.2(a)); and

- (b) to be incurred as expenditure by the Franchisee by way of Cancellations Performance Sum and TOC Minute Delay Performance Sum, shall, in respect of any Franchisee Year, be limited to an aggregate amount of:

(i) for Cancellations Performance Sum, £2,566,486 x RPI (where RPI has the meaning given to it in paragraph 3.2(a)); and

(ii) for TOC Minute Delay Performance Sum, £2,566,486 x RPI (where RPI has the meaning given to it in paragraph 3.2(a)); and

- (c) to be incurred as expenditure by the Franchisee by way of Short Formation Performance Sum shall, in respect of any Franchisee Year, be limited to £2,053,189 x RPI (where RPI has the meaning given to it in paragraph 3.2(a)).

The Secretary of State shall be entitled to set off any liability for payment under this Schedule 7.1 against any sum owed to it by the Franchisee under this Schedule 7.1.

3.7 Where following calculation of the Cancellations Performance Sum, the TOC Minute Delay Performance Sum and/or the Short Formation Performance Sum, the Franchisee is required to incur expenditure, the Franchisee shall incur expenditure equal to the amount of the Cancellations Performance Sum, the TOC Minute Delay Performance Sum and/or the Short Formation Performance Sum due from the Franchisee in order to secure:

- (a) where the Franchisee is obliged to incur expenditure equal to the amount of the Cancellations Performance Sum, an improvement in the Franchisee's performance against the Annual Cancellations Benchmark so that such level is equal to or less (that is, better) than the Annual Target Performance Level for the Annual Cancellations Benchmark;
- (b) where the Franchisee is obliged to incur expenditure equal to the amount of the TOC Minute Delay Performance Sum, an improvement in the Franchisee's performance against the Annual TOC Minute Delay Benchmark so that such level is equal to or less (that is better) than the Annual Target Performance Level for the Annual TOC Minute Delay Benchmark; and/or
- (c) where the Franchisee is obliged to incur expenditure equal to the amount of the Short Formation Performance Sum, an improvement in the Franchisee's performance against the Annual Short Formation Benchmark so that such level is equal to the Annual Target Performance Level for the Annual Short Formation Benchmark,

or, in each case, as the Secretary of State may otherwise direct (the "**Required Performance Improvement**").

- 3.8 Without limiting paragraph 3.7, on each occasion that the Franchisee becomes obliged to incur expenditure equal to the amount of the Cancellations Performance Sum, the TOC Minute Delay Performance Sum and/or the Short Formation Performance Sum to secure a Required Performance Improvement, the Franchisee shall produce an action plan which is consistent with its obligations under paragraph 3.7 and in compliance with the following provisions:
- (a) the Franchisee shall (1) produce, (2) obtain the Secretary of State's approval of, and (3) commence the implementation of the action plan within three months after the notification of the results of calculations in accordance with paragraph 2.16;
  - (b) the action plan will contain specific tangible action points and indicate in the case of each action point:
    - (i) how that action will contribute to achieving the Required Performance Improvement;
    - (ii) where the action is to be implemented;
    - (iii) when the action is to be commenced and by when it is to be implemented provided always that where any action is expressed to be ongoing the plan shall include specific review dates; and
    - (iv) how performance of the action is to be measured; and
  - (c) the action plan will identify the amount of the Cancellations Performance Sum, the TOC Minute Delay Performance Sum and/or the Short Formation Performance Sum associated with each action.
- 3.9 The Franchisee shall, except to the extent otherwise agreed by the Secretary of State in advance, implement each action plan referred to in paragraph 3.8 in accordance with its terms.
- 3.10 It is acknowledged by the Franchisee that the approval or lack of approval by the Secretary of State of each action plan as contemplated in paragraph 3.8(a) shall not relieve the Franchisee of its obligations under this Schedule 7.1 or any other provisions of the Franchise Agreement.
- 3.11 Each Cancellations Performance Sum and TOC Minute Delay Performance Sum calculated pursuant to paragraphs 3.2 and 3.3 (respectively) in respect of any Franchisee Year payable

by the Secretary of State to the Franchisee shall, subject to paragraph 3.12, be paid by way of adjustment to Franchise Payments on the Performance Sum Adjustment Date.

3.12 Upon the termination of this Franchise Agreement:

- (a) the Franchisee shall pay to the Secretary of State, by way of adjustment to Franchise Payments, an amount equivalent to the amount of any Cancellations Performance Sum, TOC Minute Delay Performance Sum and/or Short Formation Performance Sum due from the Franchisee and which it has not yet incurred as at the end of the Franchise Period; and
- (b) the Secretary of State shall pay to the Franchisee, by way of adjustment to Franchise Payments, an amount equivalent to the amount of any Cancellation Performance Sum and/or TOC Minute Delay Performance Sum payable by the Secretary of State in respect of the final Franchisee Year.

#### 4. **Consequences for Poor Performance**

4.1 The Franchisee shall procure that in each Reporting Period (other than the No Breach Reporting Periods and the Breach Reporting Periods) the moving annual average of:

- (a) Cancellations and Partial Cancellations (calculated in accordance with paragraph 2.2) is neither equal to nor worse than the Breach Performance Levels and the Default Performance Levels specified in the cells relating to each such Reporting Period in the Cancellations Benchmark Table;
- (b) the Minutes Delay occurring in respect of the Passenger Services which are attributable to the Franchisee (including in accordance with paragraph 2.9) per 1000 Train Miles actually operated (calculated in accordance with paragraph 2.5) is neither equal to nor worse than the Breach Performance Levels and the Default Performance Levels specified in the cells relating to such Reporting Period in the TOC Minute Delay Benchmark Table; and
- (c) the Franchisee's performance (calculated in accordance with paragraph 2.12) is neither equal to nor worse than the Breach Performance Levels and the Default Performance Levels specified in the cells relating to such Reporting Period in the Short Formation Benchmark Table.

4.2 Without limiting the provisions of paragraph 4.3 and paragraph 3, if in any Reporting Period (other than a No Breach Reporting Period) the Franchisee's performance as calculated pursuant to paragraphs 2.2B, 2.2C, 2.6B, 2.6C, 2.12B or 2.12C is equal to or worse than):

- (a) in respect of any Breach Reporting Period, the Breach Period Performance Level relating to each Benchmark; or
- (b) in respect of any other Reporting Period (other than a No Breach Reporting Period and a Breach Reporting Period), the Breach Performance Level relating to each Benchmark,

then a contravention shall occur and the Secretary of State may serve a Remedial Plan Notice in accordance with the provisions of paragraph 1 of Schedule 10.1 (Remedial Plans and Remedial Agreements). For the purposes of paragraph 1.4(c) of Schedule 10.1 (Remedial Plan and Remedial Agreements) the steps to be proposed by the Franchisee pursuant to that paragraph are those which ensure that the Franchisee's performance against the relevant Benchmark will be equal to or better than the Target Performance Level relating to such Benchmark.

4.3 Certain consequences of the Franchisee's performance exceeding (that is, equalling or being worse than) the Breach Performance Levels and Default Performance Levels relating to each Benchmark are set out in Schedule 10 (Remedies, Termination and Expiry).

#### **Submission of Records Relating to the Implementation of a Service Recovery Plan**

4.4 The Franchisee shall, within eight weeks of the end of each Reporting Period for which a Service Recovery Plan has been implemented (or such other period as may be agreed by the Secretary of State), submit to the Secretary of State all the comprehensive records (as more particularly described in the relevant paragraph of the Service Recovery Plan) which relate to the implementation of such Service Recovery Plan during that Reporting Period.

5. **Determination of the Annual Benchmarks for Franchisee Years that are shorter than 13 Reporting Periods**

5.1 Where a Franchisee Year is shorter than 13 Reporting Periods the Secretary of State will perform the following calculations for the purposes of determining the Annual Cancellations Benchmark, the Annual TOC Minute Delay Benchmark, the Annual Short Formation Benchmark, the Annual CaSL Target Performance Level and the Annual PPM Target Performance Level relating to that Franchisee Year:

(a) in respect of the Annual Cancellations Benchmark for that Franchisee Year:

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

where:

$$\sum A \text{ is:}$$

- (i) for the Annual Cap Performance Level, the sum of the data relevant for each of the Reporting Periods in that Franchisee Year, such data being the data which was used for the purposes of determining the Annual Cap Performance Level in respect of a full Franchisee Year as more particularly set out in the document in agreed terms marked **ABD**; or
- (ii) for the Annual Target Performance Level, the sum of the data relevant for each of the Reporting Periods in that Franchisee Year, such data being the data which was used for the purposes of determining the Annual Target Performance Level in respect of a full Franchisee Year as more particularly set out in the document in agreed terms marked **ABD**; or
- (iii) for the Annual Floor Performance Level, the sum of the data relevant for each of the Reporting Periods in that Franchisee Year, such data being the data which was used for the purposes of determining the Annual Floor Performance Level in respect of a full Franchisee Year as more particularly set out in the document in agreed terms marked **ABD**; and

B is the number of Reporting Periods in that Franchisee Year; and

(b) in respect of the Annual TOC Minute Delay Benchmark for that Franchisee Year:

$$\frac{\sum AA}{AB}$$

where:

$$\sum AA \text{ is:}$$

- (i) for the Annual Cap Performance Level, the sum of the Minutes Delay attributable to the Franchisee as comprised in the data relevant for each of the Reporting Periods in that Franchisee Year, such Minutes Delay data being the data which was used for the purposes of determining the Annual Cap Performance Level in respect of a full Franchisee Year as more particularly set out in the document in agreed terms marked **ABD**; or
- (ii) for the Annual Target Performance Level, the sum of the Minutes Delay attributable to the Franchisee as comprised in the data relevant for each of the Reporting Periods in that Franchisee Year, such Minutes Delay data being the data which was used for the purposes of determining the Annual Target Performance Level in respect of a full Franchisee Year as more particularly set out in the document in agreed terms marked **ABD**; or
- (iii) for the Annual Floor Performance Level, the sum of the Minutes Delay attributable to the Franchisee as comprised in the data relevant for each of the Reporting Periods in that Franchisee Year, such Minutes Delay data being the data which was used for the purposes of determining the Annual Floor Performance Level in respect of a full Franchisee Year as more particularly set out in the document in agreed terms marked **ABD**; and

AB is ascertained as follows:

$$\frac{B}{1000}$$

where:

B is:

- (i) for the Annual Cap Performance Level, the sum of the Train Mileage as comprised in the data relevant for each of the Reporting Periods in that Franchisee Year, such Train Mileage data being the data which was used for the purposes of determining the Annual Cap Performance Level in respect of a full Franchisee Year as more particularly set out in the document in agreed terms marked **ABD**; or
- (ii) for the Annual Target Performance Level, the sum of the Train Mileage as comprised in the data relevant for each of the Reporting Periods in that Franchisee Year, such Train Mileage data being the data which was used for the purposes of determining the Annual Target Performance Level in respect of a full Franchisee Year as more particularly set out in the document in agreed terms marked **ABD**; or
- (iii) for the Annual Floor Performance Level, the sum of the Train Mileage as comprised in the data relevant for each of the Reporting Periods in that Franchisee Year, such Train Mileage data being the data which was used for the purposes of determining the Annual Floor Performance Level in respect of a full Franchisee Year as more particularly set out in the document in agreed terms marked **ABD**; and

- (c) in respect of the Annual Short Formation Benchmark for that Franchisee Year:

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

where:

$$\sum A$$

is:

- (i) for the Annual Target Performance Level, the sum of the data relevant for each of the Reporting Periods in that Franchisee Year, such data being the data which was used for the purposes of determining the Annual Target Performance Level in respect of a full Franchisee Year as more particularly set out in the document in agreed terms marked **ABD**; or
- (ii) for the Annual Floor Performance Level, the sum of the data relevant for each of the Reporting Periods in that Franchisee Year, such data being the data which was used for the purposes of determining the Annual Floor Performance Level in respect of a full Franchisee Year as more particularly set out in the document in agreed terms marked **ABD**; and

B is the number of Reporting Periods in that Franchisee Year; and

- (d) in respect of the Annual CaSL Target Performance Level for that Franchisee Year:

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

where:

$$\sum A$$

is:

the sum of the data relevant for each of the Reporting Periods in that Franchisee Year, such data being the data which was used for the purposes of determining the Annual CaSL Target Performance Level in respect of a full Franchisee Year as more particularly set out in the document in the agreed terms marked **ABD**; and

B is the number of Reporting Periods in that Franchisee Year; and

- (e) in respect of the Annual PPM Target Performance Level for that Franchisee Year:

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

where:

$$\sum A$$

is:

the sum of the data relevant for each of the Reporting Periods in that Franchisee Year, such data being the data which was used for the purposes of determining the Annual PPM Target Performance Level in respect of a full Franchisee Year as more particularly set out in the document in the agreed terms marked **ABD**; and

B is the number of Reporting Periods in that Franchisee Year.

6. **Network Rail Claim**

- 6.1 The Franchisee shall not include in any claim for compensation from Network Rail under Schedule 8 of the Track Access Agreement any amounts to compensate the Franchisee for any loss suffered or costs incurred as a result of the Franchisee:
- (a) not being entitled to receive from the Secretary of State the amounts specified in:
    - (i) row 3 or row 4 of the column headed "With Multiplier" of the table in Part 3 (Annual Cancellations Payment Table) of Appendix 1 (Cancellations Benchmark and Annual Cancellations Benchmark) of Schedule 7.1 (Performance Benchmarks); or
    - (ii) row 3 or row 4 of the column headed "With Multiplier" of Part 3 (Annual TOC Minute Delay Payment Table) of Appendix 2 (Annual TOC Minute Delay Benchmark Table) of Schedule 7.1 (Performance Benchmarks); and
  - (b) being required to incur the amounts specified in:
    - (i) row 3 or row 4 of the column headed "With Multiplier" of the table in Part 3 (Annual Cancellations Benchmark Table) of Appendix 1 (Cancellations Benchmark and Annual Cancellations Benchmark) of Schedule 7.1 (Performance Benchmarks); or
    - (ii) row 3 or row 4 of the column headed "With Multiplier" of the table in Part 3 (Annual TOC Minute Delay Payment Table) of Appendix 2 (Annual TOC Minute Delay Benchmark Table) of Schedule 7.1 (Performance Benchmarks); and
  - (c) without prejudice to the Secretary of State's rights under Schedule 10 (Remedies, Termination and Expiry), if the Franchisee receives compensation from Network Rail in respect of the losses and costs referred to in this paragraph 6.1, the Franchisee shall pay such compensation received to the Secretary of State within five Weekdays of receipt.

**APPENDIX 1 TO SCHEDULE 7.1**

**Cancellations Benchmarks and Annual Cancellations Benchmarks**

**Part 1 – Cancellations Benchmark Table**

Reporting Period./Rail Year		Target Performance Level	Breach Performance Level	Default Performance Level	Breach Period Performance Level
		(% Cancelled)	(% Cancelled)	(% Cancelled)	(% Cancelled)
Year 1 Period 1	17	0.76%	1.25%	1.75%	N/A
Year 1 Period 2	17	0.75%	1.25%	1.74%	N/A
Year 1 Period 3	17	0.74%	1.24%	1.73%	N/A
Year 1 Period 4	17	0.74%	1.23%	1.72%	N/A
Year 1 Period 5	17	0.73%	1.22%	1.71%	N/A
Year 1 Period 6	17	0.72%	1.21%	1.71%	1.21%
Year 1 Period 7	17	0.71%	1.21%	1.70%	1.21%
Year 1 Period 8	17	0.70%	1.20%	1.69%	1.20%
Year 1 Period 9	17	0.70%	1.19%	1.68%	1.19%
Year 1 Period 10	17	0.69%	1.18%	1.68%	1.18%
Year 1 Period 11	17	0.68%	1.17%	1.67%	1.17%
Year 1 Period 12	17	0.67%	1.17%	1.66%	1.17%
Year 1 Period 13	17	0.67%	1.16%	1.65%	N/A
Year 2 Period 1	18	0.66%	1.16%	1.65%	N/A
Year 2 Period 2	18	0.66%	1.15%	1.64%	N/A
Year 2 Period 3	18	0.65%	1.15%	1.64%	N/A
Year 2 Period 4	18	0.65%	1.14%	1.64%	N/A
Year 2 Period 5	18	0.65%	1.14%	1.63%	N/A
Year 2 Period 6	18	0.64%	1.14%	1.63%	N/A
Year 2 Period 7	18	0.64%	1.13%	1.63%	N/A
Year 2 Period 8	18	0.64%	1.13%	1.62%	N/A
Year 2 Period 9	18	0.63%	1.12%	1.62%	N/A
Year 2 Period 10	18	0.63%	1.12%	1.61%	N/A
Year 2 Period 11	18	0.62%	1.12%	1.61%	N/A
Year 2 Period 12	18	0.62%	1.11%	1.61%	N/A
Year 2 Period 13	18	0.62%	1.11%	1.60%	N/A
Year 3 Period 1	19	0.61%	1.11%	1.60%	N/A
Year 3 Period 2	19	0.61%	1.10%	1.60%	N/A
Year 3 Period 3	19	0.61%	1.10%	1.59%	N/A
Year 3 Period 4	19	0.60%	1.10%	1.59%	N/A
Year 3 Period 5	19	0.60%	1.09%	1.58%	N/A
Year 3 Period 6	19	0.60%	1.09%	1.58%	N/A
Year 3 Period 7	19	0.59%	1.08%	1.58%	N/A



Year 3 Period 8	19	0.59%	1.08%	1.57%	N/A
Year 3 Period 9	19	0.59%	1.08%	1.57%	N/A
Year 3 Period 10	19	0.58%	1.07%	1.57%	N/A
Year 3 Period 11	19	0.58%	1.07%	1.56%	N/A
Year 3 Period 12	19	0.57%	1.07%	1.56%	N/A
Year 3 Period 13	19	0.57%	1.06%	1.56%	N/A
Year 4 Period 1	20	0.57%	1.07%	1.56%	N/A
Year 4 Period 2	20	0.57%	1.07%	1.56%	N/A
Year 4 Period 3	20	0.57%	1.07%	1.56%	N/A
Year 4 Period 4	20	0.57%	1.07%	1.56%	N/A
Year 4 Period 5	20	0.57%	1.07%	1.56%	N/A
Year 4 Period 6	20	0.58%	1.07%	1.56%	N/A
Year 4 Period 7	20	0.58%	1.07%	1.56%	N/A
Year 4 Period 8	20	0.58%	1.07%	1.56%	N/A
Year 4 Period 9	20	0.58%	1.07%	1.56%	N/A
Year 4 Period 10	20	0.58%	1.07%	1.56%	N/A
Year 4 Period 11	20	0.58%	1.07%	1.56%	N/A
Year 4 Period 12	20	0.58%	1.07%	1.57%	N/A
Year 4 Period 13	20	0.58%	1.07%	1.57%	N/A
Year 5 Period 1	21	0.58%	1.07%	1.56%	N/A
Year 5 Period 2	21	0.58%	1.07%	1.56%	N/A
Year 5 Period 3	21	0.58%	1.07%	1.56%	N/A
Year 5 Period 4	21	0.58%	1.07%	1.56%	N/A
Year 5 Period 5	21	0.58%	1.07%	1.56%	N/A
Year 5 Period 6	21	0.57%	1.07%	1.56%	N/A
Year 5 Period 7	21	0.57%	1.07%	1.56%	N/A
Year 5 Period 8	21	0.57%	1.07%	1.56%	N/A
Year 5 Period 9	21	0.57%	1.06%	1.56%	N/A
Year 5 Period 10	21	0.57%	1.06%	1.56%	N/A
Year 5 Period 11	21	0.57%	1.06%	1.56%	N/A
Year 5 Period 12	21	0.57%	1.06%	1.55%	N/A
Year 5 Period 13	21	0.57%	1.06%	1.55%	N/A
Year 6 Period 1	22	0.57%	1.06%	1.55%	N/A
Year 6 Period 2	22	0.57%	1.06%	1.55%	N/A
Year 6 Period 3	22	0.57%	1.06%	1.55%	N/A
Year 6 Period 4	22	0.56%	1.06%	1.55%	N/A
Year 6 Period 5	22	0.56%	1.06%	1.55%	N/A
Year 6 Period 6	22	0.56%	1.06%	1.55%	N/A
Year 6 Period 7	22	0.56%	1.05%	1.55%	N/A
Year 6 Period 8	22	0.56%	1.05%	1.55%	N/A
Year 6 Period 9	22	0.56%	1.05%	1.55%	N/A
Year 6 Period 10	22	0.56%	1.05%	1.54%	N/A
Year 6 Period 11	22	0.56%	1.05%	1.54%	N/A
Year 6 Period 12	22	0.56%	1.05%	1.54%	N/A
Year 6 Period 13	22	0.56%	1.05%	1.54%	N/A

Year 7 Period 1	23	0.56%	1.05%	1.54%	N/A
Year 7 Period 2	23	0.55%	1.05%	1.54%	N/A
Year 7 Period 3	23	0.55%	1.05%	1.54%	N/A
Year 7 Period 4	23	0.55%	1.05%	1.54%	N/A
Year 7 Period 5	23	0.55%	1.04%	1.54%	N/A
Year 7 Period 6	23	0.55%	1.04%	1.54%	N/A
Year 7 Period 7	23	0.55%	1.04%	1.54%	N/A
Year 7 Period 8	23	0.55%	1.04%	1.53%	N/A
Year 7 Period 9	23	0.55%	1.04%	1.53%	N/A
Year 7 Period 10	23	0.55%	1.04%	1.53%	N/A
Year 7 Period 11	23	0.55%	1.04%	1.53%	N/A
Year 7 Period 12	23	0.55%	1.04%	1.53%	N/A
Year 7 Period 13	23	0.54%	1.04%	1.53%	N/A
<b>26 REPORTING PERIODS EXTENSION</b>					
Year 8 Period 1	24	0.54%	1.04%	1.53%	N/A
Year 8 Period 2	24	0.54%	1.04%	1.53%	N/A
Year 8 Period 3	24	0.54%	1.04%	1.53%	N/A
Year 8 Period 4	24	0.54%	1.04%	1.53%	N/A
Year 8 Period 5	24	0.54%	1.04%	1.53%	N/A
Year 8 Period 6	24	0.54%	1.04%	1.53%	N/A
Year 8 Period 7	24	0.54%	1.04%	1.53%	N/A
Year 8 Period 8	24	0.54%	1.04%	1.53%	N/A
Year 8 Period 9	24	0.54%	1.04%	1.53%	N/A
Year 8 Period 10	24	0.54%	1.04%	1.53%	N/A
Year 8 Period 11	24	0.54%	1.04%	1.53%	N/A
Year 8 Period 12	24	0.54%	1.04%	1.53%	N/A
Year 8 Period 13	24	0.54%	1.04%	1.53%	N/A
Year 9 Period 1	25	0.54%	1.04%	1.53%	N/A
Year 9 Period 2	25	0.54%	1.04%	1.53%	N/A
Year 9 Period 3	25	0.54%	1.04%	1.53%	N/A
Year 9 Period 4	25	0.54%	1.04%	1.53%	N/A
Year 9 Period 5	25	0.54%	1.04%	1.53%	N/A
Year 9 Period 6	25	0.54%	1.04%	1.53%	N/A
Year 9 Period 7	25	0.54%	1.04%	1.53%	N/A
Year 9 Period 8	25	0.54%	1.04%	1.53%	N/A
Year 9 Period 9	25	0.54%	1.04%	1.53%	N/A
Year 9 Period 10	25	0.54%	1.04%	1.53%	N/A
Year 9 Period 11	25	0.54%	1.04%	1.53%	N/A
Year 9 Period 12	25	0.54%	1.04%	1.53%	N/A
Year 9 Period 13	25	0.54%	1.04%	1.53%	N/A

**START OF THE FRANCHISE**

The Reporting Period in the cells entitled "Year 1, Period 1" shall be the first Reporting Period of the first Franchisee Year of the Franchise Term.

**Part 2 – Annual Cancellations Benchmark Table**

<b>Column 1</b>	<b>Column 2</b>	<b>Column 3</b>	<b>Column 4</b>	<b>Column 5</b>
<b>Franchisee Year</b>	<b>Annual Performance Level Canceled) Cap (%)</b>	<b>Annual Target Performance Level (% Canceled)</b>	<b>Annual Floor Performance Level (% Canceled)</b>	<b>Annual CASL Target Performance Level (%)</b>
Year 1	0.00%	0.67%	1.16%	3.80%
Year 2	0.00%	0.62%	1.11%	3.80%
Year 3	0.00%	0.57%	1.06%	3.80%
Year 4	0.00%	0.58%	1.07%	3.80%
Year 5	0.00%	0.57%	1.06%	3.70%
Year 6	0.00%	0.56%	1.05%	3.60%
Year 7	0.00%	0.54%	1.04%	3.50%
<b>26 Reporting Periods Extension</b>				
Year 8	0.00%	0.54%	1.04%	3.50%
Year 9	0.00%	0.54%	1.04%	3.50%

**Part 3 – Annual Cancellations Payment Table**

<b>Payment</b>	<b>Amount (£)</b>	<b>Amount (£)</b>
	Without Multiplier	With Multiplier
PBP <sub>C</sub>	£2,038,000	£2,602,000
PPP <sub>C</sub>	£4,075,000	£5,205,000

\* provided that in respect of any Franchisee Year of less than 13 Reporting Periods PBP<sub>C</sub> and/or PPP<sub>C</sub> (as applicable) shall be multiplied by the number of whole Reporting Periods in the relevant Franchisee Year and then divided by 13.

## APPENDIX 2 TO SCHEDULE 7.1

## TOC Minute Delay Benchmarks and Annual TOC Minute Delay Benchmarks

## Part 1 – TOC Minute Delay Benchmark Table

Reporting Period/Rail Year		Target Performance Level	Breach Performance Level	Default Performance Level	Breach Period Performance Level
		(relevant Minutes Delay/1000 Train Miles)	(relevant Minutes Delay/1000 Train Miles)	(relevant Minutes Delay/1000 Train Miles)	(relevant Minutes Delay/1000 Train Miles)
Year 1 Period 1	1 7	7.19	10.44	12.44	N/A
Year 1 Period 2	1 7	7.12	10.42	12.42	N/A
Year 1 Period 3	1 7	7.04	10.39	12.39	N/A
Year 1 Period 4	1 7	6.97	10.37	12.37	N/A
Year 1 Period 5	1 7	6.89	10.34	12.34	N/A
Year 1 Period 6	1 7	6.82	10.27	12.27	10.27
Year 1 Period 7	1 7	6.74	10.19	12.19	10.19
Year 1 Period 8	1 7	6.67	10.12	12.12	10.12
Year 1 Period 9	1 7	6.59	10.04	12.04	10.04
Year 1 Period 10	1 7	6.52	9.97	11.97	9.97
Year 1 Period 11	1 7	6.44	9.89	11.90	9.89
Year 1 Period 12	1 7	6.37	9.82	11.82	9.82
Year 1 Period 13	1 7	6.29	9.74	11.75	N/A
Year 2 Period 1	1 8	6.19	9.54	11.54	N/A
Year 2 Period 2	1 8	6.08	9.33	11.33	N/A
Year 2 Period 3	1 8	5.98	9.13	11.13	N/A
Year 2 Period 4	1 8	5.87	8.92	10.92	N/A
Year 2 Period 5	1 8	5.76	8.71	10.72	N/A
Year 2 Period 6	1 8	5.66	8.51	10.51	N/A
Year 2 Period 7	1 8	5.55	8.30	10.30	N/A
Year 2 Period 8	1 8	5.45	8.15	10.15	N/A
Year 2 Period 9	1 8	5.34	7.99	9.99	N/A

Year 2 Period 10	18	5.23	7.83	9.84	N/A
Year 2 Period 11	18	5.13	7.68	9.68	N/A
Year 2 Period 12	18	5.02	7.52	9.52	N/A
Year 2 Period 13	18	4.92	7.37	9.37	N/A
Year 3 Period 1	19	4.87	7.27	9.28	N/A
Year 3 Period 2	19	4.83	7.18	9.18	N/A
Year 3 Period 3	19	4.79	7.09	9.09	N/A
Year 3 Period 4	19	4.75	7.00	9.00	N/A
Year 3 Period 5	19	4.71	6.91	8.91	N/A
Year 3 Period 6	19	4.66	6.82	8.82	N/A
Year 3 Period 7	19	4.62	6.72	8.72	N/A
Year 3 Period 8	19	4.58	6.58	8.58	N/A
Year 3 Period 9	19	4.54	6.54	8.54	N/A
Year 3 Period 10	19	4.50	6.50	8.50	N/A
Year 3 Period 11	19	4.46	6.46	8.46	N/A
Year 3 Period 12	19	4.41	6.41	8.42	N/A
Year 3 Period 13	19	4.37	6.37	8.37	N/A
Year 4 Period 1	20	4.37	6.37	8.37	N/A
Year 4 Period 2	20	4.37	6.37	8.37	N/A
Year 4 Period 3	20	4.37	6.37	8.37	N/A
Year 4 Period 4	20	4.37	6.37	8.38	N/A
Year 4 Period 5	20	4.37	6.37	8.38	N/A
Year 4 Period 6	20	4.37	6.37	8.38	N/A
Year 4 Period 7	20	4.37	6.37	8.38	N/A
Year 4 Period 8	20	4.37	6.38	8.38	N/A
Year 4 Period 9	20	4.37	6.38	8.38	N/A
Year 4 Period 10	20	4.37	6.38	8.38	N/A
Year 4 Period 11	20	4.37	6.38	8.38	N/A
Year 4 Period 12	20	4.38	6.38	8.38	N/A
Year 4 Period 13	20	4.38	6.38	8.38	N/A
Year 5 Period 1	21	4.37	6.37	8.37	N/A

Year 5 Period 2	2 1	4.36	6.36	8.36	N/A
Year 5 Period 3	2 1	4.35	6.36	8.36	N/A
Year 5 Period 4	2 1	4.35	6.35	8.35	N/A
Year 5 Period 5	2 1	4.34	6.34	8.34	N/A
Year 5 Period 6	2 1	4.33	6.34	8.34	N/A
Year 5 Period 7	2 1	4.33	6.33	8.33	N/A
Year 5 Period 8	2 1	4.32	6.32	8.32	N/A
Year 5 Period 9	2 1	4.31	6.31	8.32	N/A
Year 5 Period 10	2 1	4.31	6.31	8.31	N/A
Year 5 Period 11	2 1	4.30	6.30	8.30	N/A
Year 5 Period 12	2 1	4.29	6.29	8.30	N/A
Year 5 Period 13	2 1	4.29	6.29	8.29	N/A
Year 6 Period 1	2 2	4.28	6.28	8.28	N/A
Year 6 Period 2	2 2	4.27	6.27	8.27	N/A
Year 6 Period 3	2 2	4.27	6.27	8.27	N/A
Year 6 Period 4	2 2	4.26	6.26	8.26	N/A
Year 6 Period 5	2 2	4.25	6.25	8.25	N/A
Year 6 Period 6	2 2	4.24	6.25	8.25	N/A
Year 6 Period 7	2 2	4.24	6.24	8.24	N/A
Year 6 Period 8	2 2	4.23	6.23	8.23	N/A
Year 6 Period 9	2 2	4.22	6.23	8.23	N/A
Year 6 Period 10	2 2	4.22	6.22	8.22	N/A
Year 6 Period 11	2 2	4.21	6.21	8.21	N/A
Year 6 Period 12	2 2	4.20	6.20	8.21	N/A
Year 6 Period 13	2 2	4.20	6.20	8.20	N/A
Year 7 Period 1	2 3	4.19	6.19	8.19	N/A
Year 7 Period 2	2 3	4.18	6.18	8.19	N/A
Year 7 Period 3	2 3	4.18	6.18	8.18	N/A
Year 7 Period 4	2 3	4.17	6.17	8.17	N/A
Year 7 Period 5	2 3	4.16	6.16	8.16	N/A
Year 7 Period 6	2 3	4.16	6.16	8.16	N/A

Year 7 Period 7	2 3	4.15	6.15	8.15	N/A
Year 7 Period 8	2 3	4.14	6.14	8.14	N/A
Year 7 Period 9	2 3	4.13	6.14	8.14	N/A
Year 7 Period 10	2 3	4.13	6.13	8.13	N/A
Year 7 Period 11	2 3	4.12	6.12	8.12	N/A
Year 7 Period 12	2 3	4.11	6.12	8.12	N/A
Year 7 Period 13	2 3	4.11	6.11	8.11	N/A
<b>26 Reporting Periods Extension</b>					
Year 8 Period 1	2 4	4.11	6.11	8.11	N/A
Year 8 Period 2	2 4	4.11	6.11	8.11	N/A
Year 8 Period 3	2 4	4.11	6.11	8.11	N/A
Year 8 Period 4	2 4	4.11	6.11	8.11	N/A
Year 8 Period 5	2 4	4.11	6.11	8.11	N/A
Year 8 Period 6	2 4	4.11	6.11	8.11	N/A
Year 8 Period 7	2 4	4.11	6.11	8.11	N/A
Year 8 Period 8	2 4	4.11	6.11	8.11	N/A
Year 8 Period 9	2 4	4.11	6.11	8.11	N/A
Year 8 Period 10	2 4	4.11	6.11	8.11	N/A
Year 8 Period 11	2 4	4.11	6.11	8.11	N/A
Year 8 Period 12	2 4	4.11	6.11	8.11	N/A
Year 8 Period 13	2 4	4.11	6.11	8.11	N/A
Year 9 Period 1	2 5	4.11	6.11	8.11	N/A
Year 9 Period 2	2 5	4.11	6.11	8.11	N/A
Year 9 Period 3	2 5	4.11	6.11	8.11	N/A
Year 9 Period 4	2 5	4.11	6.11	8.11	N/A
Year 9 Period 5	2 5	4.11	6.11	8.11	N/A
Year 9 Period 6	2 5	4.11	6.11	8.11	N/A
Year 9 Period 7	2 5	4.11	6.11	8.11	N/A
Year 9 Period 8	2 5	4.11	6.11	8.11	N/A
Year 9 Period 9	2 5	4.11	6.11	8.11	N/A
Year 9 Period 10	2 5	4.11	6.11	8.11	N/A



Year 9 Period 11	2 5	4.11	6.11	8.11	N/A
Year 9 Period 12	2 5	4.11	6.11	8.11	N/A
Year 9 Period 13	2 5	4.11	6.11	8.11	N/A

**START OF THE FRANCHISE**

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

## Part 2 – Annual TOC Minute Delay Benchmark Table

Column 1	Column 2	Column 3	Column 4	Column 5
Franchisee Year	Annual Cap Performance Level (relevant Minutes Delay per 1000 train miles)	Annual Target Performance Level (relevant Minutes Delay per 1000 train miles)	Annual Floor Performance Level (relevant Minutes Delay per 1000 train miles)	Annual PPM Target Performance Level
Year 1	2.49	6.29	8.19	90.10%
Year 2	1.11	4.92	6.82	90.60%
Year 3	0.57	4.37	6.27	90.90%
Year 4	0.57	4.38	6.28	91.10%
Year 5	0.48	4.29	6.19	91.30%
Year 6	0.39	4.20	6.10	91.50%
Year 7	0.31	4.11	6.01	91.70%
<b>26 Reporting Periods Extension</b>				
Year 8	0.31	4.11	6.01	91.70%
Year 9	0.31	4.11	6.01	91.70%

**Part 3 – Annual TOC Minute Delay Payment Table**

<b>Payment</b>	<b>Amount (£)</b>	<b>Amount (£)</b>
	Without Multiplier	With Multiplier
PBP <sub>MD</sub>	£522,000	£675,000
PPP <sub>MD</sub>	£1,044,000	£1,350,000

\* provided that in respect of any Franchisee Year of less than 13 Reporting Periods PBPMD and/or PPPMD shall be multiplied by the number of whole Reporting Periods in the relevant Franchisee Year and then divided by 13.

**APPENDIX 3 TO SCHEDULE 7.1**

**Short Formation Benchmark and Annual Short Formation Benchmark Table**

**Part 1 – Short Formation Benchmark Table**

		<b>Target Performance Level</b>	<b>Breach Performance Level</b>	<b>Default Performance Level</b>	<b>Breach Period Performance Level</b>
		(% Short Formed)	(% Short Formed)	(% Short Formed)	(% Short Formed)
<b>Reporting Period/Rail Year</b>					
Year 1, Period 1	17	0.00%	1.00%	1.50%	N/A
Year 1, Period 2	17	0.00%	1.00%	1.50%	N/A
Year 1, Period 3	17	0.00%	1.00%	1.50%	N/A
Year 1, Period 4	17	0.00%	1.00%	1.50%	N/A
Year 1, Period 5	17	0.00%	1.00%	1.50%	N/A
Year 1, Period 6	17	0.00%	1.00%	1.50%	1.00%
Year 1, Period 7	17	0.00%	1.00%	1.50%	1.00%
Year 1, Period 8	17	0.00%	1.00%	1.50%	1.00%
Year 1, Period 9	17	0.00%	1.00%	1.50%	1.00%
Year 1, Period 10	17	0.00%	1.00%	1.50%	1.00%
Year 1, Period 11	17	0.00%	1.00%	1.50%	1.00%
Year 1, Period 12	17	0.00%	1.00%	1.50%	1.00%
Year 1, Period 13	17	0.00%	1.00%	1.50%	N/A
Year 2, Period 1	18	0.00%	1.00%	1.50%	N/A
Year 2, Period 2	18	0.00%	1.00%	1.50%	N/A
Year 2, Period 3	18	0.00%	1.00%	1.50%	N/A
Year 2, Period 4	18	0.00%	1.00%	1.50%	N/A
Year 2, Period 5	18	0.00%	1.00%	1.50%	N/A
Year 2, Period 6	18	0.00%	1.00%	1.50%	N/A
Year 2, Period 7	18	0.00%	1.00%	1.50%	N/A
Year 2, Period 8	18	0.00%	0.99%	1.49%	N/A
Year 2, Period 9	18	0.00%	0.99%	1.49%	N/A
Year 2, Period 10	18	0.00%	0.99%	1.49%	N/A
Year 2, Period 11	18	0.00%	0.99%	1.49%	N/A
Year 2, Period 12	18	0.00%	0.99%	1.49%	N/A
Year 2, Period 13	18	0.00%	0.99%	1.49%	N/A
Year 3, Period 1	19	0.00%	0.99%	1.49%	N/A
Year 3, Period 2	19	0.00%	0.99%	1.49%	N/A
Year 3, Period 3	19	0.00%	0.99%	1.49%	N/A
Year 3, Period 4	19	0.00%	0.99%	1.49%	N/A
Year 3, Period 5	19	0.00%	0.99%	1.49%	N/A
Year 3, Period 6	19	0.00%	0.99%	1.49%	N/A

Year 3, Period 7	19	0.00%	0.99%	1.49%	N/A
Year 3, Period 8	19	0.00%	0.99%	1.49%	N/A
Year 3, Period 9	19	0.00%	0.99%	1.49%	N/A
Year 3, Period 10	19	0.00%	0.99%	1.49%	N/A
Year 3, Period 11	19	0.00%	0.98%	1.48%	N/A
Year 3, Period 12	19	0.00%	0.98%	1.48%	N/A
Year 3, Period 13	19	0.00%	0.98%	1.48%	N/A
Year 4, Period 1	20	0.00%	0.98%	1.48%	N/A
Year 4, Period 2	20	0.00%	0.98%	1.48%	N/A
Year 4, Period 3	20	0.00%	0.98%	1.48%	N/A
Year 4, Period 4	20	0.00%	0.98%	1.48%	N/A
Year 4, Period 5	20	0.00%	0.98%	1.48%	N/A
Year 4, Period 6	20	0.00%	0.98%	1.48%	N/A
Year 4, Period 7	20	0.00%	0.98%	1.48%	N/A
Year 4, Period 8	20	0.00%	0.98%	1.48%	N/A
Year 4, Period 9	20	0.00%	0.98%	1.48%	N/A
Year 4, Period 10	20	0.00%	0.98%	1.48%	N/A
Year 4, Period 11	20	0.00%	0.98%	1.48%	N/A
Year 4, Period 12	20	0.00%	0.98%	1.48%	N/A
Year 4, Period 13	20	0.00%	0.98%	1.48%	N/A
Year 5, Period 1	21	0.00%	0.97%	1.47%	N/A
Year 5, Period 2	21	0.00%	0.97%	1.47%	N/A
Year 5, Period 3	21	0.00%	0.97%	1.47%	N/A
Year 5, Period 4	21	0.00%	0.97%	1.47%	N/A
Year 5, Period 5	21	0.00%	0.97%	1.47%	N/A
Year 5, Period 6	21	0.00%	0.97%	1.47%	N/A
Year 5, Period 7	21	0.00%	0.97%	1.47%	N/A
Year 5, Period 8	21	0.00%	0.97%	1.47%	N/A
Year 5, Period 9	21	0.00%	0.97%	1.47%	N/A
Year 5, Period 10	21	0.00%	0.97%	1.47%	N/A
Year 5, Period 11	21	0.00%	0.97%	1.47%	N/A
Year 5, Period 12	21	0.00%	0.97%	1.47%	N/A
Year 5, Period 13	21	0.00%	0.97%	1.47%	N/A
Year 6, Period 1	22	0.00%	0.97%	1.47%	N/A
Year 6, Period 2	22	0.00%	0.97%	1.47%	N/A
Year 6, Period 3	22	0.00%	0.96%	1.46%	N/A
Year 6, Period 4	22	0.00%	0.96%	1.46%	N/A
Year 6, Period 5	22	0.00%	0.96%	1.46%	N/A
Year 6, Period 6	22	0.00%	0.96%	1.46%	N/A
Year 6, Period 7	22	0.00%	0.96%	1.46%	N/A
Year 6, Period 8	22	0.00%	0.96%	1.46%	N/A
Year 6, Period 9	22	0.00%	0.96%	1.46%	N/A
Year 6, Period 10	22	0.00%	0.96%	1.46%	N/A
Year 6, Period 11	22	0.00%	0.96%	1.46%	N/A
Year 6, Period 12	22	0.00%	0.96%	1.46%	N/A

Year 6, Period 13	22	0.00%	0.96%	1.46%	N/A
Year 7, Period 1	23	0.00%	0.96%	1.46%	N/A
Year 7, Period 2	23	0.00%	0.96%	1.46%	N/A
Year 7, Period 3	23	0.00%	0.96%	1.46%	N/A
Year 7, Period 4	23	0.00%	0.96%	1.46%	N/A
Year 7, Period 5	23	0.00%	0.96%	1.46%	N/A
Year 7, Period 6	23	0.00%	0.95%	1.45%	N/A
Year 7, Period 7	23	0.00%	0.95%	1.45%	N/A
Year 7, Period 8	23	0.00%	0.95%	1.45%	N/A
Year 7, Period 9	23	0.00%	0.95%	1.45%	N/A
Year 7, Period 10	23	0.00%	0.95%	1.45%	N/A
Year 7, Period 11	23	0.00%	0.95%	1.45%	N/A
Year 7, Period 12	23	0.00%	0.95%	1.45%	N/A
Year 7, Period 13	23	0.00%	0.95%	1.45%	N/A
<b>26 Reporting Periods Extension</b>					
Year 8, Period 1	24	0.00%	0.95%	1.45%	N/A
Year 8, Period 2	24	0.00%	0.95%	1.45%	N/A
Year 8, Period 3	24	0.00%	0.95%	1.45%	N/A
Year 8, Period 4	24	0.00%	0.95%	1.45%	N/A
Year 8, Period 5	24	0.00%	0.95%	1.45%	N/A
Year 8, Period 6	24	0.00%	0.95%	1.45%	N/A
Year 8, Period 7	24	0.00%	0.95%	1.45%	N/A
Year 8, Period 8	24	0.00%	0.95%	1.45%	N/A
Year 8, Period 9	24	0.00%	0.95%	1.45%	N/A
Year 8, Period 10	24	0.00%	0.95%	1.45%	N/A
Year 8, Period 11	24	0.00%	0.95%	1.45%	N/A
Year 8, Period 12	24	0.00%	0.95%	1.45%	N/A
Year 8, Period 13	24	0.00%	0.95%	1.45%	N/A
Year 9, Period 1	25	0.00%	0.95%	1.45%	N/A
Year 9, Period 2	25	0.00%	0.95%	1.45%	N/A
Year 9, Period 3	25	0.00%	0.95%	1.45%	N/A
Year 9, Period 4	25	0.00%	0.95%	1.45%	N/A
Year 9, Period 5	25	0.00%	0.95%	1.45%	N/A
Year 9, Period 6	25	0.00%	0.95%	1.45%	N/A
Year 9, Period 7	25	0.00%	0.95%	1.45%	N/A
Year 9, Period 8	25	0.00%	0.95%	1.45%	N/A
Year 9, Period 9	25	0.00%	0.95%	1.45%	N/A
Year 9, Period 10	25	0.00%	0.95%	1.45%	N/A
Year 9, Period 11	25	0.00%	0.95%	1.45%	N/A
Year 9, Period 12	25	0.00%	0.95%	1.45%	N/A
Year 9, Period 13	25	0.00%	0.95%	1.45%	N/A

**START OF THE FRANCHISE**

The Reporting Period in the cells entitled "Year 1, Period 1" shall be the first Reporting Period of the first Franchisee Year in the Franchise Term.

**Part 2 – Annual Short Formation Benchmark Table**

<b>Column 1</b>	<b>Column 2</b>	<b>Column 3</b>
<b>Franchisee Year</b>	<b>Annual Target Performance Level (%)</b>	<b>Annual Floor Performance Level (%)</b>
<b>Year 1</b>	0.00%	1.00%
<b>Year 2</b>	0.00%	0.99%
<b>Year 3</b>	0.00%	0.98%
<b>Year 4</b>	0.00%	0.98%
<b>Year 5</b>	0.00%	0.97%
<b>Year 6</b>	0.00%	0.96%
<b>Year 7</b>	0.00%	0.95%
<b>26 Reporting Periods Extension</b>		
<b>Year 8</b>	0.00%	0.95%
<b>Year 9</b>	0.00%	0.95%

**Part 3 – Annual Short Formation Payment Table**

	<b>Amount (£)</b>
PPP <sub>SF</sub>	£2,037,500

\* provided that in respect of any Franchisee Year of less than 13 Reporting Periods PPP<sub>SF</sub> (as applicable) shall be multiplied by the number of whole Reporting Period in the relevant Franchisee Year and then divided by 13.



**SCHEDULE 7.2****National Rail Passenger Surveys and Customer and Communities Improvement Fund****1. Conduct of National Rail Passenger Surveys**

1.1 The Franchisee agrees with the Secretary of State that:

- (a) the Passengers' Council may measure the level of passenger satisfaction with the Franchise Services through National Rail Passenger Surveys;
- (b) the Passengers' Council shall determine how, when (normally twice per annum) and where National Rail Passenger Surveys are to be carried out;
- (c) the Franchisee shall grant access on trains or at stations to the Passengers' Council (or its representatives and agents) to carry out National Rail Passenger Surveys;
- (d) the Franchisee shall co-operate with the Passengers' Council (in such manner as the Passengers' Council may reasonably request or as the Secretary of State may reasonably direct) in order to enable the Passengers' Council to carry out National Rail Passenger Surveys; and
- (e) the Passengers' Council and/or the Secretary of State may, from time to time, publish the results of each National Rail Passenger Survey.

1.2 The Secretary of State shall ensure or shall procure that:

- (a) the findings of any National Rail Passenger Survey are made available by the Passengers' Council to the Franchisee within a reasonable period of time after the completion of each such survey and shall use all reasonable endeavours to procure that those findings are made available in a timely manner to enable the Franchisee to comply with its obligations under paragraph 1.3; and
- (b) if any such survey includes a comparison between its findings and the findings of any equivalent earlier survey, such comparison forms a reasonable basis for monitoring the trends of passenger satisfaction over time.

1.3 The Franchisee shall, as soon as reasonably practicable after such information is made available to the Franchisee in accordance with paragraph 1.2, publicise its performance against the NRPS Benchmarks by including such information in its Customer Report and displaying such information at all of the Stations and on its website.

1.4 It is agreed by the Franchisee that, subject to paragraph 1.5, the methodology to be adopted by the Passengers' Council in conducting any such National Rail Passenger Survey shall be as described in the document in the agreed terms marked **PSM** (the "**Passenger Survey Methodology**");

1.5 If:

- (a) at any time during the Franchise Term the methodology adopted in conducting any National Rail Passenger Survey is, in the reasonable opinion of the Secretary of State, materially inconsistent with the Passenger Survey Methodology; and
- (b) the Secretary of State reasonably determines that in consequence a revision to the NRPS Benchmark is required in order to hold constant the risk of the Franchisee failing to satisfy the NRPS Benchmark,

then the Secretary of State shall make such revisions to such NRPS Benchmarks as he reasonably considers appropriate to hold constant such risk.

- 1.6 If the Passengers' Council ceases to undertake National Rail Passenger Surveys then the relevant National Rail Passenger Survey for the purposes of this Schedule 7.2 shall be such other passenger survey as the Secretary of State may, after consultation with the Franchisee, reasonably determine to be appropriate in the circumstances (the "**Alternative NRPS**"). The provisions of this Schedule 7.2 shall apply in respect of any Alternative NRPS and for these purposes the Passengers' Council shall be replaced with such other entity that is responsible for conducting such Alternative NRPS.

## 2. **NRPS Benchmarks**

- 2.1 It is agreed by the Secretary of State and the Franchisee that, subject to paragraph 1.6, the results of the National Rail Passenger Survey(s) carried out by the Passengers' Council in any Franchisee Year shall be used to determine the Franchisee's performance against the NRPS Benchmarks for that Franchisee Year. If in any Franchisee Year the Passengers' Council has conducted:

- (a) only one National Rail Passenger Survey in that Franchisee Year then the performance of the Franchisee against the NRPS Benchmarks shall be measured against the results of such National Rail Passenger Survey; or
- (b) more than one National Rail Passenger Survey in that Franchisee Year then the performance of the Franchisee against the NRPS Benchmarks shall be measured against the average of the results of all of the National Rail Passenger Surveys conducted by the Passengers' Council in that Franchisee Year.

### Performance Results/Required Remedial Actions

- 2.2 For each Franchisee Year the Secretary of State shall determine the Franchisee's performance against each NRPS Benchmark by comparing:

- (a) if only one National Rail Passenger Survey has been published by Passengers' Council in that Franchisee Year, the results of such National Rail Passenger Survey against the NRPS Benchmarks applicable in respect of that Franchisee Year; or
- (b) if more than one National Rail Passenger Survey has been published by Passengers' Council in that Franchisee Year, the average of the results of all of the National Rail Passenger Surveys published by the Passengers' Council in that Franchisee Year against the NRPS Benchmarks applicable in respect of that Franchisee Year.

For the purposes of undertaking the comparison pursuant to this paragraph 2.2, the results referred to in paragraph 2.2(a) or paragraph 2.2(b) (as the case may be) shall be rounded up to one decimal place with the midpoint (that is, 4.45) rounded upwards (that is, 4.5).

- 2.3 If, following the Secretary of State's determination pursuant to any of paragraphs 2.2(a) or 2.2(b) (as the case may be), the results show that the level of customer satisfaction in respect of any NRPS Measure is below the NRPS Benchmark for such measure then:

- (a) the Franchisee shall, unless the Secretary of State shall otherwise direct, incur Additional Expenditure in order to secure the Required Improvement; or
- (b) if the Secretary of State so requires, a sum equivalent to the Additional Expenditure reasonably required to secure the Required Improvement shall be added to the CCIF Amount for the relevant period.

- 2.4 Without limiting paragraph 2.3, on each occasion that the Franchisee becomes obliged to incur Additional Expenditure to secure a Required Improvement, the Franchisee shall produce an action plan which is consistent with its obligations under paragraph 2.3 and in compliance with the following provisions:

- (a) the Franchisee shall (1) produce, (2) obtain the Secretary of State's approval of, and (3) commence the implementation of the action plan within three months after the date on which the results of such National Rail Passenger Survey which triggered the requirement for the Required Improvement were published or otherwise made available to the Franchisee pursuant to paragraph 1.2;
  - (b) the action plan will contain specific tangible action points and indicate in the case of each action point:
    - (i) how that action will contribute to meeting the NRPS Measure;
    - (ii) where the action is to be implemented;
    - (iii) when the action is to be commenced and by when it is to be implemented provided always that where any action is expressed to be ongoing the plan shall include specific review dates; and
    - (iv) how performance of the action is to be measured; and
  - (c) the action plan will identify the Additional Expenditure associated with each action.
- 2.5 The Franchisee shall, except to the extent otherwise agreed by the Secretary of State in advance, implement each action plan referred to in paragraph 2.4 in accordance with its terms.
- 2.6 It is acknowledged by the Franchisee that the approval or lack of approval by the Secretary of State of each action plan as contemplated in paragraph 2.4(a) shall not relieve the Franchisee of its obligations under this Schedule 7.2 or any other provisions of the Franchise Agreement.
- 2.7 Upon the termination of this Franchise Agreement the Franchisee shall pay to the Secretary of State, by way of adjustment to Franchise Payments, an amount equivalent to the amount of any Additional Expenditure that the Franchisee is committed to incur pursuant to paragraph 2.3 and which it has not yet incurred as at the end of the Franchise Period.
- 2.8 For the purposes of this Schedule 7.2:

**"Additional Expenditure"** means, where the Franchisee's performance is:

- (a) subject to paragraphs 2.8(d) and (e), below the NRPS Benchmark for one NRPS Measure, but equal to or more than the NRPS Benchmark for the other two NRPS Measures, £150,000;
- (b) subject to paragraphs 2.8(d) and (e), below the NRPS Benchmark for two NRPS Measures, but equal to or more than the NRPS Benchmark for the other NRPS Measure, £225,000;
- (c) subject to paragraphs 2.8(d) and (e), below the NRPS Benchmark for all three NRPS Measures, £300,000; and
- (d) for any Franchisee Year which is shorter than 13 Reporting Periods, the amounts specified in paragraphs 2.8(a) to 2.8(c) shall be reduced pro rata;
- (e) for each Franchisee Year (other than the first Franchisee Year) the Additional Expenditure applicable in relation to such Franchisee Year shall be determined as follows:

AD x RPI

where:

AD is £150,000 (where paragraph 2.8(a) above applies), £225,000 (where paragraph 2.8(b) above applies) or £300,000 (where paragraph 2.8(c) applies) as the case may be; and

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

(f) such additional expenditure shall be additional to:

(i) any sums provided for expenditure in respect of the same or similar commitments in the Business Plan for the Franchisee Year (the "**First Expenditure Franchisee Year**") in which the obligation to incur Additional Expenditure under paragraph 2.3 first arises (the "**Existing Expenditure**"), and in any subsequent Franchisee Year, shall be in addition to the amount of the Existing Expenditure as increased by an amount equivalent to any increase in the Retail Prices Index between the beginning of the First Expenditure Franchisee Year and the beginning of that subsequent Franchisee Year; and

(ii) without limiting the preceding paragraph (f)(i), any expenditure made or to be made by the Franchisee for the purposes of complying with the provisions of Schedule 1 (Passenger Service Obligations), Schedule 4 (Persons with Disabilities and Disability Discrimination), Part 1 (List of Committed Obligations) to Schedule 6.1 (Committed Obligations and Related Provisions) and Schedule 7 (Performance Benchmarks); and

"**Required Improvement**" means an improvement in the level of customer satisfaction for the relevant NRPS Measure as measured by a National Rail Passenger Survey so that such level is equal to or higher than the related NRPS Benchmark.

### 3. **Customer Reports and Communities Improvement Fund**

3.1 The Franchisee shall undertake consultations with passengers, potential passengers and other users of the rail network (including in each case by undertaking consultations with: (i) persons who are protected by a Disabled People's Protection Policy; and (ii) persons with other protected characteristics within the meaning of the EA) in accordance with and shall otherwise comply with the Customer and Stakeholder Engagement Strategy.

#### **Customer Reports**

3.2 The Franchisee shall:

(a) by no later than the Start Date; and

(b) thereafter at least twice each Franchisee Year,

publish the Customer Report in such readily accessible formats as the Secretary of State may reasonably require (including in booklet or other similar hard copy formats, in electronic formats (such as on the Franchisee's website, through social media channels and by email)), in each case in accordance with the Customer and Stakeholder Engagement Strategy and the provisions of paragraph 20 of Schedule 13 (Information and Industry Initiatives).

The Secretary of State and the Franchisee acknowledge and agree that, as regards the Customer Reports to be published by the Franchisee pursuant to paragraph 3.2(b) above, the first Customer Report of each Franchisee Year shall be prepared in respect of the first six Reporting Periods of that Franchisee Year and the second Customer Report of each Franchisee Year shall be prepared in respect of the last seven Reporting Periods of that

- Franchisee Year. This pattern of Reporting shall be continued in subsequent Franchisee Years.
- 3.3 No later than 3 months prior to the start of each CCIF Period the Franchisee shall provide to the Secretary of State details of those initiatives, works or proposals (each a "**CCIF Scheme**") which the Franchisee proposes to undertake in that CCIF Period in order to resolve or mitigate issues raised with the Franchisee through the consultation referred to in paragraph 3.1. The Franchisee shall use all reasonable endeavours to propose, in respect of each CCIF Period, CCIF Schemes with an aggregate projected CCIF Scheme Shortfall of not less than the aggregate of the CCIF Amount for each Franchisee Year in the relevant CCIF Period.
- 3.4 In relation to each CCIF Scheme proposed by the Franchisee pursuant to paragraph 3.3 the Franchisee shall provide:
- (a) details of the specific issues which that CCIF Scheme is intended to resolve or mitigate (including how those issues have been identified) and how that CCIF Scheme will resolve or mitigate those issues; and
  - (b) fully worked up details of the CCIF Scheme sufficient to enable the Secretary of State to evaluate the same, including:
    - (i) a timetable for the implementation of that CCIF Scheme, setting out the proposed commencement and completion date of such CCIF Scheme and any other key dates and milestones;
    - (ii) details of the projected CCIF Scheme Cost; and
    - (iii) details of the projected CCIF Scheme Revenue.
- 3.5 The Franchisee shall provide the Secretary of State with such further information in relation to any CCIF Scheme proposed by the Franchisee pursuant to paragraph 3.3 as the Secretary of State may reasonably require.
- 3.6 A CCIF Scheme proposed by the Franchisee pursuant to paragraph 3.3 shall not be an Approved CCIF Scheme unless and until approved by the Secretary of State pursuant to this paragraph 3.6. Without limitation, the Secretary of State may withhold his approval to any proposed CCIF Scheme which:
- (a) has not been identified and/or developed in accordance with the Customer and Stakeholder Engagement Strategy;
  - (b) is not designed to resolve or mitigate issues raised with the Franchisee through the consultation referred to in paragraph 3.1;
  - (c) has a completion date falling later than the end of the relevant CCIF Period;
  - (d) is projected to generate a Commercial Return or in relation to which the Secretary of State considers the CCIF Scheme Costs (or any part of them) to be too high or disproportionate to the benefits accruing from the CCIF Scheme;
  - (e) the Franchisee is otherwise funded to undertake; or
  - (f) in the opinion of the Secretary of State, amounts to actions or steps which the Franchisee is otherwise obliged to take or which any competent train operator should be taking in relation to the operation of the Franchisee.
- 3.7 Approved CCIF Schemes shall be included as Committed Obligations in Schedule 6.1 (Committed Obligations and Related Provisions).
- 3.8 Paragraph 3.10 will apply if:

- (a) the aggregate projected CCIF Scheme Shortfall in respect of all Approved CCIF Schemes for any CCIF Period is less than the aggregate of the CCIF Amount for each Franchisee Year in that CCIF Period; or
- (b) subject to paragraph 3.9 in any CCIF Period, in the Secretary of State's reasonable opinion, the aggregate of the actual CCIF Scheme Shortfall incurred by the Franchisee during that CCIF Period upon Approved CCIF Schemes is less than the aggregate of the CCIF Amount for each Franchisee Year in that CCIF Period,

in each case the underspend against the aggregate CCIF Amount being the "**CCIF Underspend**".

3.9 If:

- (a) the amount of the CCIF Scheme Costs actually incurred by the Franchisee in relation to any Approved CCIF Scheme exceed the projected CCIF Scheme Costs notified to the Secretary of State pursuant to paragraph 3.4 for such Approved CCIF Scheme, then the amount of the excess shall not amount to CCIF Scheme Cost; or
- (b) in the Secretary of State's reasonable opinion, the amount of the CCIF Scheme Revenue actually earned by the Franchisee in relation to any Approved CCIF Scheme is less than the projected CCIF Scheme Revenue notified to the Secretary of State pursuant to paragraph 3.4 for such Approved CCIF Scheme then, for the purposes of paragraph 3.8(b) the actual CCIF Scheme Revenue shall be deemed to be the projected CCIF Scheme Revenue.

3.10 Where this paragraph 3.10 applies the Secretary of State may require:

- (a) all or part of the CCIF Underspend to be added to the CCIF Amount for the first Franchisee Year in the subsequent CCIF Period;
- (b) the Franchisee to propose further CCIF Schemes using all or part of the CCIF Underspend by such new deadline as the Secretary of State may specify;
- (c) the Franchisee to spend all or part of the CCIF Underspend in such manner as the Secretary of State may direct; and/or
- (d) the Franchisee to pay all or part of the CCIF Underspend to the Secretary of State,

provided that paragraph 3.10(d) shall automatically apply in respect of the last CCIF Period unless the Secretary of State specifies otherwise.

3.11 The Franchisee shall:

- (a) undertake and complete a review of its Customer and Stakeholder Engagement Strategy during each of the 4th and 7th Franchisee Years; and
- (b) provide the Secretary of State with any proposed revisions to the Customer and Stakeholder Engagement Strategy arising out of such review by no later than the end of each such Franchisee Year.

3.12 The aim of such review shall be to update the Customer and Stakeholder Engagement Strategy to reflect lessons learned in the period since the Start Date or the previous review of the Customer and Stakeholder Engagement Strategy (as applicable) and to ensure that the Customer and Stakeholder Engagement Strategy achieves effective passenger engagement. Any revisions to the Customer and Stakeholder Engagement Strategy shall require the consent of the Secretary of State (such consent not to be unreasonably withheld or delayed).

- 3.13 Any Franchise Asset arising as a result of an Approved CCIF Scheme shall be designated as a Primary Franchise Asset and shall not be de-designated as such. Any such Primary Franchise Asset which falls to be valued in accordance with the Supplemental Agreement shall be valued at nil.

**APPENDIX 1 TO SCHEDULE 7.2****NRPS Benchmark Table**

	NRPS BENCHMARK		
	STATION	TRAINS	CUSTOMER SERVICES
2016	75	75	75
2017	76	76	76
2018	78	78	78
2019	79	80	79
2020	79	81	80
2021	79	82	80
2022	80	82	81
2023	80	82	82
2024	80	82	82
2025	80	82	82



**SCHEDULE 8**

**Payments**

**Schedule 8.1: Franchise Payments**

**Appendix 1: Profit Share Thresholds**

**Appendix 2: Components of AFA and DFR**

**Schedule 8.2: Annual Franchise Payments**

**Appendix: Figures for the Calculation of Annual Franchise Payments**

**Schedule 8.3 Miscellaneous Payment Provisions**

**Schedule 8.4 Track Access Adjustments and Station Charge Adjustments**

**SCHEDULE 8.1****Franchise Payments****1. Franchise Payments**

1.1 The Franchise Payment for any Reporting Period shall be an amount equal to:

$$\text{£FP} = \text{PFP} + \text{TAA} + \text{SCA} + \text{CPS} + \text{TMDPS} + \text{EX}_A$$

where:

£FP means the Franchise Payment for that Reporting Period;

PFP means  $\left( \frac{\text{RPD}}{\text{FYD}} \times \text{AFP} \right)$

where:

RPD means the number of days in that Reporting Period;

FYD is equal to 365, or if February 29 falls during the Franchisee Year in which that Reporting Period falls, 366;

AFP means the Annual Franchise Payment for the Franchisee Year in which that Reporting Period occurs, as determined in accordance with Schedule 8.2 (Annual Franchise Payments);

TAA means any Track Access Adjustment to be made on that Reporting Period's Payment Date;

SCA means any Station Charge Adjustment to be made on that Reporting Period's Payment Date;

CPS means any Cancellations Performance Sum payable by the Secretary of State to the Franchisee on that Reporting Period's Payment Date ( which shall only be a positive number);

TMDPS means any TOC Minute Delay Performance Sum payable by the Secretary of State to the Franchisee on that Reporting Period's Payment Date (which shall only be a positive number); and

EX<sub>A</sub> means any Excess Amount payable by the Franchisee to the Secretary of State on that Reporting Period's Payment Date (which shall only be a negative number).

1.2 Where a Franchisee Year starts or ends during a Reporting Period, £FP and PFP shall be determined as if references in paragraph 1.1 to a Reporting Period were to each of the separate sections of two such Reporting Periods which fall either side of such Franchisee Year start or end, and the Franchise Payment for such Reporting Period shall be the sum of £FP as determined for each such section of such Reporting Period.

1.3 The parties agree that:

(a) each of £FP, TAA and SCA may be a positive or negative number;

(b) where £FP is a positive number, the Secretary of State shall pay that amount to the Franchisee on the Payment Date for that Reporting Period; and

- (c) where £FP is a negative number, the Franchisee shall pay the corresponding positive amount to the Secretary of State on the Payment Date for that Reporting Period.

## 2. Payment of Franchise Payments

- 2.1 The Secretary of State shall notify the Franchisee, no less than seven days prior to the end of each Reporting Period, of the amount of the Franchise Payment payable in respect of that Reporting Period.
- 2.2 Each such notification shall set out in reasonable detail how the Franchise Payment has been calculated.
- 2.3 The Payment Date for a Reporting Period shall be the last Weekday of that Reporting Period.
- 2.4 Each Franchise Payment shall be payable by the Franchisee or, as the case may be, the Secretary of State in the amount notified by the Secretary of State in accordance with paragraph 2.1 on the Payment Date of the Reporting Period to which it relates.
- 2.5 Each Franchise Payment shall be made:
- (a) by automatic electronic funds transfer in pounds sterling to such bank account in the United Kingdom as the payee of such payment may have previously specified to the payer in writing; and
- (b) so that cleared funds are received in that account on or before the due date for payment.
- 2.6 If either party disputes the amount of a Franchise Payment, the dispute shall, unless the parties otherwise agree, be resolved in accordance with the provisions of Clause 8 (Governing Law) of this Franchise Agreement. Any such dispute shall not affect the obligation of either party to pay a Franchise Payment notified in accordance with this paragraph 2.
- 2.7 If either party fails to pay any amount to the other party on its due date, it shall in addition pay interest on such amount at the Interest Rate, calculated on a daily basis, from the due date for payment to the date on which payment is made.
- 2.8 If the amount of any Franchise Payment is agreed or determined to be incorrect and:
- (a) either party has made a payment to the other party which is greater than it would have made if the amount of the Franchise Payment had been correct, then the recipient shall repay the excess within three Weekdays of the agreement or determination; or
- (b) either party has made a payment to the other party which is less than it would have made if the amount of the Franchise Payment had been correct, then the payer shall pay the amount of any shortfall to the payee within three Weekdays of the agreement or determination,

together, in each case, with interest on the amount payable at the Interest Rate, calculated on a daily basis from the date on which the Franchise Payment was paid until the date on which such excess amount or shortfall is paid.

## 3. Profit Share

- 3.1 For the purposes of this paragraph 3:

**"First Profit Share Threshold"** means an amount in respect of any Franchisee Year determined as follows:

$FPST \times RPI \times (NRP/13)$

where:

FPST	is the amount prescribed for these purposes in paragraph 1 of Appendix 1 (Profit Share Thresholds) to this Schedule 8.1 in respect of the relevant Franchisee Year
RPI	has the meaning given to it in Schedule 8.2 (Annual Franchise Payments); and
NRP	means the whole number of Reporting Periods in that Franchisee Year.

**“Second Profit Share Threshold”** means an amount in respect of any Franchisee Year determined as follows:

$SPST \times RPI \times (NRP/13)$

where:

SPST	is the amount prescribed for these purposes in paragraph 2 of Appendix 1 (Profit Share Thresholds) to this Schedule 8.1 in respect of the relevant Franchisee Year;
RPI	has the meaning given to it in Schedule 8.2 (Annual Franchise Payments); and
NRP	means the whole number of Reporting Periods in that Franchisee Year.

**“Third Profit Share Threshold”** means an amount in respect of any Franchisee Year determined as follows:

$TPST \times RPI \times (NRP/13)$

where:

TPST	is the amount prescribed for these purposes in paragraph 3 of Appendix 1 (Profit Share Thresholds) to this Schedule 8.1 in respect of the relevant Franchisee Year;
RPI	has the meaning given to it in Schedule 8.2 (Annual Franchise Payments); and
NRP	means the whole number of Reporting Periods in that Franchisee Year.

**“Relevant Profit”** means, subject to paragraph 3.4, in respect of any Franchisee Year, the total profit of the Franchisee for that Franchisee Year calculated by applying the accounting policies and standards set out in the Record of Assumptions and applied through the Financial Model:

- (a) after taking into account in respect of that Franchisee Year:
- (i) interest, finance income and finance charges (other than finance items recognised in respect of retirement benefits);
  - (ii) Franchise Payments;

- (iii) all extraordinary and exceptional items, as defined under the accounting policies and standards set out in the Record of Assumptions and applied through the Financial Model;
- (iv) the Franchisee's normal pension contributions in relation to the Franchise Section and any other pension schemes to the extent connected with the Franchise;
- (v) any payments to Affiliates of the Franchisee (including management fees and royalty fees) and any fee payable in respect of the use of any brand by the Franchisee (whether or not such fee is payable to an Affiliate) where "brand" includes any word, mark, logo or device, trade mark rights, rights in respect of domain names, copyright or any other brand rights of any kind (the "**Brand Fee**") except to the extent that such payments exceed an amount to be determined as follows:

AFA x RPI

where:

AFA is the amount specified in respect of each Franchisee Year in Column 2 of the table set out in paragraph 1 of Appendix 2 (Components of AFA and DFR) to this Schedule 8.1 (Franchise Payments) provided that if the Secretary of State exercises his right to extend the Franchise Agreement pursuant to Schedule 18 (Additional Reporting Periods):

- (aa) for less than 13 Reporting Periods, AFA for the Franchisee Year which commences on 1 April 2023 shall be equal to  $A \times (B/13)$  where:

A means the amount specified in Column 2 of the table set out in paragraph 1 of Appendix 2 (Components of AFA and DFR) to this Schedule 8.1 for the period referred to as Year 8 (extension); and

B means the number of Reporting Periods in the Franchisee Year which commences on 1 April 2023;

- (bb) for less than 26 Reporting Periods but more than 13 Reporting Periods, AFA for:

(A) the Franchisee Year which commences on 1 April 2023 shall be equal to the amount specified in Column 2 of the table set out in paragraph 1 of Appendix 2 (Components of AFA and DFR) to this Schedule 8.1 for the period referred to as Year 8 (extension); and

(B) the Franchisee Year which commences on 1 April 2024 shall be equal to  $A \times (B/13)$  where:

A means the amount specified in Column 2 of the table set out in paragraph 1 of Appendix 2 (Components of AFA and DFR) to this Schedule 8.1 for the period referred to as Year 9 (extension); and

B means the number of Reporting Periods in the Franchisee Year which commences on 1 April 2024; and

RPI has the meaning given to it in the definition of Threshold Amount;

- (vi) any sums payable by or to the Franchisee pursuant to the terms of the Supplemental Agreement; and
- (vii) any capital expenditure to the extent that it is recognised as an operating cost in the Annual Audited Accounts and any depreciation on capital expenditure that is recognised as an expense in the Annual Audited Accounts, unless the depreciation policy and assumptions used in the Annual Audited Accounts are different to those set out in the Record of Assumptions and applied through the Financial Model, in which case an adjustment should be made to take account of the depreciation which would have been charged had the policy and assumptions set out in the Record of Assumptions been applied for the relevant Franchisee Year; and

(b) before taking into account in respect of that Franchisee Year:

- (i) any taxation on profits including corporation tax;
- (ii) shares of the profit of any Affiliate of the Franchisee, except dividends received in cash;
- (iii) non cash entries in respect of the Franchise Section and any other pension schemes to the extent connected with the Franchise, excluding accruals or prepayments of any normal pension contributions due;
- (iv) any payment made by the Franchisee consequent upon any breach or contravention of the Franchise Agreement and/or its Licences (including as a consequence of any penalty payment paid or payable pursuant to Section 57A of the Railways Act 1993);
- (v) any profit share payments payable to the Secretary of State in relation to any Franchisee Year; and
- (vi) fees, remuneration and pension contributions in respect of any director and officers of the Franchisee in excess of an amount to be determined as follows:

$DFR \times RPI$

where:

DFR is the amount specified in respect of each Franchisee Year in Column 2 of the table set out in paragraph 2 of Appendix 2 (Components of AFA and DFR) to this Schedule 8.1 (Franchise Payments) provided that if the Secretary of State exercises his right to extend the Franchise Agreement pursuant to Schedule 18 (Additional Reporting Periods):

- (aa) for less than 13 Reporting Periods, DFR for the Franchisee Year which commences on 1 April 2023 shall be equal to  $A \times (B/13)$  where:

A means the amount specified in Column 2 of the table set out in paragraph 2 of Appendix

- 2 (Components of AFA and DFR) to this Schedule 8.1 for the period referred to as Year 8 (extension); and
- B means the number of Reporting Periods in the Franchisee Year which commences on 1 April 2023;
- (bb) for less than 26 Reporting Periods but more than 13 Reporting Periods, DFR for:
- (A) the Franchisee Year which commences on 1 April 2023 shall be equal to the amount specified in Column 2 of the table set out in paragraph 2 of Appendix 2 (Components of AFA and DFR) to this Schedule 8.1 for the period referred to as Year 8 (extension); and
- (B) the Franchisee Year which commences on 1 April 2024 shall be equal to  $A \times (B/13)$  where:
- A means the amount specified in Column 2 of the table set out in paragraph 2 of Appendix 2 (Components of AFA and DFR) to this Schedule 8.1 for the period referred to as Year 9 (extension); and
- B means the number of Reporting Periods in the Franchisee Year which commences on 1 April 2024; and

RPI has the meaning given to it in the definition of Threshold Amount.

- 3.2 If the Annual Audited Accounts in respect of any Franchisee Year show that the Relevant Profit for that Franchisee Year exceeds the First Profit Share Threshold then, subject to paragraph 3.4, the Franchisee shall pay to the Secretary of State:
- (a) 20% of Relevant Profit in excess of the First Profit Share Threshold but less than or equal to the Second Profit Share Threshold;
- (b) 50% of Relevant Profit in excess of the Second Profit Share Threshold but less than or equal to the Third Profit Share Threshold; and
- (c) 100% of Relevant Profit in excess of the Third Profit Share Threshold.
- 3.3 Subject to paragraphs 3.5 and 3.6 below, payments due under paragraph 3.2 shall be paid as part of the Franchise Payment for the first Reporting Period falling 30 or more days after delivery of the Annual Audited Accounts by the Franchisee to the Secretary of State under paragraph 3.9 of Schedule 13 (Information and Industry Initiatives) or if there is no such Reporting Period, within 30 days of the date of such delivery.
- 3.4
- (a) If in any Franchisee Year (or any period of 12 consecutive months after the end of the Franchise Period) (the "**Current Franchisee Year**") the Franchisee receives a compensation or other settlement payment of at least £200,000 x RPI arising from a single claim or series of related claims which relate wholly or partly to costs, losses or expenses (including loss of revenue) arising in any other Franchisee Year or Franchisee Years, then the Franchisee shall notify the Secretary of State of such payment as soon as reasonably practicable and for the purposes of this paragraph 3 and notwithstanding its other terms:

- (i) the payment which relates to such other Franchisee Year shall be attributed to that other Franchisee Year and not treated as received in the Current Franchisee Year;
  - (ii) where and to the extent any payments under this paragraph 3 in respect of any other Franchisee Year would have been made or would have been higher had that amount actually been received in that other Franchisee Year, the Franchisee shall pay a reconciliation amount to the Secretary of State within 30 days after delivery of the Annual Audited Accounts that relate to the Current Franchisee Year by the Franchisee to the Secretary of State under paragraph 3.9 of Schedule 13 (Information and Industry Initiatives) or, if there is no further requirement on the Franchisee to deliver Annual Audited Accounts following the end of the Franchise Period, within 30 days of the Franchisee receiving the relevant payment; and
  - (iii) RPI has the meaning given to it in Schedule 8.2 (Annual Franchise Payments).
- (b) Where the Secretary of State reasonably considers that in calculating Relevant Profit any particular item or transaction has not been accounted for on a reasonable basis (including where the accounting treatment looks to the form rather than the substance, of the item or transaction) he shall be entitled to require it to be accounted for on such other basis as he may reasonably determine and notify to the Franchisee provided that the Secretary of State shall not be entitled pursuant to this paragraph to alter the accounting policies of the Franchisee from those set out in the Record of Assumptions and applied through the Financial Model.
- (c) Without prejudice to paragraph 3.4(a) where the Annual Audited Accounts in relation to any previous Franchisee Year are subject to adjustment or restatement the Secretary of State shall have a discretion to require the recalculation of Relevant Profit for the relevant Franchisee Year and to require that the Franchisee shall pay to the Secretary of State the amount which is the difference between the profit share actually paid to the Secretary of State pursuant to paragraph 3.2 and the amount that would have been paid had the Relevant Profit been originally calculated on the basis that such adjustment or revision was included in the Annual Audited Accounts. Any payment due to the Secretary of State shall be paid by the Franchisee within 30 days of the Secretary of State notifying the Franchisee that he requires a payment to be made pursuant to this paragraph.

3.5 The Franchisee shall, within 10 days after delivery of any Annual Audited Accounts under paragraph 3.9 of Schedule 13 (Information and Industry Initiatives), deliver to the Secretary of State a report identifying:

- (a) the amount of total profit and the adjustments made in the calculation of Relevant Profit pursuant to this paragraph 3;
- (b) any items falling under paragraph 3.4(a), including details of the allocation across Franchisee Years of such items; and
- (c) any adjustments or restatements made in relation to the Annual Audited Accounts in respect of any previous Franchisee Year,

and shall provide such additional information, records or documents as the Secretary of State may reasonably require in relation to such matters (including an unqualified written report from the Franchisee's auditors addressed to the Secretary of State which confirms that any such report gives a true and fair view of the matters contained within it including the amount of total profit and the adjustments made in the calculation of Relevant Profit).



- 3.6 Any profit share payment pursuant to paragraph 3.2 to be made in respect of the final Franchisee Year shall be determined in accordance with this paragraph 3 but shall be paid within 30 days of the Secretary of State giving written notice to the Franchisee of the amount of such profit share payment.
- 3.7 If the Franchisee fails to provide the Annual Audited Accounts for the final Franchisee Year within four Reporting Periods of the expiry of the final Franchisee Year pursuant to paragraph 3.9 of Schedule 13 (Information and Industry Initiatives), the Secretary of State shall be entitled (but not obliged) to determine any Profit Share Adjustment in accordance with this paragraph 3 but by reference to any relevant information available to the Secretary of State at the time of such determination, including any information contained in the latest cumulative, year-to-date Management Accounts or in the Annual Management Accounts.

**APPENDIX 1 TO SCHEDULE 8.1**

**Profit Share Thresholds**

1. The prescribed amounts for the component of FPST for the relevant Franchisee Year and for the purposes of the definition of First Profit Share Threshold are as set out in the table below:

<b>Franchisee Year</b>	<b>First Profit Share Threshold Amount<sup>70</sup></b>
Year 1	
Year 2	
Year 3	
Year 4	
Year 5	
Year 6	
Year 7	
Year 8 (extension)	
Year 9 (extension)	

2. The prescribed amounts for the component of SPST for the relevant Franchisee Year and for the purposes of the definition of Second Profit Share Threshold are as set out in the table below:

<b>Franchisee Year</b>	<b>Second Profit Share Threshold Amount<sup>71</sup></b>
Year 1	
Year 2	
Year 3	
Year 4	
Year 5	
Year 6	

<sup>70</sup> Where text has been omitted from the document this is because the Director General Rail or Secretary of State has decided to exclude the text in accordance with the provisions within the Freedom of Information Act 2000.

<sup>71</sup> Where text has been omitted from the document this is because the Director General Rail or Secretary of State has decided to exclude the text in accordance with the provisions within the Freedom of Information Act 2000.

Year 7	
Year 8 (extension)	
Year 9 (extension)	

3. The prescribed amounts for the component of TPST for the relevant Franchisee Year and for the purposes of the definition of Third Profit Share Threshold are as set out in the table below:

<b>Franchisee Year</b>	<b>Third Profit Share Threshold Amount<sup>72</sup></b>
Year 1	
Year 2	
Year 3	
Year 4	
Year 5	
Year 6	
Year 7	
Year 8 (extension)	
Year 9 (extension)	

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<sup>72</sup> Where text has been omitted from the document this is because the Director General Rail or Secretary of State has decided to exclude the text in accordance with the provisions within the Freedom of Information Act 2000.

**APPENDIX 2 TO SCHEDULE 8.1**

**Components of AFA and DFR**

1. The amounts for the purposes of the component of AFA in paragraph 3(a)(v) of Schedule 8.1 (Franchise Payments) are set out in the table below:

<b>Franchisee Year</b>	<b>Component of AFA<sup>73</sup></b>
Year 1	
Year 2	
Year 3	
Year 4	
Year 5	
Year 6	
Year 7	
Year 8 (extension)	
Year 9 (extension)	

2. The amounts for the purposes of the component of DFR in paragraph 3(b)(vi) of Schedule 8.1 (Franchise Payments) are set out in the table below:

<b>Franchisee Year</b>	<b>Component of DFR<sup>74</sup></b>
Year 1	
Year 2	
Year 3	
Year 4	
Year 5	
Year 6	
Year 7	

<sup>73</sup> Where text has been omitted from the document this is because the Director General Rail or Secretary of State has decided to exclude the text in accordance with the provisions within the Freedom of Information Act 2000.

<sup>74</sup> Where text has been omitted from the document this is because the Director General Rail or Secretary of State has decided to exclude the text in accordance with the provisions within the Freedom of Information Act 2000.

Year 8 (extension)	
Year 9 (extension)	

**SCHEDULE 8.2****Annual Franchise Payments****1. Annual Franchise Payments**

The Annual Franchise Payment for any Franchisee Year is an amount equal to:

$$\text{AFP} = \text{FXD} + (\text{VCRPI} \times \text{RPI}) + (\text{VCAWE} \times \text{AWE}) + (\text{PRPI} \times \text{RPI}) + (\text{RRPI} \times \text{RPI})$$

where:

AFP equals the Annual Franchise Payment in the relevant Franchisee Year;

FXD means the figure shown in respect of the relevant Franchisee Year in Column 2 of the table set out in the Appendix (Figures for Calculation of Annual Franchise Payments) to this Schedule 8.2;

VCRPI means the figure shown in respect of the relevant Franchisee Year in Column 3 of the table set out in the Appendix (Figures for Calculation of Annual Franchise Payments) to this Schedule 8.2;

RPI is the quotient of the Retail Prices Index for the January which immediately precedes the commencement of the relevant Franchisee Year divided by the Retail Prices Index for January 2015;

VCAWE means the figure shown in respect of the relevant Franchisee Year in Column 4 of the table set out in the Appendix (Figures for Calculation of Annual Franchise Payments) to this Schedule 8.2;

AWE is the quotient of the Average Weekly Earnings for the January which immediately precedes the commencement of the relevant Franchisee Year divided by the Average Weekly Earnings for January 2015;

PRPI means the figure shown in respect of the relevant Franchisee Year in Column 5 of the table set out in the Appendix (Figures for Calculation of Annual Franchise Payments) to this Schedule 8.2; and

RRPI means the figure shown in respect of the relevant Franchisee Year in Column 6 of the table set out in the Appendix (Figures for Calculation of Annual Franchise Payments) to this Schedule 8.2 (and which shall always be expressed as a negative number).

**APPENDIX TO SCHEDULE 8.2<sup>75</sup>****Figures for Calculation of Annual Franchise Payments**

<b>Column 1</b>	<b>Column 2</b>	<b>Column 3</b>	<b>Column 4</b>	<b>Column 5</b>	<b>Column 6</b>
<b>Franchisee Year</b>	<b>FXD</b>	<b>VCRPI</b>	<b>VCAWE</b>	<b>PRPI</b>	<b>RRPI</b>
<b>Year 1</b>					
<b>Year 2</b>					
<b>Year 3</b>					
<b>Year 4</b>					
<b>Year 5</b>					
<b>Year 6</b>					
<b>Year 7</b>					
<b>Year 8 (extension)</b>					
<b>Year 9 (extension)</b>					

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<sup>75</sup> Date of redaction 16/06/2016 - where text has been omitted from the document, this is because the Director General Rail or Secretary of State has decided to exclude the text in accordance with the provisions within the Freedom of Information Act 2000.

**SCHEDULE 8.3****Miscellaneous Payment Provisions**

The Secretary of State, in his discretion, may at any time decide to reimburse or ameliorate net losses of the Franchisee arising from Industrial Action (however caused and of whatever nature) in circumstances where the Franchisee has demonstrated to the satisfaction of the Secretary of State that it has taken all reasonable steps to avoid the Industrial Action and that, Industrial Action having nevertheless occurred, the Franchisee has taken all reasonable steps to mitigate its effects.



**SCHEDULE 8.4****Track Access Adjustments and Station Charge Adjustments****1. Track Access Adjustments**

- 1.1 The Track Access Adjustment to be made in respect of any Reporting Period shall be determined in accordance with the following formula:

$$TAA = (GCA - W) \times \frac{RPD}{FYD}$$

where:

- TAA means the Track Access Adjustment to be made in that Reporting Period;
- GCA is the value of "GC" for the Franchisee Year in which the Reporting Period falls under Part 3A of Schedule 7 of the Track Access Agreement;
- W is the value of "Wt" for the Franchisee Year in which the Reporting Period falls under Part 2 of Schedule 7 of the Track Access Agreement;
- RPD means the number of days in that Reporting Period; and
- FYD means the number of days in the Franchisee Year in which that Reporting Period falls,

except that, where a Reporting Period falls during two Franchisee Years, TAA shall be determined as if the references to Reporting Period were to each of the two periods within such Reporting Period which fall wholly within one of such Franchisee Years and the Track Access Adjustment to be made in that Reporting Period shall reflect the sum of TAA as determined for each such period.

- 1.2 The Franchisee shall notify the Secretary of State upon becoming aware that any Track Access Adjustment is to be made and shall supply such information as the Secretary of State may require in relation thereto. The Franchisee shall exercise its rights under the Track Access Agreement in such manner and take such other action as the Secretary of State may reasonably require in connection with any related payment thereunder (including in relation to any agreement of the amount of any such payment and including submitting any relevant dispute to any relevant dispute resolution procedures). The Franchisee shall not, without the consent of the Secretary of State, agree or propose to agree a value for "Wt" or "GC" under Parts 2 or 3A of Schedule 7 of the Track Access Agreement.
- 1.3 The Franchisee shall provide such evidence of payment as the Secretary of State may require (including any certificates) for the purpose of determining the value of "W" and "GCA" under paragraph 1.1.
- 1.4 If no value is ascertained for "W" or "GCA" prior to the date on which the Franchise Payment for the relevant Reporting Period is determined, then a Track Access Adjustment shall only be determined to the extent such values can be ascertained at such time and, when such values are subsequently ascertained, adjustment shall be made to reflect the full Track Access Adjustment for such Reporting Period.
- 1.5 The values of "W" and "GCA" when used in the computation in paragraph 1.1 shall be taken to exclude any input Value Added Tax which is recoverable in respect of the payments they represent by the Franchisee under Sections 24 to 26 of the Value Added Tax Act 1994.
- 1.6 References in this paragraph 1 to "Wt" and "GC" and Parts 2 and 3A of Schedule 7 of the Track Access Agreement shall be deemed also to be references to such other provisions,

and such other algebra under any such other provisions, of any Track Access Agreement as the Secretary of State may reasonably consider have an equivalent effect, or are intended to fulfil the same function, as "Wt" or "GC" and Parts 2 or 3A of Schedule 7 of the Track Access Agreement to which the Franchisee is a party on the Start Date.

## 2. **Station Charge Adjustment**

- 2.1 The Station Charge Adjustment to be made in respect of any Reporting Period shall be the aggregate of the Individual Station Charge Adjustments as determined in accordance with the following formula for each Station and each other Franchisee Access Station:

$$ISCA = L \times \frac{RPD}{FYD}$$

where:

ISCA means the Individual Station Charge Adjustment for the relevant station for that Reporting Period;

L is the value of "Lt" for the Franchisee Year in which the Reporting Period falls under:

(a) if the relevant station is not an Independent Station, Condition F11.2 of the Station Access Conditions entitled "National Station Access Conditions 2013 (England and Wales) (incorporating amendments with effect from 1 April 2014)" relating to such station; or

(b) if the relevant station is an Independent Station, Condition 42.3 of the Independent Station Access Conditions relating to that Independent Station,

in each case, to the extent that value represents an amount payable to or by Network Rail or any other relevant Facility Owner by or to the Franchisee on its own behalf under the relevant Access Agreement (excluding any amount payable to Network Rail by the Franchisee in its capacity as Facility Owner of a station on behalf of a beneficiary which is party to an Access Agreement in respect of a Station);

RPD means the number of days in that Reporting Period; and

FYD means the number of days in the Franchisee Year in which that Reporting Period falls except that, where a Reporting Period falls during two Franchisee Years, the Station Charge Adjustment shall be determined as if the references to Reporting Period were to each of the two periods within such Reporting Period which fall wholly within one of such Franchisee Years and the Station Charge Adjustment for such Reporting Period shall be the sum of the Station Charge Adjustment as determined for each such period.

- 2.2 The Franchisee shall notify the Secretary of State upon becoming aware that any Station Charge Adjustment is to be made and shall supply such information as the Secretary of State may require in relation thereto. The Franchisee shall exercise such rights as it may have under any Access Agreement in such manner and take such other action as the Secretary of State may reasonably require in connection with any related payment thereunder (including in relation to any agreement of the amount of any such payment and including submitting any relevant dispute to any relevant dispute resolution procedures). The Franchisee shall not, without the consent of the Secretary of State, agree or propose to agree a value for "Lt" under any relevant Access Agreement.

- 2.3 The Franchisee shall provide such evidence of payment as the Secretary of State may require (including any certificates) for the purpose of determining the value of "L" under paragraph 2.1.

- 2.4 If no value is ascertained for "L" prior to the date on which the Franchise Payment for the relevant Reporting Period is determined, then a Station Charge Adjustment shall only be determined to the extent such values can be ascertained at such time and, when such values are subsequently ascertained, an adjustment shall be made to reflect the full Station Charge Adjustment for such Reporting Period.
- 2.5 The value of "L" when used in the computation in paragraph 2.2 shall be taken to exclude any input Value Added Tax which is recoverable in respect of the payments they represent by the Franchisee under Sections 24 to 26 of the Value Added Tax Act 1994.
- 2.6 For the purposes of this paragraph 2, "**Independent Station**" shall mean, at any time, any station of which Network Rail is the Facility Owner at that time.
- 2.7 References in this paragraph 2 to "Lt", Condition F11.2 of the Station Access Conditions entitled "National Station Access Conditions 2013 (England and Wales) (incorporating amendments with effect from 1 April 2014)" and Condition 42.3 of the Independent Station Access Conditions shall be deemed also to be references to such other provisions, and such other algebra under any such other provisions, of any relevant station access conditions as the Secretary of State may reasonably consider have an equivalent effect, or are intended to fulfil the same function as, "Lt" and Condition F11.2 of the Station Access Conditions entitled "National Station Access Conditions 2013 (England and Wales) (incorporating amendments with effect from 1 April 2014)" and Condition 42.3 of the Independent Station Access Conditions which are in effect on the Start Date.

## **SCHEDULE 9**

### **Changes**

- Schedule 9.1: Financial and Other Consequences of Change**
  - Appendix 1: Summary Flow Chart**
  - Appendix 2: Agreement or Determination of Revised Inputs**
  - Annex to Appendix 2: Incentivising Long Term Investment**
- Schedule 9.2: Identity of the Financial Model etc.**
- Schedule 9.3: Secretary of State Risk Assumptions**
- Schedule 9.4: Specified Infrastructure Related Change**
- Schedule 9.5: Variations to the Franchise Agreement and Incentivising Beneficial Changes**

## SCHEDULE 9.1

### Financial and Other Consequences of Change

#### 1. Purpose and Application of Schedule

##### 1.1 This Schedule 9.1 sets out:

- (a) the circumstances in which the occurrence of a Change will result in an adjustment to the Franchise Payments, the Benchmarks and/or the Annual Benchmarks and wherever in Schedule 9 reference is made to "adjustment to Franchise Payments" such reference shall be construed to include (unless the context otherwise requires):
  - (i) the restatement of the values of FPST, SPST and TPST as specified in respect of each Franchisee Year in paragraphs 1, 2 and 3 (respectively) of Appendix 1 to Schedule 8.1 (Franchise Payments) ("**Profit Share Components**"); and
  - (ii) the restatement of the values of AFA and DFR as specified in respect of each Franchisee Year in paragraphs 1 and 2 (respectively) of Appendix 2 to Schedule 8.1 ("**AFA/DFR Components**");
- (b) the process by which that adjustment to the Franchise Payments and/or the Benchmarks and/or the Annual Benchmarks will be determined and effected; and
- (c) provisions dealing with the responsibility for costs incurred by the Franchisee in connection with any audit of the Run of the Financial Model and its results.

##### 1.2 Schedule 9.2 (Identity of the Financial Model etc.) contains provisions dealing with the Financial Model which are relevant to the operation of this Schedule 9.1.

##### 1.3 This Schedule 9.1 shall apply in relation to a Change where:

- (a) there are good reasons for considering that that Change will be a Qualifying Change or, with other Changes, part of an Aggregated Qualifying Change; and
- (b) the required notice(s) has/have been given in accordance with paragraph 1.4 (or the parties have agreed that this Schedule 9.1 will apply and there should be a Run of the Financial Model and/or a review of the Benchmarks and/or the Annual Benchmarks even though the required notices have not been given).

##### 1.4 The notice requirements are that:

- (a) subject to paragraph 1.4(b), a party must have notified the other that it considers that the Change will be a Qualifying Change and that it requires a Run of the Financial Model and/or a review of the Benchmarks and/or the Annual Benchmarks in respect of that Change:
  - (i) within 6 months of the notification or agreement of that Change if it is a Variation pursuant to paragraph 1.1 of Schedule 9.5 (Variations to the Franchise Agreement and Incentivising Beneficial Changes); or
  - (ii) within 6 months of becoming aware of it, if it is any other type of Change; and

- (b) in the case of an Aggregated Qualifying Change, a party must have notified the other:
    - (i) after an individual Change occurs, within the time limits stated in paragraphs 1.4(a)(i) or 1.4(a)(ii), that it reserves the right to count that Change towards an Aggregated Qualifying Change; and
    - (ii) within 6 months of the occurrence of the last Change which that party considers will trigger an Aggregated Qualifying Change, that the party requires a Run of the Financial Model and/or a review of the Benchmarks and/or the Annual Benchmarks in respect of the Changes comprised in that Aggregated Qualifying Change. The notice must identify each of the Changes included in the Aggregated Qualifying Change.
- 1.5 References in the remainder of this Schedule 9.1 and in Schedule 9.2 (Identity of the Financial Model etc.) to a "**Change**" are to a Change in respect of which the requirements in paragraph 1.3 have been satisfied.
- 1.6 Appendix 1 (Summary Flow Chart) to this Schedule 9.1 contains a flow chart summary of the process described in this Schedule 9.1. This is for guidance only and if there are any inconsistencies between this flow chart and any other of the contents of Schedule 9 (Changes), the latter shall apply.
- 2. Timescales**
- 2.1 Where this Schedule 9.1 applies, any resulting restatement of the Annual Franchise Payment Components, the Profit Share Components, the AFA/DFR Components and the Benchmarks and/or the Annual Benchmarks (as applicable) shall be made in accordance with this Schedule 9.1:
- (a) where it is reasonably practicable to do so, at least three Reporting Periods prior to the Change; or
  - (b) where the timescale in paragraph 2.1(a) is not reasonably practicable, as soon as reasonably practicable after that.
- 2.2 If paragraph 2.1(b) applies and it is not reasonably practicable for the restatement of the Annual Franchise Payment Components, the Profit Share Components and the AFA/DFR Components to be made before the Change occurs, then paragraph 9 (Estimated Revisions) shall apply.
- 3. How any adjustments to Franchise Payments will be established**
- 3.1 The adjustments, if any, to the Franchise Payments to be made in respect of any Change shall be established by:
- (a) establishing those Model Changes and/or Revised Inputs required to take account of the Change; then
  - (b) applying those Model Changes and/or Revised Inputs to the Financial Model before performing a Run of the Financial Model to generate the New Results; then
  - (c) restating the Annual Franchise Payment Components, the Profit Share Components and the AFA/DFR Components by, in each case, substituting the New Results for the Old Results (so that, to the extent that the New Results and the Old Results are different, this will result in an adjustment to the Franchise Payments),
- in each case, subject to and in accordance with the terms more particularly described in this Schedule 9.1.

#### 4. **How Model Changes and/or Revised Inputs will be established**

4.1 The parties shall agree or the Secretary of State shall reasonably determine the Revised Inputs and (if any) the Model Changes.

4.2 "Revised Inputs" means:

- (a) the data that the Financial Model utilised in order to produce the Old Results, as such data is recorded in the Financial Model released by the Secretary of State pursuant to either of paragraphs 2.1(d) or 2.2 of Schedule 9.2 (Identity of the Financial Model etc.) for the purposes of the Run of the Financial Model; but
- (b) amended, whether by way of increase, reduction or other alterations to such data, (if at all) only as the parties may agree or the Secretary of State may reasonably determine is required by the provisions of Appendix 2 (Agreement or Determination of Revised Inputs) to this Schedule 9.1 in respect of a Change.

4.3 "**Model Changes**" means any changes that the parties may agree or the Secretary of State may reasonably determine are required to the Financial Model and/or the Operational Model, as released by the Secretary of State pursuant to either of paragraphs 2.1(d) or 2.2 of Schedule 9.2 (Identity of the Financial Model etc.), for the purposes of the Run of the Financial Model, as a consequence of and in order to give effect to the Revised Inputs.

4.4 The Secretary of State shall provide a written statement of the Revised Inputs and any Model Changes to the Franchisee for the purposes of paragraph 7 promptly after they have been agreed or determined.

#### 5. **Changes to Benchmarks and/or Annual Benchmarks**

5.1 This paragraph 5 shall apply if either party has given notice to the other that it considers that a Change has or will have, in that party's reasonable opinion, a material effect on the risk of the Franchisee failing to satisfy the requirements of any Benchmark and/or Annual Benchmark (whether in terms of increasing or reducing that risk).

5.2 Any notice referred to in paragraph 5.1 shall be given as soon as reasonably practicable and in any event before the parties have agreed or the Secretary of State has reasonably determined the Revised Inputs in respect of the Change.

5.3 Where this paragraph 5 applies, the relevant Benchmarks and/or Annual Benchmarks shall be revised to the extent that such revision is reasonably considered to be necessary to hold constant the risk of the Franchisee failing to satisfy the requirements of that Benchmark and/or Annual Benchmarks. The parties shall agree or the Secretary of State shall reasonably determine any such revision(s).

5.4 For the purposes of any revision to the Benchmarks and/or Annual Benchmarks under this paragraph 5, regard may be had to:

- (a) any assumptions in the Record of Assumptions; and/or
- (b) the contents of an Operational Model; and/or
- (c) any other information,

to the extent they are relevant to the consideration of whether a revision is reasonably considered to be appropriate to take account of the Change.

#### 6. **Run of the Financial Model following agreement or determination of the Revised Inputs and Model Changes**

6.1 When the Revised Inputs and Model Changes (if any) are agreed or determined there shall be a Run of the Financial Model.

- 6.2 The Run of the Financial Model shall be performed after making any Model Changes and utilising the Revised Inputs and shall be performed by:
- (a) the Franchisee promptly on receiving notification of the Revised Inputs and any Model Changes from the Secretary of State pursuant to paragraph 4.4 or within such period of time as the Secretary of State shall reasonably determine; or
  - (b) the Secretary of State if the Franchisee fails to do so. In these circumstances, the Franchisee shall reimburse to the Secretary of State the Secretary of State's costs of performing the Run of the Financial Model.
- 6.3 The party that performs the Run of the Financial Model pursuant to paragraph 6.2 shall provide the non performing party with a reasonable opportunity to be in attendance and shall promptly notify such other party of the New Results.
- 6.4 Where there is more than one Change, Runs of the Financial Model in respect of such Changes shall (unless otherwise agreed or the Secretary of State reasonably determines) be undertaken in the order in which such Changes occur. For this purpose, the order of occurrence will be determined by reference to the earliest date from which the Franchise Payments are reasonably expected to require adjustment as a result of the restatement of the Annual Franchise Payment Components triggered by a Change. This will be as agreed between the parties or in the absence of agreement be reasonably determined by the Secretary of State.
7. **Certification or Audit of the New Results**
- 7.1 The Secretary of State, as soon as reasonably practicable after receiving or generating the New Results pursuant to paragraph 6.3, shall either:
- (a) certify to the Franchisee his approval of the New Results; or
  - (b) notify the Franchisee that he requires the Run of the Financial Model and its results to be audited by an independent auditor appointed by the Secretary of State with the approval (not to be unreasonably withheld) of the Franchisee.
- 7.2 For the purposes of paragraph 7.1(b), the requirement for an audit is one that requires the auditor either to certify:
- (a) that the New Results have been produced by applying the Revised Inputs (as provided to the Franchisee by the Secretary of State pursuant to paragraph 4.4) to the Financial Model after making the Model Changes (as provided to the Franchisee by the Secretary of State pursuant to paragraph 4.4); or
  - (b) the New Results themselves, by itself applying the Revised Inputs (as provided to the Franchisee by the Secretary of State pursuant to paragraph 4.4) to the Financial Model after making the Model Changes (as provided to the Franchisee by the Secretary of State pursuant to paragraph 4.4).
- 7.3 The parties shall procure that any auditor is, as soon as reasonably practicable after his appointment, able to discharge the audit requirements.
- 7.4 The results as certified by the Secretary of State pursuant to paragraph 7.1 or by the auditor pursuant to paragraph 7.2 shall be final and binding on the parties, except in the case of manifest error.
- 7.5 The Secretary of State may stipulate (on or before the date on which the Secretary of State approves or the auditor certifies the results of the Run of the Financial Model) in respect of a Change that the restated Annual Franchise Payment Components are to apply for a limited period of time only (the "**Initial Period**"), with provision thereafter, if appropriate, for a further Run of the Financial Model with new Revised Inputs and/or Model Changes based on information available at that time.



**8. Restatement of the Annual Franchise Payment Components, the Profit Share Components, the AFA/DFR Components, the Benchmarks and/or Annual Benchmarks**

8.1 When the New Results have been certified by the Secretary of State or the auditor in accordance with paragraph 7 then:

- (a) if:
- (i) there is any difference between the Old Results and the New Results; and
  - (ii) the New Results are such that the Change:
    - (1) meets the criteria for a Qualifying Change; or
    - (2) with other Changes meets the criteria for an Aggregated Qualifying Change,

the Annual Franchise Payment Components, the Profit Share Components and the AFA/DFR Components shall be restated in the amounts of the New Results; and
- (b) if any changes to the Benchmarks and/or Annual Benchmarks have been agreed or determined in accordance with paragraph 5, the Benchmarks and/or Annual Benchmarks shall be restated to give effect to those changes.

8.2 Subject to paragraph 8.3, the restatement of the Annual Franchise Payment Components, the Profit Share Components and the AFA/DFR Components shall have effect on and from the date on which the Secretary of State or the auditor certifies the results of the Run of the Financial Model.

8.3 If and to the extent that:

- (a) the application of the New Results in respect of the then current or any earlier Franchisee Year would result in any change to the amount of any payments already made between the Secretary of State and the Franchisee; and
- (b) that change in payments is not already taken into account in any Reconciliation Amount payable pursuant to paragraph 9.11,

then a reconciliation payment shall be paid by the Franchisee or the Secretary of State (as the case may be). The payment shall be made on the first Payment Date which falls more than seven days after agreement or determination of the amount of the reconciliation payment required (or if there is no such Payment Date, within 14 days after such agreement or determination).

**9. Estimated Revisions**

9.1 This paragraph 9 applies where there is or is to be a Change before there is a Run of the Financial Model in respect of it. It provides a mechanism for interim adjustments in Franchise Payments pending the final agreement or determination of those adjustments under this Schedule 9.1.

9.2 Where this paragraph 9 applies, the Secretary of State shall make the Estimated Revisions described in paragraph 9.3:

- (a) if the Franchisee requests the Secretary of State to do so at the same time as requesting a Run of the Financial Model in respect of the Change under paragraph 1.4; or
- (b) if the Secretary of State otherwise agrees or chooses (in his discretion) to do so.

- 9.3 The estimated revisions are the Secretary of State's estimates of the New Results which will apply once the process in paragraphs 4 - 8 of this Schedule 9.1 has been completed in respect of the Change (the "**Estimated Revisions**"). For the avoidance of doubt, Revised Inputs are not made in order to generate or take account of the Estimated Revisions.
- 9.4 The estimates referred to in paragraph 9.3 will be such estimates as the Secretary of State, acting reasonably, makes having regard to the time and the information available to him at the time the estimates fall to be made, provided always that it is acknowledged that:
- (a) the purpose of the estimates is to enable provision to be made in respect of adjustments to the Annual Franchise Payment Components, the Profit Share Components and the AFA/DFR Components before full information about the Change is available and/or full consideration of the nature and extent of Revised Inputs and/or Model Changes has been undertaken;
  - (b) it may not be reasonably practicable in all circumstances for the Secretary of State to take into account in such an estimate all actual or potential impacts of a Change. Where the Secretary of State is aware that there are any such actual or potential impacts which he has not taken into account, he shall notify the Franchisee of them when notifying the Estimated Revisions pursuant to paragraph 9.2; and
  - (c) the Secretary of State shall be entitled to adjust any Estimated Revision notified pursuant to paragraph 9.2 to the extent he reasonably considers appropriate if at any time:
    - (i) the Secretary of State becomes aware of any new or revised information which would, if it had been available to him at the time he made his original estimate, have resulted in him making a different Estimated Revision; and
    - (ii) it is reasonable to revise the Estimated Revision having regard to the likely period of delay prior to the Run of the Financial Model in respect of the relevant Change.
- 9.5 In the circumstances described in paragraph 9.2 and paragraph 9.4(c), the Annual Franchise Payment Components, the Profit Share Components and the AFA/DFR Components shall be restated in the amounts and values of the Estimated Revisions, and Franchise Payments shall be paid accordingly until the Run of the Financial Model has taken place and its results have been put into effect.
- 9.6 The Secretary of State shall use all reasonable endeavours to notify the Franchisee of the Estimated Revisions required by paragraph 9.2 at least two Reporting Periods before he considers the Change is likely to occur. If, having exercised all reasonable endeavours, the Secretary of State cannot provide two Reporting Periods' notice, he shall provide such notification as soon as reasonably practicable afterwards.
- 9.7 The restatement of the Annual Franchise Payment Components, the Profit Share Components and the AFA/DFR Components referred to in paragraph 9.5 shall have effect on and from:
- (a) the date on which the Secretary of State notifies the Franchisee of the Estimated Revisions; or
  - (b) such other date as the Secretary of State, acting reasonably, may notify the Franchisee as the date on which the Secretary of State considers the Estimated Revisions should reasonably take effect, consistent with the matters taken into account by the Secretary of State in estimating the Estimated Revisions.
- 9.8 No estimate made by the Secretary of State pursuant to this paragraph 9 shall prejudice the Secretary of State's subsequent determination of any Revised Input or Model Change pursuant to paragraph 4.

- 9.9 Subject to paragraph 9.10, where adjustments to Franchise Payments (including for these purposes any profit share payments pursuant to paragraph 3 of Schedule 8.1 (Franchise Payments)) have resulted from the operation of paragraph 9.5. then, as soon as reasonably practicable after the certification of the New Results following the related Run of the Financial Model, the parties shall agree or the Secretary of State shall reasonably determine the difference (the "**Reconciliation Amount**") between:
- (a) the total amount of Franchise Payments (including for these purposes the profit share payments pursuant to paragraph 3 of Schedule 8.1 (Franchise Payments)) paid or to be paid to which adjustments have been made pursuant to the operation of paragraph 9.5; and
  - (b) the total amount of the Franchise Payments (including for these purposes the profit share payments pursuant to paragraph 3 of Schedule 8.1 (Franchise Payments)), as determined by that Run of the Financial Model, in respect of the same period as the period over which the adjusted Franchise Payments (including for these purposes the profit share payments) referred to in paragraph 9.9(a) have been paid or are to be paid.
- 9.10 If a Change is agreed or determined not to be a Qualifying Change or not to be part of an Aggregated Qualifying Change with or without any Run of the Financial Model having been performed, the Reconciliation Amount shall be the total amount of the adjustments to Franchise Payments (including profit share payments referred to in paragraph 9.9) which have resulted from the operation of paragraph 9.5.
- 9.11 The Reconciliation Amount shall be paid:
- (a) by the Franchisee to the Secretary of State where the Estimated Revisions resulted in:
    - (i) an overpayment of Franchise Payments by the Secretary of State to the Franchisee; or
    - (ii) an underpayment of Franchise Payments and/or profit share payments pursuant to paragraph 3 of Schedule 8.1 (Franchise Payments),
 by the Franchisee to the Secretary of State compared with:
    - (iii) the amount of the Franchise Payments (including for these purposes the profit share payments pursuant to paragraph 3 of Schedule 8.1 (Franchise Payments)), described in paragraph 9.9(b); or
    - (iv) where paragraph 9.10 applies, the amount of the unrestated Franchise Payments (including for these purposes the profit share payments pursuant to paragraph 3 of Schedule 8.1 (Franchise Payments)), over the same period; and
  - (b) by the Secretary of State to the Franchisee where the Estimated Revisions resulted in:
    - (i) an underpayment of Franchise Payments by the Secretary of State to the Franchisee; or
    - (ii) an overpayment of Franchise Payments and/or profit share payments pursuant to paragraph 3 of Schedule 8.1 (Franchise Payments),
 by the Franchisee to the Secretary of State compared with:

- (iii) the amount of the Franchise Payments (including for these purposes the profit share payments pursuant to paragraph 3 of Schedule 8.1 (Franchise Payments)) described in paragraph 9.9(b); or
- (iv) where paragraph 9.10 applies, the amount of the unrestated Franchise Payments (including for these purposes the profit share payments pursuant to paragraph 3 of Schedule 8.1 (Franchise Payments)) over the same period,

in either case, such payment shall be made on the first Payment Date which falls more than 7 days after agreement or determination (or if none, within 14 days after such agreement or determination).

## 10. **Information**

The Franchisee shall promptly, having regard to the other timescales anticipated in this Schedule 9.1, provide to the Secretary of State such information as the Secretary of State may request for the purpose of enabling the Secretary of State to exercise his rights and comply with his obligations pursuant to this Schedule 9.1.

## 11. **Costs**

11.1 This paragraph deals with the costs incurred by the Franchisee in connection with any audit required by the Secretary of State pursuant to paragraph 7.

11.2 The costs of any audit required under paragraph 7.1(b) shall be met by the Secretary of State subject to the following:

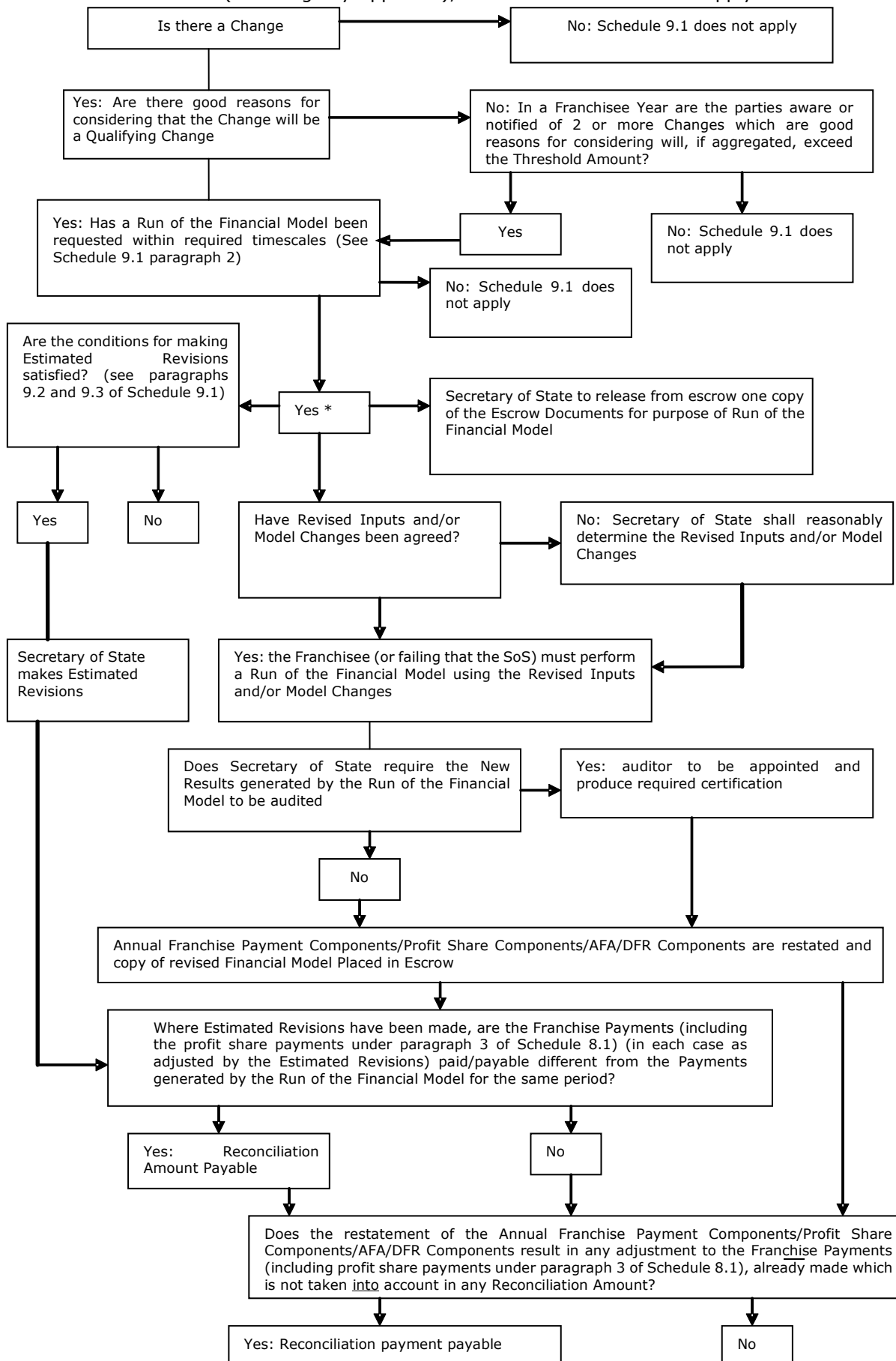
- (a) the costs of the audit shall be met entirely by the Franchisee:
  - (i) not used; and
  - (ii) in the case of a Change falling within any of the following sub-paragraphs within the definition of Change:
    - (A) an event set out in any Secretary of State Risk Assumption specified in Schedule 9.3 (Secretary of State Risk Assumptions) or any of the events specified in paragraphs 3.1, 3.3 or 4.9 of Schedule 9.4 (Specified Infrastructure Related Change); and
    - (B) a Charge Variation.
- (b) where paragraph 11.2(a) does not apply, the Secretary of State shall only be responsible for the reasonable costs of the Franchisee in connection with the audit, and the Franchisee shall comply with the Secretary of State's reasonable directions in connection with the audit which may include a requirement for a competitive tender for the appointment of the auditor.

**APPENDIX 1 TO SCHEDULE 9.1**

**Summary Flow Chart**

See next page.

This summary is for guidance only. If there are any inconsistencies with the other contents of Schedule 9.1 or 9.2 (including any Appendix), those other contents shall apply.



**APPENDIX 2 TO SCHEDULE 9.1****Agreement or Determination of Revised Inputs**

1. The parties shall agree or the Secretary of State shall reasonably determine the Revised Inputs that are required in respect of a Change:
  - (a) on the basis of the general adjustments and/or assumptions referred to in paragraph 2;
  - (b) on the basis of the assumptions in the Record of Assumptions as added to and/or amended (if at all) in accordance with paragraph 3;
  - (c) so as to provide for Traction Electricity Charges in accordance with paragraph 4;
  - (d) so as to provide for profit in accordance with paragraph 5;
  - (e) so as to give effect to the provisions of paragraph 6 in relation to indexation; and
  - (f) so as to give effect to the provisions of paragraph 8 in relation to Cancellations Performance Sum and TOC Minute Delay Performance Sum,

provided that if there is any inconsistency between the assumptions in the Record of Assumptions described in paragraph (b) above and any other of the requirements of this paragraph 1, those other requirements shall prevail, unless the Secretary of State (acting reasonably) otherwise elects.

2. **General Adjustments/Assumptions**

- 2.1 Revised Inputs are to be agreed between the parties or reasonably determined by the Secretary of State on the basis that:

- (a) any increase in costs relating to a Change; and/or
- (b) any reduction in revenues relating to a Change,

that is attributable to any activities, actions or omissions of the Franchisee which are not permitted under, or would otherwise constitute a contravention of, the terms of the Franchise Agreement, is to be disregarded.

- 2.2 Revised Inputs are to be agreed between the parties or reasonably determined by the Secretary of State on the basis that:

- (a) any reduction in costs relating to a Change; and/or
- (b) any increase in revenues relating to a Change,

that is attributable to any activities, actions or omissions of the Franchisee which are not permitted under, or would otherwise constitute a contravention of, the terms of the Franchise Agreement, is to be taken into account.

- 2.3 Revised Inputs are also to be agreed between the parties or reasonably determined by the Secretary of State on the basis that:

- (a) the Franchisee will use all reasonable endeavours to:
  - (i) reduce any costs that may arise or income that may be foregone; and

- (ii) increase any revenue that may arise and avoid any cost that may be avoided,

- (b) as a consequence of a Change; and

any requirement for borrowing in respect of Capital Expenditure by the Franchisee is dealt with in accordance with paragraph 2 of Schedule 9.5 (Variations to the Franchise Agreement and Incentivising Beneficial Changes).

- 2.4 Where and as directed to do so by the Secretary of State (acting reasonably) the Franchisee shall undertake one or more competitive tendering exercises for the purposes of ascertaining the likely level of any costs relating to a Change which are relevant to a Revised Input.

### 3. **Assumptions in the Record of Assumptions**

- 3.1 The parties shall (unless to do so would be contrary to paragraph 2) agree or the Secretary of State shall reasonably determine Revised Inputs that are in accordance with the assumptions that are contained in the Record of Assumptions, as added to or modified pursuant to paragraph 3.2 or paragraph 3.3.

- 3.2 Where the Secretary of State reasonably considers that the assumptions contained in the Record of Assumptions are ambiguous or that additional assumptions are required in relation to circumstances not dealt with by the assumptions in the Record of Assumptions, the parties shall agree or the Secretary of State shall reasonably determine the assumptions or additional assumptions to be utilised for this purpose.

- 3.3 Where the Secretary of State reasonably considers that:

- (a) a Change is likely to result in an increase in either or both of the costs of the Franchisee and the revenues of the Franchisee; and
- (b) an assumption relevant to the Change contained in the Record of Assumptions does not accord with what would be achievable by, or experienced by, an economic and efficient franchisee,

then the parties shall agree or the Secretary of State shall reasonably determine a modification to the assumption so that, as modified, it does accord with what would be achievable by, or experienced by, an economic and efficient franchisee.

### 4. **Traction Electricity Charges**

- 4.1 This paragraph 4 applies only in relation to Charge Variations.

- 4.2 In agreeing or determining Revised Inputs, no adjustment shall be made in respect of a Charge Variation to the extent that Charge Variation relates, directly or indirectly and however it may be effected, to the Traction Electricity Charge payable by the Franchisee pursuant to any Track Access Agreement. For this purpose (and subject to clause 1.1(l) of this Agreement), the Traction Electricity Charge is the component of the Track Charges (as defined in the Track Access Agreement) identified as such in any Track Access Agreement or any similar arrangement under which the Franchisee pays for traction current consumed by rolling stock vehicles operated by or on behalf of the Franchisee.

### 5. **Revised Input for Profit**

- 5.1

- (a) Where a Change is forecast to result in an increase to the Franchisee's revenue in a Franchisee Year, the parties shall agree or the Secretary of State shall reasonably determine Revised Inputs in relation to profit that provide for an increase in the amount of profit in any Franchisee Year equal to the percentage



agreed profit margin of the forecast increase in revenue for that Franchisee Year as set out below:

<b>Franchisee Year</b>	<b>Percentage Agreed Profit Margin (%)<sup>76</sup></b>
Year 1	
Year 2	
Year 3	
Year 4	
Year 5	
Year 6	
Year 7	
Year 8 (extension)	
Year 9 (extension)	

; and/or

(b) Where a Change is forecast to result in a reduction in the Franchisee's revenue in a Franchisee Year, the parties shall agree or the Secretary of State shall reasonably determine Revised Inputs in relation to profit that provide for a decrease in the amount of profit in any Franchisee Year equal to the lower of:

- (i) the percentage specified in paragraph 5.1(a); or
- (ii) the average profit margin in the current Business Plan for the remaining Franchise Term,

of the forecast reduction in revenue for that Franchisee Year.

5.2 In agreeing or determining Revised Inputs in relation to profit in respect of any Change, the parties or the Secretary of State shall effect such change (if any) in the amount attributable to profit in paragraph 5.1 as they agree or the Secretary of State reasonably determines to reflect:

- (a) the risk for the Franchisee in continuing to operate the Franchise on the terms of the Franchise Agreement after and as a result of the Change; and
- (b) the likelihood of:
  - (i) material benefit from such Change arising after expiry of the Franchise Term; and

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<sup>76</sup> Date of redaction 16/06/2016 - where text has been omitted from the document, this is because the Director General Rail or Secretary of State has decided to exclude the text in accordance with the provisions within the Freedom of Information Act 2000.

- (ii) material detriment from such Change arising prior to the expiry of the Franchise Term.

5.3 In agreeing or determining Revised Inputs for the purposes of any Protected Proposal, the parties or the Secretary of State shall effect such change (if any) to the amount attributable to profit as they agree or the Secretary of State reasonably determines:

- (a) fairly rewards the Franchisee for proposing the Protected Proposal; and
- (b) reasonably incentivises the Franchisee to propose further Protected Proposals

by sharing with the Franchisee a reasonable amount of the additional profit that is expected to arise from implementing the Protected Proposal.

5.4 The Annex (Incentivising Long Term Investment) to this Appendix 2 sets out the Secretary of State's guidance on how he approaches incentivising long term investment. Nothing in this Annex is intended to limit or be limited by, the provisions of paragraph 2.2 of Schedule 14.4 (Designation of Franchisee Assets).

## 6. **Indexation**

In agreeing or determining Revised Inputs, the parties shall apply the following principles in connection with indexation. For each relevant item of data in the Financial Model in respect of which a Revised Input is agreed or determined to be required:

- (a) the parties shall agree or the Secretary of State shall reasonably determine, having regard to the particular facts of the Change, the base date at which that item is priced; and
- (b) that item shall be deflated by reference to the original base date and index (if any) relevant to that item in the Financial Model.

## 7. **Efficiency Benefit Share**

No Revised Inputs shall be made to reflect:

- (a) any amount payable by or to the Franchisee in respect of Efficiency Benefit Share Mechanism; or
- (b) any change in the basis on which Efficiency Benefit Share Mechanism is calculated or is to be paid (including any change which may require amounts in respect of Efficiency Benefit Share Mechanism to be payable by as well as payable to the Franchisee).

## 8. **Cancellations Performance Sum and TOC Minute Delay Performance Sum**

In agreeing or determining Revised Inputs, no adjustment shall be made to the Financial Model to reflect any change in the amount of the Cancellations Performance Sum or the TOC Minute Delay Performance payable by the Secretary of State or to be incurred by the Franchisee arising from the exercise by the Secretary of State of his rights pursuant to paragraph 1.7 of Schedule 7.1 (Performance Benchmarks). For example if prior to such exercise the Franchisee would have been entitled to receive a Cancellations Performance Sum of £100 for a particular level of performance against the Annual Cancellations Benchmark and after such exercise the Franchisee would only be entitled to receive a Cancellations Performance Sum of £50 for achieving the same level of performance, no adjustment shall be made to the Financial Model to reflect this.

**ANNEX TO APPENDIX 2 TO SCHEDULE 9.1****Incentivising Long Term Investment**

This Appendix sets out the Secretary of State's guidance on how he approaches incentivising long term investment.

1. The Secretary of State wishes to encourage the Franchisee to:
  - (a) improve the efficiency;
  - (b) reduce the cost; and
  - (c) enhance the revenue earning potential of the delivery of services to passengers, from the commencement of the Franchise, through the Franchise Term and into the successor franchises.
2. It is recognised however that the Franchise Term may be perceived to be a barrier to undertaking investment or change programmes where:
  - (a) the time scale for implementation limits the benefit to the Franchisee; or
  - (b) the business case for such investment or change has a payback period longer than the Franchise Term.
3. In this context investment or change may be considered to encompass:
  - (a) capital investments undertaken solely by the Franchisee;
  - (b) capital investments undertaken by the Franchisee in association with others;
  - (c) total or partial substitution of certain train services by bus services where an enhanced service level could be provided for reduced cost or where the provision of bus services improves the overall capacity of the network or delivers other benefits;
  - (d) changes in working practices of the Franchisee's employees;
  - (e) changes in the contracted roles and responsibilities between the Franchisee and its major suppliers; and
  - (f) operational changes.
4. Accordingly, the Franchisee is encouraged to propose schemes that seek to achieve the objectives set out in paragraph 1 for consideration by the Secretary of State during the Franchise Term.
5. In considering the Franchisee's proposals for any investment or change proposed to be undertaken, the Secretary of State will recognise:
  - (a) the capital cost and proposed payment profile;
  - (b) legitimate costs of the Franchisee in developing, procuring, delivering and project managing the project;
  - (c) the life of any capital assets and the duration of the benefits stream arising;
  - (d) the remaining Franchise Term and the projected payback period;

- (e) the benefits associated with undertaking the investment early rather than waiting until the Franchise is re-let;
  - (f) the risks of cost overrun or under performance of the projected benefits;
  - (g) a profit element for undertaking the project commensurate with the risks of the proposed project; and
  - (h) alternative benefit sharing arrangements which could be based on:
    - (i) a capital lump sum when the expenditure is incurred;
    - (ii) an enhanced Franchise Payment over the Franchise Term;
    - (iii) a balloon payment on expiry of the Franchise which allocates a proportion of future benefits to the Franchisee;
    - (iv) an ongoing payment if the benefits materialise after the Franchise Term; and/or
    - (v) any combination of any of paragraphs 5(h)(i) to 5(h)(iv) inclusive.
6. In evaluating the Franchisee's proposals for any investment or change proposed to be undertaken and to enable best value for money to be obtained from third party financiers, the Secretary of State shall also give consideration to the appropriateness of the provision, by the Secretary of State, of an undertaking (or other form of comfort) pursuant to Section 54 of the Act.

**SCHEDULE 9.2****Identity of the Financial Model etc.****1. Franchisee's Obligations**

- 1.1 The Franchisee shall deliver two copies of each of the Financial Model, the Operational Model and the Record of Assumptions (each such copy in electronic format on CD-ROM) together with hard format copies of the output template of the Financial Model in the format set out in the document in agreed terms marked **FF** (the **Escrow Documents**) to the Secretary of State in the agreed form, accompanied by a notice that the Escrow Documents are to be Placed in Escrow.
- 1.2 The Franchisee shall deliver the Escrow Documents in accordance with paragraph 1.1 of this Schedule 9.2:
- (a) on the date of the Franchise Agreement;
  - (b) within seven days of the Start Date, but updated only as strictly necessary for any elapsed time between the actual Start Date and the date assumed to be the Start Date in the Initial Business Plan; and
  - (c) within seven days of any approval or audit of a Run of the Financial Model as provided for in paragraph 7 of Schedule 9.1 (Financial and Other Consequences of Change), but updated with the Revised Inputs and any Model Changes.
- 1.3 The Franchisee shall deliver with each such deposit of the Escrow Documents all of the following information to the extent that it is relevant:
- (a) details of the Escrow Documents deposited (including full filename and version details, any details required to access the Escrow Documents including media type, backup command/software used, compression used, archive hardware and operating system details);
  - (b) the names and contact details of persons who are able to provide support in relation to accessing and interpreting the Escrow Documents; and
  - (c) if required by the Secretary of State, a certificate from independent auditors approved by the Secretary of State, confirming that the deposited version of the Escrow Documents is in the agreed form in accordance with paragraph 1.1 or (as the case may be) is in accordance with paragraphs 1.2(b) or 1.2(c).

**2. Secretary of State's Obligations**

- 2.1 The Secretary of State shall:
- (a) within three days following receipt, acknowledge receipt to the Franchisee of any version of the Escrow Documents delivered to him for the purposes of being Placed in Escrow;
  - (b) save as provided under paragraph 2.1(c), store each copy of the Escrow Documents in a different physical location from any other copy of each such document and use all reasonable endeavours to ensure that each copy of the Escrow Documents is at all times kept in a safe and secure environment. In so doing the Secretary of State shall be deemed to have Placed in Escrow the Escrow Documents for the purposes of the Franchise Agreement;
  - (c) notify the Franchisee if he becomes aware at any time during the term of the Franchise Agreement that any copy of the Escrow Documents or part thereof stored in a particular location has been lost, damaged or destroyed. In such an

event, the Secretary of State shall be permitted to create a new copy of the Escrow Documents or part thereof from the other copy Placed in Escrow and shall within seven days notify the Franchisee accordingly and afford it the right to make reasonable inspections in order to satisfy itself that a "complete and accurate" copy has been made. Following the making of such a new copy of the Escrow Documents, the Secretary of State shall retain all copies of the Escrow Documents in accordance with paragraph 2.1(b);

- (d) within seven days of receipt of a notice from the Franchisee stating that the Escrow Documents are required for the purposes of a Run of the Financial Model in relation to any Change, or should the Secretary of State himself so decide that the Escrow Documents are required by the Franchisee or by the Secretary of State for such purposes release one copy of the Escrow Documents accordingly and retain one copy of the Escrow Documents in escrow in accordance with paragraph 2.1(b);
- (e) maintain a record of any release of any copy of any version of the Escrow Documents made, including details of any version released and the date of release as well as the identity of the person to whom the Escrow Documents are released;
- (f) have no obligation or responsibility to any person whatsoever to determine the existence, relevance, completeness, accuracy, effectiveness or any other aspect of the Escrow Documents; and
- (g) not be liable for any loss, damage or destruction caused to the Franchisee arising from any loss of, damage to or destruction of the Escrow Documents.

2.2 If the Franchisee fails to perform a Run of the Financial Model pursuant to paragraph 6.2(a) of Schedule 9.1 (Financial and Other Consequences of Change) or fails to return the copy of the Escrow Documents released pursuant to paragraph 2.1(d):

- (a) such failure to perform or to return the released copy to the Secretary of State shall be a contravention of the Franchise Agreement;
- (b) the Secretary of State may release the other copy of the Escrow Documents Placed in Escrow and take a copy thereof (the "**Replacement Copy**") in order that the Secretary of State may perform a Run of the Financial Model pursuant to paragraph 6.2(a) of Schedule 9.1 (Financial and other Consequences of Change);
- (c) once copied, the second copy of the Escrow Documents released pursuant to this paragraph 2.2 shall be Placed in Escrow; and
- (d) once the Run of the Financial Model has been approved or audited as provided for in paragraph 7 of Schedule 9.1 (Financial and Other Consequences of Change), two copies of the Replacement Copy shall also be Placed in Escrow.

Nothing in this Schedule 9.2 shall prevent the Secretary of State or the Franchisee each retaining for their working use one or more copies of any of the Escrow Documents Placed in Escrow provided that no such working copy shall (unless otherwise explicitly agreed by the parties) be regarded as a copy released from Escrow for the purposes of this Schedule 9.2 or any Run of the Financial Model.

### 3. **Errors in Escrow Documents**

3.1 Any feature of the Escrow Documents which is in the reasonable opinion of the Secretary of State an error will be addressed as follows:

- (a) if rectification of such an error would (as the case may be) over the Franchise Term result in a net increase in the amount of Franchise Payments payable by the Secretary of State to the Franchisee or a net decrease in the amount of

Franchise Payments payable by the Franchisee to the Secretary of State then such error shall be rectified provided that there shall not be a restatement of the values of the Annual Franchise Payment Components, the Profit Share Components and the AFA/DFR Components;

- (b) if rectification of such an error would (as the case may be) over the Franchise Term result in a net decrease in the amount of Franchise Payments payable by the Secretary of State to the Franchisee or a net increase in the amount of Franchise Payments payable by the Franchisee to the Secretary of State then such error shall be rectified and the values of the Annual Franchise Payment Components, the Profit Share Components and the AFA/DFR Components shall be restated where appropriate;
- (c) a record of the error shall be noted in the Record of Assumptions and, if applicable, the Financial Model; and
- (d) as soon as reasonably practicable after the date of the rectification of the error, the Franchisee shall (unless otherwise agreed by the Secretary of State) deliver to the Secretary of State a certificate from independent auditors approved by the Secretary of State confirming that the error has been rectified as required by this paragraph 3 and is now in the agreed form in accordance with paragraphs 1.1, 1.2(b) or 1.2(c) as the case may be.

## SCHEDULE 9.3

### Secretary of State Risk Assumptions

#### 1. **ERTMS**

It shall be a Change if there is a material change to the actual implementation plans (including the relevant timescales for the delivery of such plans) adopted by Network Rail in respect of the ERTMS Programme when compared to the plans as specified in the Proposed ERTMS Implementation Plan and, as a result, after taking into account any compensation that the Franchisee is entitled to claim whether under Schedule 4 of the Track Access Agreement, Condition G.2 of the Network Code or otherwise (and for these purposes it shall be assumed that the Track Access Agreement complies with the provisions of paragraph 3.4 of Schedule 6.2 (TransPennine Express Franchise Specific Provisions)), the Franchisee is financially better off than would otherwise have been the case.

#### 2. **Recalibration of the Fixed Track Access Charges/Access Charge Supplement as a consequence of the Remapping Proposals**

2.1 A Change shall occur if as a direct consequence of the remapping of the passenger services referred to in paragraph 14.1 of Schedule 6.2 (TransPennine Express Franchise Specific Provisions) (the "**Proposed Start Date Remapping**") and/or the remapping arrangements described in paragraph 14.2 of Schedule 6.2 (the Proposed Start Date Remapping and the remapping arrangements referred to in paragraph 14.2 of Schedule 6.2 together to be known as the "**Remapping Proposals**") there is a difference between:

- (a) the Assumed Fixed Track Charges and the Actual Fixed Track Charges; and/or
- (b) the Assumed Access Charge Supplement and the Actual Access Charge Supplement.

2.2 For the purposes of this paragraph 2:

- (a) "**Assumed Fixed Track Charges**" means the Fixed Track Charges assumed by the Franchisee in its Financial Model and Record of Assumptions applicable as at the Start Date as being payable to Network Rail under the Track Access Agreement applicable as at the Start Date. The Assumed Fixed Track Charge to be as shown in input row 34 (I-Infrastructure worksheet) of the Financial Model and paragraph 7.2.1.1 of the Record of Assumptions.
- (b) "**Actual Fixed Track Charges**" means the amount of the Fixed Track Charges payable by the Franchisee to Network Rail under the Track Access Agreement following the recalibration of such charges as a consequence of any of the Remapping Proposals;
- (c) "**Assumed Access Charge Supplement**" means the amount of the access charge supplement for restriction of use as specified in part 5 of schedule 4 of the Track Access Agreement assumed by the Franchisee in its Financial Model and Record of Assumptions applicable as at the Start Date as being payable to Network Rail under the Track Access Agreement applicable as at the Start Date. The Assumed Access Charge Supplement to be as shown in input row 373 (I-Infrastructure worksheet) of the Financial Model and paragraph 7.2.3.2.1 of the Record of Assumptions.
- (d) "**Actual Access Charge Supplement**" means the amount of the access charge supplement for restriction of use specified in part 5 of schedule 4 of the Track Access Agreement payable by the Franchisee to Network Rail under the Track Access Agreement following the recalibration of such charges as a consequence of any of the Remapping Proposals;



(e) **“Fixed Track Charge”** has the meaning given to it in the Track Access Agreement; and

(f) the provisions of this paragraph 2 set out the mechanisms which the parties have agreed to give effect to their intention based on the ORR’s Track Access passenger model contract as at the date of the Franchise Agreement and without limiting clause 1.1(l) of this Franchise Agreement any relevant Change shall take into account this commercial intention.

3. **Proposed Start Date Remapping Does not Occur**

3.1 A Change shall occur if as at the Start Date the Proposed Start Date Remapping (as such term is defined in paragraph 2.1) has not occurred with the effect that the Franchisee:

(a) remains the designated employer in respect of those franchise employees that would have transferred to the Northern Franchisee by the Start Date by operation of law if the Proposed Start Date Remapping had occurred at the Start Date; and/or

(b) retains at the Start Date any of the property, rights and liabilities relating to the Proposed Start Date Remapping which would have transferred to the Northern Franchisee by the Start Date if the Proposed Start Date Remapping had occurred at the Start Date.

4. **Not Used.**<sup>77</sup>

5. **Not Used.**<sup>78</sup>

6. **No double recovery**

The Franchisee shall not be entitled to recover (by way of a Change or otherwise) more than once in respect of the same loss suffered by it.

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<sup>77</sup> Date of deletion 13/05/2016

<sup>78</sup> Date of deletion 13/05/2016

**SCHEDULE 9.4****Specified Infrastructure Related Change****1. Definitions**

- 1.1 In this Schedule 9.4 unless the context otherwise requires, the following words and expressions have the following meanings:

**"Base Assumption"** means as the context requires an assumption specified in Part A of the IAD;

**"Bidder Assumption"** means as the context requires an assumption specified in Part C of the IAD;

**"Infrastructure Issues Action Programme"** has the meaning given to it in paragraph 4.4(b) of this Schedule 9.4;

**"IAD"** means the document in agreed terms marked **"IAD"** as it may subsequently be amended or restated in accordance with paragraphs 4.4(a) or 4.5 of this Schedule 9.4. Each amendment and restatement of the document shall be updated as necessary to state:

- (a) in Part A the then applicable Base Assumptions as any of them may be amended following any Change pursuant to paragraph 4.9 of this Schedule 9.4;
- (b) in Part B the then applicable Working Assumptions;
- (c) in Part C the then applicable Bidder Assumptions;

**"IAD Review"** has the meaning given to it in paragraph 4.1 of this Schedule 9.4;

**"Infrastructure Review Date"** means the date falling six months after the Start Date and every six months thereafter together with any additional interim dates as may be agreed between the parties; and

**"Working Assumption"** means as the context requires an assumption specified in Part B of the IAD.

**2. Background and commercial principles**

The Secretary of State and the Franchisee acknowledge and agree that:

- (a) one or more of the Working Assumptions or Bidder Assumptions may cease to be correct in circumstances which involve complex and interrelated infrastructure and rolling stock change, the consequences of which may require mitigating action to be taken during the Franchise Term;
- (b) one of the reasons that the Franchisee has been appointed by the Secretary of State to operate the Franchise Services is that it is a skilled and experienced train operator with the ability to manage these circumstances in a way that is, so far as is reasonably practicable, consistent with the efficient and effective delivery of railway infrastructure and rolling stock projects in accordance with planned timescales and budgets;
- (c) there are risk areas that are within the control of the Franchisee but it is also the case that successful delivery of infrastructure projects is materially dependent on third parties (including Network Rail) and other external factors which the Franchisee has limited or no ability to control;

- (d) accordingly in this Schedule 9.4 (Specified Infrastructure Related Change) and the relevant provisions of Schedule 6.2 (TransPennine Express Franchise Specific Provisions) the parties have sought to allocate risk between them and establish a process for mitigating risks that materialise or are likely to materialise on a reasonable and good faith basis in accordance with the following general principles:
- (i) regular and effective reporting by the Franchisee;
  - (ii) regular and effective discussion and engagement between the parties leading to appropriate decision making;
  - (iii) effective risk management and the taking of appropriate risk mitigation actions on a timely basis;
  - (iv) review of, and where appropriate adjustment to, agreed risk mitigation actions in response to developing circumstances; and
  - (v) the use of rail industry regulated compensation mechanisms under Access Agreements and the Network Code in appropriate circumstances and the provision of appropriate Change adjustments under the Franchise Agreement whilst at the same time avoiding any multiple compensation to the Franchisee in relation to the same losses or excessive compensation including where applicable by way of retrospective adjustment through Franchise Payments or otherwise where it subsequently becomes apparent that the Franchisee has received multiple compensation in relation to the same loss or excessive compensation.

### 3. **Change to Base Assumptions**

3.1 Subject to paragraph 3.2 below it shall be a Change if:

- (a) any infrastructure output that is the subject of a Base Assumption first becomes available for use in delivering the Passenger Services on a date that is later than the date specified in that Base Assumption or to a lesser specification in a way that materially adversely affects the Passenger Services;
- (b) either of the Ordsall Chord Funded Authorisations or the Preston to Manchester Funded Authorisations are not available on the specified date and this materially adversely affects the Passenger Services.

3.2 If there is a Change pursuant to paragraph 3.1 and the Secretary of State reasonably determines that this is caused by any unreasonable action or inaction of the Franchisee or the Franchisee not acting in accordance with its obligations pursuant to clause 5.1 of the Franchise Agreement the Secretary of State shall have the right to require that:

- (a) where the Franchisee is wholly and exclusively responsible for such circumstances arising there shall be no Change; or
- (b) where the Franchisee is partly responsible for such circumstances arising if there is a Qualifying Change then the impacts of relevant actions or inactions of the Franchisee, or its not acting in accordance with its obligations pursuant to clause 5.1 of the Franchise Agreement, shall not be taken into account in such Qualifying Change to the extent that to do so would be to compensate the Franchisee in relation to adverse impacts for which it was responsible

It is agreed that if the Base Assumption in relation to the Ordsall Chord Funded Authorisations or the Preston to Manchester Funded Authorisations is not correct and the Secretary of State acting reasonably concludes that the Franchisee failed to fully and effectively co-operate with the reasonable requirements of Network Rail to secure relevant authorisations including in particular by making available relevant electric multiple units

and electric locomotives with crews for reasonable testing purposes then the Secretary of State shall have the right to require that there shall be no Change or that any Qualifying Change shall not compensate the Franchisee to the extent that any delay to the Ordsall Chord Funded Authorisations or the Preston to Manchester Funded Authorisations can be considered to be a consequence of the Franchisee failing to so fully and effectively co-operate with Network Rail.

- 3.3 Where there is a Change pursuant to paragraph 3.1 there will be a further Change when the relevant infrastructure output is available for use in delivering the Passenger Services or when the Ordsall Chord Funded Authorisations or the Preston to Manchester Funded Authorisations (as the case may be) are obtained.
- 3.4 It is agreed by the parties that where there is one or more Qualifying Changes pursuant to paragraph 3.1, 3.3 and/or 4.9 and there is an interrelationship between that Qualifying Change and any other such Qualifying Change then:
- (a) Model Changes and Revised Inputs shall be established and applied to the Financial Model, Runs of the Financial Model shall be performed and any Estimated Revisions shall be made in an appropriately co-ordinated way to take proper account of such interrelationships; and
  - (b) the Franchisee shall not be entitled to recover more than once in relation to the same loss suffered by it.
- 3.5 In assessing whether any matters under this Schedule 9.4 give rise to a Change which is a Qualifying Change it shall be permissible in relation to any Base Assumption to take into account all actions in an Infrastructure Issues Action Programme relating to such Base Assumption, triggers of such Base Assumption and amendments to such Base Assumption.

#### 4. **Infrastructure Issue Reviews**

- 4.1 Not less than three nor more than six weeks prior to each Infrastructure Issues Review Date (and otherwise in accordance with such timescales as the parties may agree in relation to any interim Infrastructure Issues Review Date) the Franchisee shall deliver to the Secretary of State a written review of each of the Working Assumptions in Part B of the IAD and the Bidder Assumptions in Part C of the IAD including its latest forecast for achievement of the Working Assumptions and or Bidder Assumptions based on the reasonable knowledge of the Franchisee with appropriate supporting information (the "**IAD Review**"). The IAD Review shall identify in relation to each Working Assumption in Part B of the IAD and Bidder Assumption in Part C of the IAD:
- (a) whether the Franchisee remains reasonably confident that the Working Assumption or Bidder Assumption will be met; and
  - (b) if the Franchisee does not remain reasonably confident that the Working Assumption or Bidder Assumption will be met:
    - (i) whether there are any steps which may be taken by the Franchisee to increase to a reasonable level its confidence that the Working Assumption or Bidder Assumption will be met, with an assessment of the relevant implications of such steps;
    - (ii) where it is reasonably able to provide the same, its forecast for when the Working Assumption is likely to be met, identifying any material concerns or conditions and any changes from any forecast previously provided;
    - (iii) what a revised Working Assumption should reasonably be in order for the Franchisee to be reasonably confident that it will be met, with reasons and supporting information (to the extent reasonably available to the Franchisee) including (where in relation to a Working Assumption only an amendment to the relevant existing

Base Assumption or Working Assumption is proposed) an estimate by the Franchisee of the nature and extent of any Change which would be involved in amending and restating the relevant Base Assumption to reflect such revised Working Assumption; and

- (iv) how likely it is that any such forecast or revised Working Assumption or Bidder Assumption will require further revision in future and what the probable parameters of such further revision are expected to be with reasons and supporting information (taking into account the information reasonably available to the Franchisee at the time),

it being acknowledged that the Franchisee shall be permitted to weight its review towards Working Assumptions and/or or Bidder Assumption which are falling due first or in respect of which there are material concerns or which in its reasonable opinion require attention or which the Secretary of State otherwise requests are given priority attention in the relevant IAD Review, as the case may be.

The IAD Review shall also include:

- (x) a report on progress against any Infrastructure Issues Action Programme already established under paragraph 4.4 and not then completed;
- (y) identification (taking into account the information reasonably available to the Franchisee at the time) of any changes or anticipated changes to the forecasts or assumptions on which actions in the Infrastructure Issues Action Programme have been based or other developments which it considers should be taken into account; and
- (z) any proposals for an Infrastructure Issues Action Programme to be established or (where one already exists) revised, together with an estimate by the Franchisee of the nature and extent of any Change which would be involved in amending and restating the Infrastructure Issues Action Programme.

4.2 Where in the context of carrying out any IAD Review from time to time the Franchisee believes that any matter relevant to a Working Assumption or Bidder Assumption will be delayed beyond the end of the Franchise Term (as it may be extended pursuant to paragraph 2 of Schedule 18 (Additional Reporting Periods)) the Franchisee shall provide its reasonable and informed view (based on the information reasonably available to it) of the likely implications of this for the Successor Operator and the Secretary of State. The Franchisee shall actively engage with Network Rail and other relevant parties for the purpose of ensuring each IAD Review is as accurate as reasonably practicable under the circumstances.

4.3 The Franchisee shall:

- (a) provide such additional information as the Secretary of State shall reasonably request in relation to the contents of each IAD Review; and
- (b) meet with the Secretary of State to discuss the contents of each IAD Review.

4.4 The Secretary of State and the Franchisee shall use reasonable endeavours to agree within two months of an Infrastructure Issues Review Date (or by such other date as the parties may agree):

- (a) an amended and restated IAD including updating, as appropriate, each of the Working Assumptions and Bidder Assumption by reference to the then prevailing circumstances and taking proper account of the interrelationships between them;

- (b) as appropriate, a programme of actions ("**Infrastructure Issues Action Programme**") intended to mitigate the impacts of any forecasts for or material changes to any of the Working Assumptions taking into account the interrelationships between them, the importance attached to ensuring that relevant outputs are delivered in accordance with relevant programmes and the overriding duties of the Secretary of State in relation to the proper expenditure of public monies. The Infrastructure Issues Action Programme shall record any material forecasts or assumptions on which proposed mitigations are based in order to help identify aspects of the mitigation which may require review if those forecasts or assumptions prove incorrect or are otherwise subject to change.
- 4.5 Following each Infrastructure Issues Review Date after the first Infrastructure Issues Review Date any then existing Infrastructure Issues Action Programme shall be amended and restated to take account of any latest or updated forecasts, changes to Working Assumptions and the latest programme with effect from the date that a further Infrastructure Issues Action Programme is agreed or reasonably determined by the Secretary of State.
- 4.6 In the event that the Secretary of State and the Franchisee fail to agree an amended or restated IAD or Infrastructure Issues Action Programme the Secretary of State shall have the right to reasonably determine them (or to determine that no amendments shall be made, or no Infrastructure Issues Action Programme shall be put in place as the case may be). Where the Secretary of State declines to include within an Infrastructure Issues Action Programme any action proposed by the Franchisee, the failure of the Franchisee to take that action shall not be regarded as a failure on the part of the Franchisee to act reasonably to mitigate any Qualifying Change pursuant to paragraph 3.1.
- 4.7 It shall be a term of the Franchise Agreement that the Franchisee shall use all reasonable endeavours to comply with any Infrastructure Issues Action Programme.
- 4.8 In connection with the establishment of any amended and restated IAD and/or any Infrastructure Issues Action Programme the Franchisee and the Secretary of State acting reasonably shall consider and to the extent possible reach agreement upon the likelihood that any Change will occur pursuant to paragraph 3.1.
- 4.9 Following consideration by him pursuant to paragraph 4.8 and discussion with the Franchisee (and without prejudice to the occurrence of a Change at the latest when the relevant facts are not in accordance with the relevant Base Assumption) the Secretary of State shall have the right (but not the obligation) to require that a Change shall have occurred in consequence of any Base Assumption being different to any revised Working Assumption in relation to the corresponding infrastructure output contained in Part B of the amended and restated IAD.

In such circumstances:

- (a) the Secretary of State and the Franchisee shall agree or (in the absence of agreement) the Secretary of State shall reasonably determine an adjusted Base Assumption to be included in the amended and restated IAD;
- (b) the difference between the relevant Base Assumption as it existed before the amended and restated IAD and the relevant adjusted Base Assumption included in the amended and restated IAD shall be a Change;
- (c) the Change provisions of paragraph 3.1 shall remain in force on the basis that (subject to any further application of this paragraph 4.9) any Change pursuant to paragraph 3.1 shall be assessed when the relevant actual position is known by reference to the adjusted Base Assumptions included in Part A of the amended and restated IAD; and
- (d) this process may be repeated on subsequent IAD Reviews.

- 4.10 Where the Franchisee is required to implement an Infrastructure Issues Action Programme or any revised Infrastructure Issues Action Programme and the relevant impacts of such implementation are not addressed in any Change pursuant to paragraphs 3.1 and 4.9 or otherwise then the requirement for the Franchisee to implement an Infrastructure Issues Action Programme (or the revision to that programme) shall be a Change and the provisions of paragraph 9 "Estimated Revisions" of Schedule 9.1 (Financial and Other Consequences of Change) shall apply where appropriate. If the implementation of an Infrastructure Issues Action Programme gives rise to any other Change (for example in consequence of a change to the Train Service Requirement) leading to there being more than one Qualifying Change it is agreed that Model Changes and Revised Inputs shall be established and applied to the Financial Model and Runs of the Financial Model shall be performed in a co-ordinated way to take proper account of relevant interdependencies.
- 4.11 Where the Secretary of State reasonably determines that the requirement to implement an Infrastructure Issues Action Programme is caused by any unreasonable action or inaction of the Franchisee or the Franchisee not acting in accordance with its obligations pursuant to clause 5.1 of the Franchise Agreement the Secretary of State shall have the right to require that:
- (a) where the Franchisee is wholly and exclusively responsible for such circumstances arising there is no Change; or
  - (b) where the Franchisee is partly responsible for such circumstances arising, then if there is any Qualifying Change the impacts of relevant actions or inactions of the Franchisee, or its not acting in accordance with its obligations pursuant to clause 5.1 of the Franchise Agreement, shall not be taken into account in such Qualifying Change to the extent that to do so would be to compensate the Franchisee in relation to adverse impacts that it was responsible for.
- 4.12 The Franchisee and the Secretary of State acknowledge and agree that any revised Working Assumptions or Bidder Assumptions in an amended and restated IAD may include dates that fall outside of the Franchise Term or only fall within the Franchise Term if the Secretary of State exercises his rights pursuant to paragraph 2 of Schedule 18 (Additional Reporting Periods) to extend the Franchise Term by up to 26 Reporting Periods. It is acknowledged that this will not lead to the Franchisee acquiring any liability arising after the end of the Franchise Term.
- 4.13 It is acknowledged that circumstances may arise on short notice with a short term impact between Infrastructure Review Dates which increase the likelihood of a Change occurring pursuant to paragraph 3.1 or which are otherwise related to the Working Assumptions and may lead to adverse impacts on the delivery of the Franchise Services. In such cases the parties will expeditiously discuss such circumstances and possible mitigations. The Secretary of State and the Franchisee may following such discussions agree mitigating actions and, where appropriate, related financial adjustments. Proper account shall be taken of any such mitigating actions and related financial adjustments in subsequent Infrastructure Issues Action Programmes and Changes pursuant to paragraphs 3.1, 4.9 or 4.10 but (unless the Secretary of State agrees to the contrary) no mitigating actions or related financial adjustments shall be taken into account in relation to Bidder Assumptions.
5. **Use of rail industry compensation mechanisms and rights of the Secretary of State in relation to multiple or excessive compensation in relation to relevant losses**
- 5.1 The Secretary of State and the Franchisee acknowledge that railway industry procedures including Station Change and Network Change are designed to compensate train operators fairly in relation to rail infrastructure disruption and changes and agree that the Franchisee should pursue any relevant rights to obtain compensation in a reasonable way so that, where relevant, any Qualifying Change pursuant to this Schedule 9.4 (Specified Infrastructure Related Change) shall assume that the Franchisee has been or will be paid such compensation.
- 5.2 The Franchisee shall notify the Secretary of State as soon as reasonably practicable if it becomes aware of circumstances which mean that it has been, may have been or is likely to be compensated more than once or excessively in relation to the same adverse financial

impact in connection with any matter pertaining to a Working Assumption or Bidder Assumption. For these purposes a compensation claim properly made under railway industry procedures including Station Change and Network Change shall not be regarded as excessive but without prejudice to the rights of the Secretary of State if the Franchisee has in consequence of such a claim received multiple compensation with regard to the same loss. Such notification shall identify the relevant circumstances and quantify the potential excess compensation. If requested by the Secretary of State the Franchisee shall provide such further information in relation to relevant circumstances as the Secretary of State may reasonably require.

- 5.3 Where the Secretary of State believes that the Franchisee has been or may be compensated more than once or excessively in relation to the same adverse financial impact in respect of any matter pertaining to any Working Assumption or Bidder Assumption the Secretary of State shall, except where the circumstances have been notified to the Secretary of State by the Franchisee pursuant to paragraph 5.1 above, identify the relevant circumstances and quantify the potential excess compensation. Where the circumstances have been notified to the Secretary of State by the Franchisee pursuant to paragraph 5.1 above, the Secretary of State shall confirm that he agrees with the Franchisee's view of the circumstances and the amount of the potential excess compensation or notify the Franchisee of any different view that he may have and his reasons for having such a different view.
- 5.4 The Franchisee shall be entitled to make representations to the Secretary of State in relation to any Secretary of State notification pursuant to paragraph 5.3 above. The parties shall discuss any representations made in good faith with the intention of agreeing whether or not there has been any excess compensation of the Franchisee and, if so, how much the relevant amount is. In the event that agreement cannot be reached within twenty Weekdays the Secretary of State shall have the right to reasonably determine whether there has been excess compensation and, if so, the amount of such excess compensation.
- 5.5 Where the amount of any excess compensation of the Franchisee is agreed or reasonably determined there shall be an adjustment to the Franchise Payment due in relation to the Reporting Period after that in which relevant agreement was reached or the Secretary of State made his determination or, where agreement or determination occurs after the end of the Franchise Period, by way of a direct payment from the Franchisee to the Secretary of State. Such adjustment shall be of an amount equal to the amount of excess compensation received by the Franchisee as agreed or reasonably determined by the Secretary of State and not otherwise repaid by the Franchisee.



**SCHEDULE 9.5****Variations to the Franchise Agreement and Incentivising Beneficial Changes****1. Variations to the Franchise Agreement and Incentivising Beneficial Changes**

1.1 The terms of the Franchise Agreement may be varied as follows but not otherwise:

(a) by the Secretary of State as contemplated where relevant in the Invitation to Tender in relation to:

(i) any aspect of the Franchise Services; and/or

(ii) any provision of the Franchise Agreement other than those provisions specified in paragraph 1.2,

by service of a notice on the Franchisee referring to this paragraph 1.1(a) and setting out the variation to the terms of the Franchise Agreement;

(b) by the Secretary of State with regard to the Start Date and the Expiry Date pursuant to paragraph 1.10; and

(c) in relation to any other provision of the Franchise Agreement, by agreement in writing between the parties to that effect,

(each a "**Variation**").

1.2 Without prejudice to the Secretary of State's rights under paragraph 1.1(a) and 1.1(b), the terms of each of:

(a) clause 4 (Term) of this Agreement (but without prejudice to the right of the Secretary of State to amend the Start Date and the Expiry Date to a later date pursuant to paragraph 1.10);

(b) Schedules 8 (Payments), 9 (Changes), 10 (Remedies, Termination and Expiry), 12 (Financial Obligations and Covenants), 14 (Preservation of Assets), 18 (Additional Reporting Periods) and Schedule 19 (Other Provisions); and

(c) the definitions set out at clause 2 (Definitions) of this Agreement insofar as such affect the respective rights and obligations of the Secretary of State and the Franchisee pursuant to the provisions referred to at (a) and (b) above,

shall not be varied at any time other than in accordance with the terms of the Franchise Agreement or with the agreement of the parties.

1.3 The Secretary of State shall, to the extent reasonably practicable, allow the Franchisee a reasonable opportunity to make representations to the Secretary of State concerning any Variation to be made in accordance with paragraph 1.1(a), prior to making any such Variation.

1.4 The Secretary of State may:

(a) issue, revise and withdraw from time to time procedures that he requires to be followed for the purposes of orderly consideration of Variations. This will include for the purpose of establishing in relation to any Change whether it is a Qualifying Change; and

- (b) require the Franchisee to provide any information that the Secretary of State reasonably requires for this purpose (including in relation to prospective change to profit, costs and revenue as a consequence of proceeding with the Variation).
- 1.5 Procedures issued pursuant to paragraph 1.4 may provide for indicative iterations of Runs of the Financial Model in relation to one or more Changes that the Secretary of State is considering and may also provide for any number of Changes to be grouped together as a single Change for the purposes of agreeing or determining Revised Inputs and then performing a Run of the Financial Model.
- 1.6 Procedures issued pursuant to paragraph 1.4 shall have contractual effect between the parties in accordance with their terms.
- 1.7 The Franchisee may notify the Secretary of State of any proposal for a Variation by notice setting out the proposed method of implementing such Variation including:
  - (a) the timescale for doing so;
  - (b) the effect (if any) on the timing of the performance of its other obligations under the Franchise Agreement;
  - (c) the impact of effecting the proposed Variation on the provision of the Franchise Services and the Franchisee's proposals as to how to minimise such impact; and
  - (d) the financial consequences of implementing the Variation proposed by the Franchisee in terms of the Revised Inputs that the Franchisee considers the Variation would require.
- 1.8 Where the Franchisee proposes a Variation in sufficient detail for it to be apparent that its implementation is likely to result in an increase in the overall profitability of the Franchisee through costs saving measures (a "**Protected Proposal**"), the Secretary of State may not proceed with the Protected Proposal or seek to implement the substance of it by proposing a Variation of his own without complying with the provisions of paragraph 5 of Appendix 2 (Agreement or Determination of Revised Inputs) to Schedule 9.1 (Financial and Other Consequences of Change).
- 1.9
  - (a) The Franchisee and the Secretary of State acknowledge that the Franchisee may during the Franchise Term identify actions that could be taken by the Franchisee to achieve savings and improved financial performance and that such actions may if implemented give rise to a Change under the terms of this Agreement which, if it is a Qualifying Change, will give a financial benefit to the Secretary of State. It is further acknowledged that it is appropriate for the Franchisee to seek to identify such actions for the purposes of improving the cost effective delivery of railway passenger services.
  - (b) To incentivise the Franchisee to seek to identify such actions it is agreed that the Franchisee may approach the Secretary of State with a proposal to take an action that would constitute a Change on the basis that if such a Change occurred and was a Qualifying Change in agreeing or determining Revised Inputs the parties or the Secretary of State would affect such change (if any) to the amount attributable to profit as they agree or the Secretary of State reasonably determines:
    - (i) fairly rewards the Franchisee for proposing the Change; and
    - (ii) reasonably incentivises the Franchisee to propose further Changes that achieve savings and/or improved financial performance by sharing with the Franchisee a reasonable amount of the additional profit that is expected to arise from implementing the relevant Change.

- (c) The Secretary of State shall have an unfettered discretion as to whether or not to agree such a proposal but if he does so agree and a Qualifying Change in consequence occurs then in agreeing or determining Revised Inputs the provisions referred to in paragraph 1.9(b) above shall apply.

## 1.10

- (a) The Secretary of State shall have the right on or before 1 March 2016 to serve notice on the Franchisee that the Start Date shall be a date later than 0200 on 1 April 2016. Such amended Start Date shall be 0200 on the first day of a Reporting Period and the latest such date that the Start Date can be amended to is 0200 on 1 October 2016. The Secretary of State may in such notice also require that the Expiry Date is amended to a later date such date being 0200 on the first day of a Reporting Period and the same number of Reporting Periods after the unamended Expiry Date as the number of Reporting Periods that the amended Start Date is after the unamended Start Date.
- (b) Where the Secretary of State exercises his rights pursuant to paragraph 1.10 (a) to amend the Start Date or the Expiry Date he shall be entitled to make such other amendments to the terms of this Franchise Agreement as are reasonably consequential upon such amendments.

## 2. Capital Expenditure

### Capital Expenditure Threshold

- 2.1 The Franchisee shall notify the Secretary of State promptly if it reasonably expects that a Change to which paragraph 1 relates would require it to incur, singly or in aggregate with other Changes from time to time, Capital Expenditure in excess of one per cent of its annual Turnover as disclosed by its latest available Annual Audited Accounts and, when so notified, the Secretary of State shall either:
  - (a) withdraw (or direct the Franchisee to withdraw) the Change;
  - (b) undertake to meet the excess through additional funding as and when such Capital Expenditure is incurred; or
  - (c) direct the Franchisee to use all reasonable endeavours to borrow or otherwise raise the money required to fund any Change on commercial terms and at rates which are consistent with market conditions at the time, unless borrowing or otherwise raising such money would result in the Franchisee failing to comply with the financial covenants contained in Schedule 12 (Financial Obligations and Covenants).

### Franchisee to Seek Finance

- 2.2 If the Secretary of State elects to require the Franchisee to use all reasonable endeavours as described in paragraph 2.1(c) then the Franchisee shall:
  - (a) seek finance from a representative range of lending institutions and other financial institutions including those which at that time provide finance to the Franchisee, the Guarantor or the Parent;
  - (b) if it is unable to raise funding, provide the Secretary of State with all information the Secretary of State may reasonably require in relation to the efforts made by the Franchisee and the reasons for a failure to raise additional finance;
  - (c) so far as it is able (having used all reasonable efforts to do so), the Franchisee shall provide to the Secretary of State letters from lenders and financiers it has approached for finance stating their reasons for refusing to provide it and if the Secretary of State so requires, arrange and attend meetings with them for the Secretary of State to discuss those reasons; and

- (d) if funding is not available, or is not available on terms that the Secretary of State considers to be commercial terms or at rates which are consistent with market conditions at that time the Secretary of State may:
  - (i) withdraw the Change; or
  - (ii) undertake to fund the Capital Expenditure as and when such Capital Expenditure is incurred.

#### **Treatment of Borrowings in Revised Inputs**

- 2.3 In calculating the Revised Inputs for the purposes of any Change referred to in this paragraph 2, the Franchisee shall account for the Capital Expenditure in accordance with GAAP, taking into account the basis on which such Capital Expenditure has been financed.

#### **Meaning of Capital Expenditure**

- 2.4 The expression "**Capital Expenditure**" when used in this Schedule 9.5 refers to the nature of the expenditure incurred by the Franchisee and, accordingly, does not include expenditure incurred under operating leases.

**SCHEDULE 10**

**Remedies, Termination and Expiry**

**Schedule 10.1: Remedial Plans and Remedial Agreements**

**Schedule 10.2: Termination and Expiry**

**Schedule 10.3: Events of Default and Termination Events**

**Schedule 10.4: Force Majeure**

**Schedule 10.5: Liability**

## SCHEDULE 10.1

### Remedial Plans and Remedial Agreements

#### 1. Remedies for Contraventions of the Franchise Agreement

- 1.1 If the Secretary of State is satisfied that the Franchisee is contravening or is likely to contravene any term of the Franchise Agreement he may serve a notice on the Franchisee requiring it to propose such steps as the Franchisee considers appropriate for the purpose of securing or facilitating compliance with the term in question (a "**Remedial Plan Notice**").

#### Contents of Remedial Plan Notices

- 1.2 Each Remedial Plan Notice shall specify the following:
- (a) the term or terms of the Franchise Agreement that the Secretary of State is satisfied that the Franchisee is contravening or is likely to contravene (each a "**Relevant Term**"); and
  - (b) the time period within which the Secretary of State requires the Franchisee to provide an appropriate plan for the purpose of facilitating or securing compliance with any Relevant Term (a "**Remedial Plan**").

#### Contents of Remedial Plans

- 1.3 If the Secretary of State issues a Remedial Plan Notice, the Franchisee shall submit a Remedial Plan to the Secretary of State within the period specified in such Remedial Plan Notice.
- 1.4 Each Remedial Plan shall set out:
- (a) the Relevant Term which has caused a Remedial Plan to be required;
  - (b) an explanation of the reasons for the contravention or likely contravention of the Relevant Term;
  - (c) the steps proposed for the purposes of securing or facilitating compliance with the Relevant Term; and
  - (d) the time period within which the Franchisee proposes to implement those steps.

#### Remedial Agreements

- 1.5 If the Secretary of State is satisfied that the matters referred to in paragraph 1.4(c) and (d) are appropriate (with or without further modification as the parties may agree) he may require the Franchisee to enter into a supplemental agreement (the "**Remedial Agreement**") with the Secretary of State to implement those matters.
- 1.6 It is a term of the Franchise Agreement that the Franchisee (at its own cost) complies with the Remedial Agreement in accordance with its terms.

#### Effect of Force Majeure Event

- 1.7 Without prejudice to the operation of paragraph 3.2 of Schedule 10.4 (Force Majeure), the following provisions shall apply in relation to Force Majeure Events affecting performance of a Remedial Agreement:

- (a) the Franchisee shall give written notice to the Secretary of State promptly after it becomes aware (and in any event within 24 hours after becoming aware) of the occurrence or likely occurrence of a Force Majeure Event which will or is likely to affect the Franchisee's ability to comply with a Remedial Agreement within the period specified therein;
- (b) each notice submitted in accordance with paragraph 1.7(a) shall state the extent or likely extent of the relevant Force Majeure Event and, in the case of a Force Majeure Event which has not occurred at such time, the reasons why the Franchisee considers it likely to occur;
- (c) the Franchisee shall use, and shall continue to use, all reasonable endeavours to avoid or reduce the effect or likely effect of any Force Majeure Event on its ability to comply with any Remedial Agreement; and
- (d) subject to the Franchisee having complied with its obligations under paragraphs 1.7(a) to 1.7(c) (inclusive) the Franchisee shall be entitled to a reasonable extension of the remedial period applicable to a Remedial Agreement in order to take account of the effect of a Force Majeure Event which has occurred on the Franchisee's ability to comply with any Remedial Agreement.

#### **Occurrence of a Contravention**

- 1.8 Following the occurrence of a contravention of the Franchise Agreement, the Secretary of State may at his option (but shall not be obliged to) commence or increase the level and/or frequency of monitoring (whether by inspection, audit or otherwise) of the Franchisee's performance of any relevant obligations until such time as the Franchisee demonstrates, to the Secretary of State's reasonable satisfaction, that it is capable of performing and will perform such obligations as required by the Franchise Agreement.
- 1.9 The Franchisee shall co-operate fully with the Secretary of State in relation to the monitoring referred to in paragraph 1.8.
- 1.10 The results of such monitoring will be reviewed at each Franchise Performance Meeting held pursuant to Schedule 11 (Agreement Management Provisions).
- 1.11 The Franchisee shall compensate the Secretary of State for all reasonable costs incurred by the Secretary of State in carrying out such monitoring.

**SCHEDULE 10.2****Termination and Expiry****1. Termination Notices**

1.1 The Secretary of State may, on and at any time after the occurrence of:

(a) (subject to paragraphs 1.2 and 1.3) an Event of Default which:

(i) is unremedied or continuing; and

(ii) the Secretary of State considers to be material; or

(b) a Termination Event specified in paragraph 3.1 of Schedule 10.3 (Events of Default and Termination Events) which is unremedied or continuing; or

(c) a Termination Event specified in paragraph 3.2 of Schedule 10.3 (Events of Default and Termination Events),

terminate the Franchise Agreement by serving a Termination Notice on the Franchisee. The Franchise Agreement shall terminate with effect from the date specified in any such Termination Notice.

1.2 The Secretary of State may not serve a Termination Notice in respect of an Event of Default in relation to which a Remedial Plan Notice has been issued until the period has expired within which the Franchisee is required to deliver to the Secretary of State the Remedial Plan specified in such Remedial Plan Notice.

1.3 The Secretary of State may not serve a Termination Notice in respect of an Event of Default for which the Franchisee is implementing a Remedial Agreement in accordance with its terms.

**2. Consequences of Termination or Expiry**

2.1 Upon termination of the Franchise Agreement (whether through default or effluxion of time or otherwise) the obligations of the parties shall cease except for:

(a) any obligations arising as a result of any antecedent contravention of the Franchise Agreement;

(b) any obligations which are expressed to continue in accordance with the terms of the Franchise Agreement; and

(c) any other obligations which give effect to such termination or to the consequences of such termination or which otherwise apply (expressly or impliedly) on or after such termination.

2.2 Nothing in this paragraph 2 shall prevent the Secretary of State from bringing an action against the Franchisee in connection with the termination of the Franchise Agreement prior to the expiry of the Franchise Term.



## SCHEDULE 10.3

### Events of Default and Termination Events

#### 1. Provisions Relating to Events of Default

##### Contravention

- 1.1 The occurrence of an Event of Default shall constitute a contravention of the Franchise Agreement by the Franchisee.

##### Notification of Event of Default

- 1.2 The Franchisee shall notify the Secretary of State as soon as reasonably practicable on, and in any event within 24 hours of, it becoming aware of the occurrence of an Event of Default or an event which is likely to result in the occurrence of an Event of Default. The Franchisee shall take such action or steps as the Secretary of State may require to remedy any Event of Default or potential Event of Default.

##### Consequences of Event of Default

- 1.3 On the occurrence of an Event of Default, the provisions of Schedule 10.1 (Remedial Plans and Remedial Agreements) shall apply.

#### 2. Events of Default

Each of the following is an Event of Default:

##### Insolvency

###### 2.1

- (a) **Administration:** Any step being taken by any person with a view to the appointment of an administrator to the Franchisee, the Parent, any Bond Provider or the Guarantor;
- (b) **Insolvency:** Any of the Franchisee, the Parent, any Bond Provider or the Guarantor stopping or suspending or threatening to stop or suspend payment of all or, in the reasonable opinion of the Secretary of State, a material part of (or of a particular type of) its debts, or being unable to pay its debts, or being deemed unable to pay its debts under Section 123(1) or (2) of the Insolvency Act 1986 except that in the interpretation of this paragraph the words "it is proved to the satisfaction of the court that" in sub-section (1)(e) and sub-section (2) of Section 123 shall be deemed to be deleted;
- (c) **Arrangements with Creditors:** The directors of the Franchisee, the Parent, any Bond Provider or the Guarantor making any proposal under Section 1 of the Insolvency Act 1986, or any of the Franchisee, the Parent, any Bond Provider or the Guarantor proposing or making any agreement for the deferral, rescheduling or other readjustment (or proposing or making a general assignment or an arrangement or composition with or for the benefit of creditors) of all or, in the reasonable opinion of the Secretary of State, a material part of (or of a particular type of) its debts, or a moratorium being agreed or declared in respect of or affecting all or, in the reasonable opinion of the Secretary of State, a material part of (or of a particular type of) its debts;
- (d) **Security Enforceable:** Any expropriation, attachment, sequestration, execution or other enforcement action or other similar process affecting any property of the Franchisee or the whole or a substantial part of the assets or undertaking of the Franchisee, the Parent, any Bond Provider or the Guarantor,

including the appointment of a receiver, administrative receiver, manager or similar person to enforce that security;

- (e) **Stopping Business/Winding-Up:** Any step being taken by the Franchisee, the Parent, any Bond Provider or Guarantor with a view to its winding-up or any person presenting a winding-up petition or any of the Franchisee, the Parent, any Bond Provider or Guarantor ceasing or threatening to cease to carry on all or, in the reasonable opinion of the Secretary of State, a material part of its business, except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by the Secretary of State before that step is taken;
- (f) **Railway Administration Order:** A railway administration order being made in relation to the Franchisee under Sections 60 to 62 of the Act; and
- (g) **Analogous Events:** Any event occurring which, under the Law of any relevant jurisdiction, has an analogous or equivalent effect to any of the events listed in this paragraph 2.1,

subject, in the case of any relevant event occurring in relation to a Bond Provider where no such other Event of Default has occurred and is unremedied or continuing at such time, to a period of 20 Weekdays having elapsed in order to allow the Franchisee to replace the relevant Bond Provider.

### Non-payment

- 2.2 The Franchisee failing to pay to the Secretary of State any amount due under the Franchise Agreement within 28 days of the due date for such payment.

### Change of Control

- 2.3 Otherwise than in accordance with a prior consent of the Secretary of State given under paragraph 4 of this Schedule 10.3, a change occurring in the identity of any one person, or two or more persons acting by agreement, who may Control the Franchisee on and from the date of the Franchise Agreement and during the Franchise Term, which shall include a person, or two or more persons acting by agreement, ceasing to Control the Franchisee at any time during the Franchise Term, whether or not any other person Controls the Franchisee at the same time (any such change a "**Change of Control**") and for the purposes of this paragraph 2.3, two or more persons shall be deemed to be acting by agreement in relation to the Franchisee if, assuming the Franchisee was a target company as defined in the Companies Act 2006, such persons would be under an obligation to disclose an interest in shares in such company by virtue of an agreement between such persons.

### Revocation of Licence

- 2.4 Revocation of any Licence required to be held by the Franchisee in order to comply with its obligations under the Franchise Agreement.

### Safety Certificate and Safety Authorisation

- 2.5 The Safety Certificate and/or Safety Authorisation of the Franchisee being withdrawn or terminated.

### Passenger Service Performance

- 2.6 Except in respect of any Reporting Period falling within a No Breach Reporting Period, the Franchisee's performance in relation to any Benchmark exceeds (that is, is equal to or worse than) the Default Performance Level for that Benchmark for:
  - (a) any three consecutive Reporting Periods;

- (b) any four Reporting Periods within a period of 13 consecutive Reporting Periods;  
or
- (c) any five Reporting Periods within a period of 26 consecutive Reporting Periods.

### **Remedial Agreements and Enforcement Orders**

#### 2.7

- (a) Non-compliance by the Franchisee with a Remedial Agreement, where such non-compliance is reasonably considered by the Secretary of State to be material.
- (b) Non-compliance by the Franchisee with:
  - (i) a provisional order;
  - (ii) a final order;
  - (iii) a penalty; or
  - (iv) any other order made relating to contravention of either a relevant condition or requirement (as defined in Section 55 of the Act) or another order,

in each case made by the Secretary of State under the Act.
- (c) Non-compliance by the Franchisee with any enforcement notice issued to it by the Secretary of State pursuant to Section 120 of the Act.

### **Financial Ratios**

- 2.8 Breach by the Franchisee of either or both of the Financial Ratios specified in paragraph 2 of Schedule 12 (Financial Obligations and Covenants).

### **Breach of Law**

#### 2.9

- (a) It becoming unlawful for the Franchisee to provide all or, in the reasonable opinion of the Secretary of State, a material part of the Passenger Services or to operate all or, in the reasonable opinion of the Secretary of State, a material number of the Stations or Depots (except to the extent not required so to do under the Franchise Agreement).
- (b) The Franchisee or any of the directors or senior managers of the Franchisee being convicted of manslaughter, fraud or any other indictable criminal offence in each case relating directly to the provision and operation of the Franchise Services.
- (c) The Franchisee being, in the reasonable opinion of the Secretary of State, in material non-compliance with a prohibition or enforcement order (or the equivalent thereof) issued by the ORR pursuant to its safety functions. If the Franchisee makes an appeal against such prohibition or enforcement order (or such equivalent thereof) in accordance with its terms, no Event of Default shall have occurred under this paragraph 2.9(c) until such appeal has been determined to be unsuccessful.

### **Contravention of Other Obligations**

- 2.10 The occurrence of the following:

- (a) the Franchisee contravening to an extent which is reasonably considered by the Secretary of State to be material any one or more of its obligations under the Franchise Agreement (other than such non-performance or non-compliance as may constitute an Event of Default under the provisions of this Schedule 10.3 other than this paragraph 2.10);
- (b) the service by the Secretary of State on the Franchisee of a written notice specifying:
  - (i) such contravention; and
  - (ii) to the extent the contravention is capable of being remedied, the reasonable period within which the Franchisee is required to so remedy; and
- (c) the Franchisee contravening such obligation or obligations again to an extent which is reasonably considered by the Secretary of State to be material or permitting the contravention to continue or, if the contravention is capable of remedy, failing to remedy such contravention within such period as the Secretary of State has specified in the notice served pursuant to paragraph 2.10(b)(ii).

#### **Non-membership of Inter-Operator Schemes**

- 2.11 The Franchisee ceasing to be a member of, or ceasing to participate in or to be party to, any of the Inter-Operator Schemes, or having its membership or participation therein suspended.

#### **Bonds**

2.12

- (a) Any Performance Bond or Season Ticket Bond ceasing to be a legal, valid and binding obligation on the relevant Bond Provider (other than in accordance with its terms) or it otherwise becoming unlawful or impossible for any Bond Provider to perform its obligations thereunder;
- (b) A failure by the Franchisee to procure the provision to the Secretary of State of a Performance Bond (or Performance Bonds provided pursuant to paragraph 4.8 of Schedule 12 (Financial Obligations and Covenants)) which individually or in aggregate fulfil the requirements of Schedule 12 (Financial Obligations and Covenants); or
- (c) A failure by the Franchisee to procure the provision to the Secretary of State of a Season Ticket Bond which fulfils the requirements of Schedule 12 (Financial Obligations and Covenants).

#### **Key Contracts**

2.13 Termination of any Key Contract, or the failure by the Franchisee to take all reasonable steps to enter into an appropriate replacement contract prior to the scheduled expiry date of any Key Contract, except where requested by the Secretary of State or to the extent that the Franchisee has demonstrated to the reasonable satisfaction of the Secretary of State that for the duration of the Franchise Term:

- (a) it is no longer necessary for it to be party to such Key Contract; or
- (b) it has made adequate alternative arrangements in order to be able to continue to provide and operate the Franchise Services.

## Funding Deed

2.14 A failure by the Franchisee or the Guarantor to comply with their respective obligations under the Funding Deed.

### 3. Termination Events

The Secretary of State may terminate the Franchise Agreement in accordance with Schedule 10.2 (Termination and Expiry) if:

3.1 any Force Majeure Event continues with the effect of preventing the Franchisee from delivering, wholly or mainly, the Passenger Services for more than six consecutive months; or

3.2

(a) the warranty given by the Franchisee pursuant to paragraph 6.1 of Schedule 12 (Financial Obligations and Covenants) is materially untrue; or

(b) the Franchisee commits a material breach of its obligation to notify the Secretary of State of any Occasion of Tax Non-Compliance in respect of any Affected Party (as defined in paragraph 6.3 of Schedule 12) as required by paragraph 6.2(a) of Schedule 12 (Financial Obligations and Covenants); or

(c) the Franchisee fails to provide details of proposed mitigating factors as required by paragraph 6.2(b) of Schedule 12 (Financial Obligations and Covenants) which in the reasonable opinion of the Secretary of State, are acceptable,

each a "**Termination Event**".

### 4. Facilitation Fee

4.1 The Franchisee may, at any time, apply in writing to the Secretary of State for his consent to a Change of Control (as such term is defined pursuant to paragraph 2.3).

4.2 The Secretary of State may require the Franchisee to pay a fee in consideration of the grant of such consent (the "**Facilitation Fee**").

4.3 The Secretary of State may require the Franchisee to pay an additional fee in respect of the staff, professional and other costs incurred by the Secretary of State in connection with the Franchisee's application (the "**Administration Fee**"). The Administration Fee shall be payable whether or not the Secretary of State consents to the proposed Change of Control.

4.4 On or after submitting such application to the Secretary of State, the Franchisee will provide, and will procure that the seller and the buyer provide, the Secretary of State with such documentation and information as the Secretary of State may require to assess such application and the amount of the Facilitation Fee. Without limiting paragraphs 4.9 or 4.10, it shall be deemed to be reasonable for the Secretary of State to delay or withhold consent to the Change of Control where any such documentation is not provided.

4.5 The Facilitation Fee shall be a sum equal to the greater of:

(a) one million pounds sterling (£1,000,000); or

(b) where the Estimated Profit Stream is greater than the Bid Profit Stream 5% of the difference between the Bid Profit Stream and the Estimated Profit Stream.

4.6 The Administration Fee shall be determined by the Secretary of State on the basis of:

(a) the aggregate time spent by officials within the Secretary of State's Department on matters relating to such application;

- (b) the Secretary of State's hourly scale rates for such officials, as varied from time to time; and
  - (c) the aggregate costs and disbursements, including where applicable VAT and professional costs, incurred by the Secretary of State in connection with such application.
- 4.7 Any determination by the Secretary of State for the purposes of paragraphs 4.5 or 4.6 shall in the absence of manifest error be final and binding as between the Secretary of State and the Franchisee (but without prejudice to the requirement of the Secretary of State to reasonably determine the Estimated Profit Stream).
- 4.8 Any consent by the Secretary of State to a Change of Control may be given subject to such conditions as the Secretary of State sees fit and the Franchisee shall, as applicable, comply with, and/or procure that the seller and/or the buyer comply with, any such conditions.
- 4.9 The Secretary of State shall have absolute discretion as to the grant of consent to any Change of Control and may accordingly refuse such consent for any reason he sees fit.
- 4.10 The Secretary of State shall have no liability whatever to the Franchisee in respect of any refusal of consent to a Change of Control, any delay in providing such consent, or any condition of such consent.

**SCHEDULE 10.4****Force Majeure****1. Force Majeure Events**

The following events shall constitute Force Majeure Events, subject to the conditions specified in paragraph 2 being satisfied:

- (a) the Franchisee or any of its agents or subcontractors is prevented or restricted by Network Rail (including by virtue of the implementation of any Contingency Plan) from gaining access to any section or part of track (including any track running into, through or out of a station). For the purposes of this paragraph 1:
  - (i) references to a party being prevented or restricted from gaining access to any section or part of track shall mean that such party is not permitted to operate any trains on the relevant section or part of track, or is only permitted to operate a reduced number of trains from that which it was scheduled to operate;
  - (ii) the period of such prevention or restriction shall be deemed to commence with effect from the first occasion on which the Franchisee is prevented or restricted from operating a train on such section or part of track;
  - (iii) references in paragraphs 1(a)(i) and (ii) to the operation of trains include scheduled empty rolling stock vehicle movements; and
  - (iv) Contingency Plan means a contingency plan (as defined in the Railway Operational Code or where the Railway Operational Code ceases to exist such other replacement document of a similar or equivalent nature which contains a definition of contingency plan similar to that contained in the Railway Operational Code) implemented by and at the instigation of Network Rail, or such other contingency or recovery plan as the Secretary of State may agree from time to time;
- (b) the Franchisee or any of its agents or subcontractors is prevented or restricted by Network Rail or any Facility Owner (other than a Facility Owner which is an Affiliate of the Franchisee) from entering or leaving:
  - (i) any station or part thereof (excluding any prevention or restriction from gaining access to any section or part of track running into, through or out of a station); or
  - (ii) any depot or part thereof (including the movement of trains on tracks within any depot but excluding any prevention or restriction from gaining access to any track outside such depot running into or out of that depot);
- (c) any of the following events occurs:
  - (i) a programme of Mandatory Modifications commences;
  - (ii) any Rolling Stock Units are damaged by fire, vandalism, sabotage or a collision and are beyond repair or beyond economic repair; or
  - (iii) a government authority prevents the operation of Rolling Stock Units on the grounds of safety,

and, in each case, the greater of two Rolling Stock Units and ten per cent of all rolling stock vehicles used by the Franchisee in the provision of the Passenger Services in relation to any Service Group are unavailable for use in the provision of the Passenger Services as a result of the occurrence of such event;

- (d) the Franchisee prevents or restricts the operation of any train on safety grounds provided that:
- (i) the Franchisee has, either before or as soon as reasonably practicable after initiating such prevention or restriction, sought the confirmation of the ORR in exercise of its safety functions, or any relevant other body with statutory responsibility for safety in the circumstances, of the necessity of such prevention or restriction; and
  - (ii) if and to the extent that the ORR, or other relevant body with statutory responsibility for safety in the circumstances, in exercise of its safety functions indicates that such prevention or restriction is not necessary, then no Force Majeure Event under this paragraph 1(d) shall continue in respect of that restriction or prevention after the receipt of such indication from the ORR or other relevant body;
- (e) act of God, war damage, enemy action, terrorism or suspected terrorism, riot, civil commotion or rebellion (together "**Emergency Events**") or the act of any government instrumentality (including the ORR but excluding the Secretary of State) in so far as the act of government instrumentality directly relates to any of the Emergency Events, provided that there shall be no Force Majeure Event under this paragraph 1(e) by reason of:
- (i) the suicide or attempted suicide of any person that does not constitute an act of terrorism;
  - (ii) the activities of the police, fire service, ambulance service or other equivalent emergency service that are not in response to acts of terrorism or suspected terrorism; or
  - (iii) an act of God which results in the Franchisee or its agents or subcontractors being prevented or restricted by Network Rail from gaining access to any relevant section or part of track; and
- (f) any strike or other Industrial Action by any or all of the employees of the Franchisee or any or all of the employees of:
- (i) Network Rail;
  - (ii) the operator of any other railway facility; or
  - (iii) any person with whom the Franchisee has a contract or arrangement for the lending, seconding, hiring, contracting out or supervision by that person of train drivers, conductors, other train crew or station or depot staff used by the Franchisee in the provision of the Franchise Services,

or of the agents or sub-contractors of any such person listed in paragraphs 1(f)(i) to (iii) and for the purposes of this paragraph Industrial Action shall include any concerted action taken in connection with the employment of such employees (whether or not that action involves any breach of such employees' conditions of employment, and including any action taken in furtherance of a dispute, or with a view to improving the terms of employment of the relevant employees or by way of support for any other person) subject always, in the case of any unofficial Industrial Action, to the Franchisee being able to



demonstrate the occurrence of such unofficial Industrial Action to the reasonable satisfaction of the Secretary of State.

## 2. **Conditions to Force Majeure Events**

2.1 The occurrence, and continuing existence of a Force Majeure Event shall be subject to satisfaction of the following conditions:

- (a) in relation to an event occurring under paragraph 1(a), that event has continued for more than 12 consecutive hours;
- (b) the Franchisee notifies the Secretary of State within two Weekdays of it becoming aware or, if circumstances dictate, as soon as reasonably practicable thereafter, of:
  - (i) the occurrence or likely occurrence of the relevant event; and
  - (ii) the effect or the anticipated effect of such event on the Franchisee's performance of the Passenger Services;
- (c) at the same time as the Franchisee serves notification on the Secretary of State under paragraph 2.1(b), it informs the Secretary of State of the steps taken and/or proposed to be taken by the Franchisee to prevent the occurrence of, and/or to mitigate and minimise the effects of, the relevant event and to restore the provision of the Passenger Services;
- (d) the relevant event did not occur as a result of:
  - (i) any act or omission to act by the Franchisee or its agents or subcontractors, save that in respect of the occurrence of Industrial Action in accordance with paragraph 1(f), the provisions of paragraph 2.2 apply; or
  - (ii) the Franchisee's own contravention of, or default under, the Franchise Agreement, any Access Agreement, Rolling Stock Related Contract, Property Lease or any other agreement;
- (e) the Franchisee used and continues to use all reasonable endeavours to avert or prevent the occurrence of the relevant event and/or to mitigate and minimise the effects of such event on its performance of the Passenger Services and to restore the provision of the Passenger Services as soon as reasonably practicable after the onset of the occurrence of such event; and
- (f) the Franchisee shall, to the extent reasonably so requested by the Secretary of State, exercise its rights and remedies under any relevant agreement to prevent the occurrence or recurrence of any such event and to obtain appropriate redress and/or compensation from any relevant person.

2.2 Where:

- (a) Industrial Action in accordance with paragraph 1(f) occurs as a result of an act or omission to act by the Franchisee or its agents or subcontractors;
- (b) the Secretary of State reasonably believes that it was reasonable for the Franchisee, its agents or subcontractors (as the case may be) so to act or omit to act; and
- (c) the other conditions specified in paragraph 2.1 have been satisfied,

such occurrence shall be a Force Majeure Event.

### 3. **Consequences of Force Majeure Events**

#### **On Obligations**

- 3.1 The Franchisee shall not be responsible for any failure to perform any of its obligations under the Franchise Agreement, nor shall there be any contravention of the Franchise Agreement if and to the extent that such failure is caused by any Force Majeure Event.
- 3.2 If any Force Majeure Event continues, with the effect of preventing the Franchisee from delivering, wholly or mainly, the Passenger Services for more than six consecutive months, it shall be a Termination Event in accordance with paragraph 3.1 of Schedule 10.3 (Events of Default and Termination Events).
- 3.3 Business Continuity

#### **First BCP**

- (a) Within 1 month following the Start Date the Franchisee shall produce and provide to the Secretary of State a written Business Continuity Plan in respect of the Franchise Services and the people, facilities and assets used to provide them, that is adequate to minimise the effect of and deal promptly and efficiently with any Disaster and which will as a minimum:
- (i) reflect the degree of skill, care, foresight and prudence which can reasonably be expected from a highly experienced and competent operator of railway passenger services;
  - (ii) use what the industry would (at the relevant time) regard as the best generally accepted processes, techniques and materials; and
  - (iii) comply with all Laws.

#### **Obligation to Maintain the BCP**

- (b) The Franchisee shall, at all times, maintain and comply with the Business Continuity Plan, and ensure that it is, at all times, able to implement the Business Continuity Plan immediately upon an event occurring which the Business Continuity Plan is expressed to cover, or reasonably can be expected to cover.
- (c) The Franchisee shall update the Business Continuity Plan at least once during each Franchisee Year.
- (d) The Franchisee will, on request, provide a copy of the Business Continuity Plan to the Secretary of State and will provide to the Secretary of State any other information that the Secretary of State may reasonably require in relation thereto.
- (e) Nothing in this paragraph 3 will relieve the Franchisee from its obligations under this Franchise Agreement to create, implement and operate the Business Continuity Plan. Accordingly, if a Force Majeure Event affecting the Franchisee occurs which is an event or circumstance that is within the scope of the Business Continuity Plan, or would have been had the Franchisee and/or Business Continuity Plan complied with this paragraph 3, then paragraph 3.1 will only apply to that Force Majeure Event to the extent that the impacts of that Force Majeure Event would have arisen even if the Business Continuity Plan had complied with paragraph 3 and had been fully and properly implemented and operated in accordance with paragraph 3 and the terms of the Business Continuity Plan in respect of that Force Majeure Event.

**On Payments**

- 3.4 Following the occurrence of a Force Majeure Event, the payment of Franchise Payments shall continue unaffected.

## SCHEDULE 10.5

### Liability

#### 1. Exclusion of Liability

##### Liability with respect to Passengers and Third Parties

- 1.1 The Franchisee hereby acknowledges that the Secretary of State will not be responsible for the actions of the Franchisee or any Affiliate of the Franchisee and that, except as expressly provided in the Franchise Agreement, the Franchisee shall provide and operate the Franchise Services at its own cost and risk without recourse to the Secretary of State or government funds or guarantees.
- 1.2 The Franchisee, on demand, shall hold the Secretary of State fully protected and indemnified in respect of all losses, liabilities, costs, charges, expenses, actions, proceedings, claims or demands incurred by or made on the Secretary of State in connection with any death, personal injury, loss or damage suffered by passengers or by any third party using or affected by the Franchise Services which is caused or contributed to by the Franchisee, any Affiliate of the Franchisee, or any employee, agent, contractor or sub-contractor of the Franchisee or of any Affiliate of the Franchisee.

##### Liability of the Secretary of State

- 1.3 Neither the Secretary of State nor any of his officers, agents or employees shall in any circumstances be liable to the Franchisee for any loss or damage caused by the negligent exercise of any powers reserved to the Secretary of State under the Franchise Agreement, except to the extent that such negligence also constitutes a contravention of an obligation of the Secretary of State under the Franchise Agreement. The Franchisee may not recover from the Secretary of State or any of his officers, agents, or employees any amount in respect of loss of profit or consequential loss.

#### 2. Review or Monitoring by the Secretary of State

- 2.1 The Secretary of State may for his own purposes (whether under the Franchise Agreement or under any other arrangement or otherwise and whether before or after the date of the Franchise Agreement) monitor or review any proposals, plans or projects (or any aspect thereof) of the Franchisee under the Franchise Agreement, but no review, enquiry, comment, statement, report or undertaking, made or given by or on behalf of the Secretary of State during such review or monitoring (and no failure to undertake, make or give any review, enquiry, comment or statement) shall operate to exclude or relieve either party from or reduce or otherwise affect the obligations of such party under the Franchise Agreement.
- 2.2 The exercise by or on behalf of the Secretary of State of (or, as the case may be, any failure to exercise) any of his functions, rights or obligations in respect of any review or monitoring process shall not in any way impose any liability, express or implied, on the Secretary of State to any other party save to the extent that the exercise (or failure to exercise) of any of such functions, rights or obligations results in a contravention by the Secretary of State of an express provision of the Franchise Agreement and the Secretary of State does not make or give any representation or warranty, either express or implied, as to whether any proposal, plan or project will enable either party to comply with its obligations under the Franchise Agreement.

**SCHEDULE 11****Agreement Management Provisions****1. Not Used****2. Identification of Key Personnel and Provision of Organisation Chart**

2.1 The Franchisee shall identify and provide to the Secretary of State a schedule of Key Personnel who shall be employed by the Franchisee in the performance of the Franchise Agreement. This shall include but not be limited to the following persons:

- (a) a managing director whose role will include the overall management of the operation of the Franchise Services;
- (b) a train service delivery manager, whose role will include responsibility for ensuring compliance by the Franchisee with Schedule 7.1 (Performance Benchmarks);
- (c) a safety manager, whose role will include responsibility for ensuring that the Franchisee complies with its legal obligations in relation to the Franchise Services including the Safety Certificate;
- (d) a finance manager, whose role will include responsibility in relation to the Financial Model; and
- (e) a passenger safety and security director, whose role will include overseeing, at a strategic level, the Franchisee's interface with the Secretary of State in relation to Sections 119 to 121 (inclusive) of the Act and co-ordinating relevant activities (including crime reduction and/or intervention activities) on behalf of the Franchisee in connection with the Franchisee's compliance with relevant instructions issued by the Secretary of State under Section 119 of the Act from time to time.

2.2 On or before the Start Date the Franchisee shall provide to the Secretary of State an organisation chart detailing the responsibilities and reporting lines of each of the Key Personnel and shall update such chart (and provide a copy to the Secretary of State promptly thereafter) as and when any changes occur.

**3. Not Used****4. Franchise Performance Meetings****4.1**

- (a) The parties shall hold a Franchise Performance Meeting at least once in every Reporting Period (or such other interval as the Secretary of State may notify to the Franchisee in writing) at a time and location notified to the Franchisee by the Secretary of State.
- (b) The Franchisee shall ensure that:
  - (i) each of its representatives at all Franchise Performance Meetings have full power and authority delegated to them by the Franchisee to act and to make binding decisions on behalf of the Franchisee and shall include such directors and/or senior managers of the Franchisee as the Secretary of State may require; and
  - (ii) representatives of the Parent (which shall include such directors and/or senior managers of the Parent as the Secretary of State

may require) attend every quarterly Franchise Performance Meeting.

4.2 Not used.

4.3 Not used.

4.4 The Franchisee shall prepare and present such reports to each Franchise Performance Meeting as the Secretary of State may reasonably request. The Franchisee's obligations under this paragraph 4.4 are subject to the Franchisee receiving at least 28 days' notice of the requirement to prepare and present any such report.

4.5 No comment or failure to comment nor any agreement or approval, implicit or explicit by the Secretary of State at such meetings will relieve the Franchisee of any of its obligations under the Franchise Agreement.

#### 4A. Periodic Update Reports

4A.1 In addition to the obligation at paragraph 4.4 above, the Franchisee shall (in accordance with the requirements of paragraph 6.1 of Part 2 (Miscellaneous Provisions) to Schedule 6.1 (Committed Obligations and Related Provisions)) prepare and submit to the Secretary of State a periodic report in each Reporting Period containing such information as the Secretary of State may reasonably specify on or after commencement of this Agreement or from time to time in accordance with clause 4A.2 below for the previous quarter, or such other period as may be reasonably required and disaggregated to the extent that the Secretary of State shall require.

4A.2 The Franchisee's obligations under this paragraph 4A are subject to the Franchisee receiving at least 28 days' notice of:

- (a) the requirement to prepare any such report; and
- (b) any amendments required to the contents of such report.

### 5. **Right of Assessment or Inspection**

5.1 The Franchisee shall, if requested by the Secretary of State, allow the Secretary of State and his representatives and advisers:

- (a) to inspect and copy any records referred to in Schedule 13 (Information and Industry Initiatives) and the Secretary of State may verify any such records; and
- (b) to inspect and copy at any reasonable time any books, records and any other material kept by or on behalf of the Franchisee and/or its auditors and any assets (including the Franchise Assets) used by the Franchisee in connection with the Franchise Services.

5.2 The Franchisee shall make available to the Secretary of State, his representatives and advisers the information referred to in paragraph 5.1 and grant or procure the grant of such access (including to or from third parties) as the Secretary of State, his representatives and advisers shall reasonably require in connection therewith. The obligation of the Franchisee under this paragraph 5.2 shall include an obligation on the Franchisee to grant or procure the grant of such access to premises (including third party premises) where the information referred to in paragraph 5.1 is kept by or on behalf of the Franchisee.

5.3 The Secretary of State, his representatives and advisers shall be permitted to take photographs, film or make a video recording, or make any other kind of record of any such inspection.

5.4 If any inspection reveals that information previously supplied to the Secretary of State was, in the reasonable opinion of the Secretary of State, inaccurate in any material respect or if

such inspection reveals any other contravention of the Franchisee's obligations under the Franchise Agreement which the Secretary of State considers to be material, the costs of any such inspection shall be borne by the Franchisee.

**SCHEDULE 12**

**Financial Obligations and Covenants**

**Schedule 12: Financial Obligations and Covenants**

**Appendix 1 to Schedule 12: Form of Performance Bond**

**Appendix 2 to Schedule 12: Form of Season Ticket Bond**



**SCHEDULE 12****Financial Obligations and Covenants****1. Obligations**

Except to the extent that the Secretary of State may otherwise agree from time to time, the Franchisee shall not:

- (a) incur any liability or financial indebtedness except in the ordinary course of providing and operating the Franchise Services;
- (b) make any loan or grant any credit, or have or permit to subsist any loan or any credit, to any person (other than the deposit of cash with a Bank as permitted under paragraph 1(d) or to an employee in the ordinary course of its business);
- (c) create or permit to subsist any Security Interest over any of its assets or property or give any guarantee or indemnity to or for the benefit of any person or otherwise assume liability or become obliged (actually or contingently) in respect of any obligation of any other person, in each case other than in the ordinary course of the business of providing and operating the Franchise Services; or
- (d) create or acquire any subsidiary or make or have any investment in any other entity, except for the deposit of cash with a Bank.

**2. Financial Ratios****2.1** The Franchisee covenants that as at the end of each Reporting Period during the Franchise Term:

- (a) the ratio of its Modified Revenue to its Actual Operating Costs during the Preceding 13 Reporting Periods of the Franchise Term (or, prior to the end of the thirteenth such Reporting Period, during all preceding Reporting Periods) will equal or exceed the ratio of 1.050:1; and
- (b) the ratio of its Forecast Modified Revenue to its Forecast Operating Costs for the next 13 Reporting Periods (or, where there are less than 13 Reporting Periods remaining in the Franchise Term, for all such remaining Reporting Periods) will equal or exceed the ratio of 1.050:1; and

for the purposes of this paragraph 2 "**Preceding 13 Reporting Periods**" means the Reporting Period just ended and the preceding 12 Reporting Periods of the Franchise Term.

**2.2** If:

- (a) in respect of any Reporting Period, the Franchisee fails pursuant to paragraph 3.3(b) of Schedule 13 (Information and Industry Initiatives) to provide a statement of calculation of performance against the covenants set out in paragraph 2.1(b) for each of the next 13 Reporting Periods (or, where there are less than 13 Reporting Periods remaining in the Franchise Term, for all such remaining Reporting Periods) following any such Reporting Period; or
- (b) the Secretary of State reasonably considers that any particular item of Forecast Modified Revenue or Forecast Operating Cost used for the purposes of determining the Franchisee's performance against the covenants set out in paragraph 2.1(b) has not been accounted for on a reasonable basis (including where the accounting treatment looks to the form rather than the substance),

then the Secretary of State may:

- (i) in the circumstances referred to in paragraph 2.2(a) above reasonably determine the ratio of the Forecast Modified Revenue and Forecast Operating Cost on the basis of information available to him; or
- (ii) in the circumstances referred to in paragraph 2.2(b) above require any such particular item of Forecast Modified Revenue or Forecast Operating Cost to be adjusted in a manner which is fair and reasonable and, so far as reasonably determinable, on the basis on which such particular item of Forecast Modified Revenue or Forecast Operating Cost should have been accounted for by the Franchisee as reasonably determined by the Secretary of State,

in either case after having exercised his rights under paragraph 3.13 of Schedule 13 (Information and Industry Initiatives) to the extent that he considers appropriate in the circumstances for the purpose of making any such reasonable determination.

### 3. Breach of Financial Ratios

3.1 The Franchisee shall not during any Lock-up Period, do any of the following without the Secretary of State's consent:

- (a) declare or pay any dividend (equity or preference) or make any other distribution including surrendering any taxable losses to any of its Affiliates or pay any of its Affiliates in respect of taxable losses that they wish to surrender to the Franchisee, without the prior written consent of the Secretary of State;
- (b) pay management charges to any of its Affiliates in excess of those specified in the Initial Business Plan; or
- (c) make payment under any intra-group borrowings,

provided that, during the Lock-up Period, the Franchisee may repay any borrowing and/or make any payment in respect of interest accrued on such borrowing, in each case relating to the Agreed Funding Commitment in accordance with the Funding Plan (each as defined in the Funding Deed).

3.2 "**Lock-up Period**" means any period from the time when either of the ratios referred to in paragraphs 2.1(a) and 2.1(b) falls below the ratio of 1.070:1 until the time at which the Secretary of State is satisfied that the relevant ratio is again above the ratio of 1.070:1.

3.3 Failure by the Franchisee at any time to comply with either of the ratios referred to in paragraph 2.1 shall be an Event of Default under paragraph 2.9 of Schedule 10.3 (Events of Default and Termination Events).

### 4. Performance Bond

4.1 The Franchisee shall procure that there shall be a valid and effective Performance Bond in place with effect from the date of the Franchise Agreement, and the Franchisee shall procure that there shall be a valid and effective Performance Bond in place

- (a) throughout the Franchise Period; and
- (b) for a period that is the later of the date:
  - (i) falling one month after the determination of the Purchase Price (as defined in any Supplemental Agreement) under the Supplemental Agreement; and
  - (ii) that is seven Reporting Periods after the end of the Franchise Period.

The provisions of this paragraph 4.1 shall survive the termination of the Franchise Agreement.

4.2 Each Performance Bond shall:

- (a) be substantially in the form of Appendix 1 (Form of Performance Bond) to this Schedule 12;
- (b) be issued by a Bond Provider;
- (c) in the case of the Initial Performance Bond, have a value of £15,000,000 (pounds sterling fifteen million), and in the case of any Replacement Performance Bond, have a value equal to the amount determined under paragraph 4.4; and
- (d) have a minimum duration of three years.

**Provision of Replacement Performance Bond**

4.3

- (a) The Franchisee may replace the then current Performance Bond at any time.
- (b) The Franchisee shall replace each Performance Bond at least six months prior to its scheduled expiry with a Replacement Performance Bond.
- (c) If at any time the Secretary of State reasonably considers the Bond Provider under the then current Performance Bond to be unacceptable, the Secretary of State may require the Franchisee within 20 Weekdays to procure the execution and delivery of a new Performance Bond by a Bond Provider acceptable to the Secretary of State.

**Amount of Replacement Performance Bond**

4.4 The value of any Replacement Performance Bond shall be as follows:

- (a) in relation to the first Replacement Performance Bond, an amount which is £15,000,000 (pounds sterling fifteen million) × RPI; and
- (b) in relation to each subsequent Replacement Performance Bond an amount which is the amount of the Replacement Performance Bond that it is replacing × RPI,

and, for the purpose of this paragraph 4.4, RPI shall be the quotient of the Retail Prices Index for the month for which the Retail Prices Index has most recently been determined on the date on which the Franchisee is to replace the Performance Bond divided by the Retail Prices Index for the month in which the Performance Bond that is being replaced was required to be delivered to the Secretary of State.

**Demands under the Performance Bond**

4.5

- (a) The Performance Bond shall be on terms that it is payable without further enquiry by the Bond Provider to the Secretary of State in full in London on first written demand by the Secretary of State on the Bond Provider, certifying as to any one or more of the following:
  - (i) that the Franchise Agreement has:
    - (A) either terminated or expired and, in either case, in circumstances where there are liabilities or obligations outstanding from the Franchisee to the Secretary of State; and/or

- (B) terminated solely as a consequence of the occurrence of one or more Events of Default or a Termination Event of a type described in paragraph 3.2 of Schedule 10.3 (Event of Default and Termination Events) or pursuant to clause 4.2(b) or 4.3(b) of the Conditions Precedent Agreement in circumstances where the Secretary of State has incurred or expects to incur additional costs in connection with early termination of the Franchise;
  - (ii) that a railway administration order has been made in relation to the Franchisee pursuant to Sections 60 to 62 of the Act;
  - (iii) the occurrence of an Event of Default:
    - (A) under paragraph 2.12(a) of Schedule 10.3 (Events of Default and Termination Events) in relation to the Performance Bond; or
    - (B) under paragraph 2.12(b) of Schedule 10.3 (Events of Default and Termination Events),
 whether or not the Franchise Agreement is, or is to be, terminated as a result thereof;
  - (iv) that the Franchisee has failed to perform or comply with its obligations under any Supplemental Agreement;
  - (v) that the Franchisee has failed to provide a replacement Performance Bond complying with this paragraph 4 at least six months prior to the scheduled expiry of the existing Performance Bond; or
  - (vi) the Franchisee has failed to procure the execution and delivery of a new Performance Bond by a Bond Provider acceptable to the Secretary of State when required to do so in accordance with paragraph 4.3(c).
- (b) If the Secretary of State makes a demand under the Performance Bond, he shall, within a reasonable period, account to the Franchisee for the proceeds of such Performance Bond less the amount of the losses, liabilities, costs or expenses which, in the reasonable opinion of the Secretary of State, the Secretary of State or a Successor Operator has incurred or suffered or may be reasonably likely to incur or suffer including as a result of:
- (i) early termination of the Franchise Agreement; and/or
  - (ii) any failure by the Franchisee to perform or comply with any of its obligations to the Secretary of State under the Franchise Agreement or to a Successor Operator under the Supplemental Agreement.
- (c) Nothing in paragraph (b) shall oblige the Secretary of State to account to the Franchisee for the proceeds of such Performance Bond in the circumstances described in paragraphs 4.5(a)(iii), (v) or (vi) until such time as the Franchisee has procured a replacement Performance Bond which complies with the requirements of paragraph 4.

#### **Characteristics of Performance Bond Provider**

- 4.6 In determining whether a Bond Provider under any replacement Performance Bond is acceptable, the Secretary of State may exercise his discretion and shall not be obliged to accept a Bond Provider accepted under any previous Performance Bond.

- 4.7 The Franchisee shall provide such information relating to any Bond Provider or proposed Bond Provider as the Secretary of State may require from time to time.

**Provision of more than one Performance Bond**

- 4.8 The Franchisee shall be permitted subject to the prior consent of the Secretary of State (such consent not to be unreasonably withheld or delayed) to meet its obligations to provide a valid and effective Performance Bond by providing up to three valid and effective Performance Bonds, the aggregate value of which at all times is equal to the value determined under paragraph 4.4. With the exception of the value of each individual Performance Bond the provisions of the Franchise Agreement in relation to the Performance Bond shall be deemed to apply separately in relation to each such Performance Bond. Where more than one Performance Bond is provided the Secretary of State shall have a discretion as to whether to make a demand under some or all of such Performance Bonds and the extent to which he accounts for the proceeds of each such Performance Bond in accordance with the provisions of paragraph 4.5(b).

5. **Season Ticket Bond**

**Provision of Season Ticket Bond**

- 5.1 The Franchisee shall procure that, for each Franchisee Year throughout the Franchise Term and during the relevant call period specified in clauses 4 and 5 of the Season Ticket Bond, there shall be in place a valid and effective Season Ticket Bond substantially in the form of Appendix 2 (Form of Season Ticket Bond) to this Schedule 12.

**Provision of Replacement Season Ticket Bond**

- 5.2 No later than one Reporting Period before the expiry of each Bond Year, the Franchisee shall provide to the Secretary of State (or procure that the Secretary of State receives) a Season Ticket Bond for the following Bond Year:
- (a) substantially in the form of Appendix 2 (Form of Season Ticket Bond) to this Schedule 12 (or in any other form acceptable to the Secretary of State in his discretion);
  - (b) duly executed and delivered by a Bond Provider acceptable to the Secretary of State; and
  - (c) in an amount determined in accordance with paragraph 5.3.

**Amount of Season Ticket Bond**

- 5.3 The amount of any Season Ticket Bond shall vary for each Reporting Period during the Bond Year to which the Season Ticket Bond relates in accordance with the following formula:

$$STBA = STL \times \frac{((RPI \times 100) + k)}{100} \times Z$$

where:

- STBA equals the amount of the Season Ticket Bond in the relevant Reporting Period;
- STL equals, in respect of such Reporting Period:
  - (a) the maximum amount which would be payable by the Franchisee in respect of Season Ticket Fares under and in accordance with a Supplemental Agreement and paragraph 3.3 of Schedule 15.4 (Provisions Applying on and after Termination) and the rights and liabilities of the Franchisee relating to an obligation of carriage under the terms of any Season Ticket Fares which were

transferred under a Transfer Scheme relating to that Supplemental Agreement to a Successor Operator at that time; and

(b) the Stored Credit Balance which would be held by the Franchisee

if the Franchise Agreement were to terminate on any day during the Reporting Period (the "**Relevant Reporting Period**") falling 13 Reporting Periods before such Reporting Period,

provided that for these purposes only:

- (i) Season Ticket Fares shall mean any Season Ticket Fare which expires more than seven days after it first comes into effect;
- (ii) the Start Date shall be assumed, where relevant, to have occurred before the commencement of the Relevant Reporting Period; and
- (iii) if STL cannot reasonably be determined at the time at which the Franchisee is required under paragraph 5.4 to provide its estimate of the amount of the relevant Season Ticket Bond (including because the Relevant Reporting Period has not yet occurred), the Relevant Reporting Period shall be the Reporting Period falling 26 Reporting Periods before the Reporting Period in the relevant Bond Year

RPI equals the quotient of the Retail Prices Index for the month for which the Retail Prices Index has most recently been determined at the time the Franchisee is required under paragraph 5.4 to provide its estimate of the amount of the relevant Season Ticket Bond divided by the Retail Prices Index for the month falling 12 months before such month;

k has the value attributed to it in Schedule 5 (Fares) for the Fare Year in which the Reporting Period in the relevant Bond Year falls; and

Z equals +1 or, if the Relevant Reporting Period falls 26 Reporting Periods before such Reporting Period, an amount equal to:

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

where RPI and k are determined for the 12 months and the Fare Year preceding the 12 months and the Fare Year for which RPI and k are respectively determined above.

5.4 The Franchisee shall supply to the Secretary of State, not later than three Reporting Periods before the end of each Bond Year, its estimate of the amount of the Season Ticket Bond for each Reporting Period during the following Bond Year and shall supply such details as the Secretary of State may request in connection therewith.

5.5 The Franchisee and the Secretary of State shall endeavour to agree the amount of such Season Ticket Bond by no later than two Reporting Periods before the end of each Bond Year. If the parties are unable to agree the amount of the Season Ticket Bond in respect of any Reporting Period during the following Bond Year, the matter shall be resolved in accordance with the Dispute Resolution Rules.

5.6 If the amount of the Season Ticket Bond for each Reporting Period during a Bond Year has not been agreed two Reporting Periods before the end of the preceding Bond Year, then, until the amount is agreed or determined in accordance with the Dispute Resolution Rules, the amount thereof shall be the amount determined by the Secretary of State.

- 5.7 The Secretary of State and the Franchisee may agree to increase or reduce the amount covered or required to be covered under a Season Ticket Bond from time to time.

**Demands under the Season Ticket Bond**

5.8

- (a) The Season Ticket Bond shall be on terms that it is payable without further enquiry by the Bond Provider to the Secretary of State in full in London on first written demand by the Secretary of State on the Bond Provider, certifying as to any one or more of the following:
- (i) that the Franchise Agreement has terminated or expired;
  - (ii) that a railway administration order has been made in relation to the Franchisee pursuant to Sections 60 to 62 of the Act; or
  - (iii) that an Event of Default:
    - (A) under paragraph 2.12(a) of Schedule 10.3 (Events of Default and Termination Events) in relation to the Season Ticket Bond; or
    - (B) under paragraph 2.12(c) of Schedule 10.3 (Events of Default and Termination Events),
 has occurred (whether or not the Franchise Agreement is, or is to be, terminated as a result thereof).
- (b) If the Secretary of State makes a demand under the Season Ticket Bond, he shall account to the Franchisee for the proceeds of such Season Ticket Bond remaining following settlement of all liabilities or obligations of the Franchisee in respect of any Season Ticket Fares and/or Stored Credit Balance that may be transferred or is transferred whether under a Transfer Scheme (or otherwise) to a Successor Operator.

**Characteristics of Season Ticket Bond Provider**

- 5.9 In determining whether a Bond Provider under any replacement Season Ticket Bond is acceptable, the Secretary of State may exercise his discretion and shall not be obliged to accept a Bond Provider accepted under any previous Season Ticket Bond.
- 5.10 The Franchisee shall provide such information relating to any Bond Provider or proposed Bond Provider as the Secretary of State may require from time to time.
- 5.11 The Secretary of State agrees that, subject to receipt of a Season Ticket Bond in an amount determined in accordance with paragraph 5.3 in respect of any Bond Year, he shall release the relevant Bond Provider from any liability under the Season Ticket Bond provided in relation to the preceding Bond Year on the expiry of such Bond Year, provided that no Event of Default has occurred and is unremedied or continuing.

**Meaning of Reporting Period**

- 5.12 References in this paragraph 5 to a Reporting Period shall be construed, where the Franchisee so requests and the Secretary of State consents (such consent not to be unreasonably withheld), to be references to each consecutive seven-day period (or such other period as may be agreed) during such Reporting Period. The Franchisee may only make such a request in respect of a maximum of two Reporting Periods in each Bond Year and only where the amount of the Season Ticket Bond over any such period would, in the reasonable opinion of the Franchisee, differ materially if determined by reference to such seven-day periods.

## 6. TAX COMPLIANCE

6.1 The Franchisee represents and warrants that as at the Start Date, it has notified the Secretary of State in writing of any Occasions of Tax Non-Compliance where the Franchisee (including where the Franchisee is an unincorporated joint venture or consortium, the members of that unincorporated joint venture or consortium) is the Affected Party (as defined in paragraph 6.3 below) or any litigation that it is involved in that is in connection with any Occasions of Tax Non-Compliance where the Franchisee (including where the Franchisee is a joint venture or consortium, the members of that joint venture or consortium) is the Affected Party.

6.2 If, at any point during the Franchise Term, an Occasion of Tax Non-Compliance occurs in relation to any Affected Party, the Franchisee shall:

- (a) notify the Secretary of State in writing of such fact within 5 Weekdays of its occurrence; and
- (b) promptly provide to the Secretary of State:
  - (i) details of the steps which the Affected Party is taking to address the Occasion of Tax Non-Compliance and to prevent the same from recurring, together with any mitigating factors that it considers relevant; and
  - (ii) such other information in relation to the Occasion of Tax Non-Compliance as the Secretary of State may reasonably require.

6.3 For the purposes of this paragraph 6 (Tax Compliance), the following defined terms shall have the following meanings:

“DOTAS” means the Disclosure of Tax Avoidance Schemes rules which require a promoter of tax schemes to tell HM Revenue & Customs of any specified notifiable arrangements or proposals and to provide prescribed information on those arrangements or proposals within set time limits as contained in Part 7 of the Finance Act 2004 and in secondary legislation made under vires contained in Part 7 of the Finance Act 2004 and as extended to National Insurance Contributions by the National Insurance Contributions (Application of Part 7 of the Finance Act 2004) Regulations 2012, SI 2012/1868 made under s.132A Social Security Administration Act 1992;

“General Anti-Abuse Rule” means:

- (a) the legislation in Part 5 of the Finance Act 2013; and
- (b) any future legislation introduced into parliament to counteract tax advantages arising from abusive arrangements to avoid national insurance contributions;

“Halifax Abuse Principle” means the principle explained in the CJEU Case C-255/02 Halifax and others;

“Occasion of Tax Non-Compliance” means, in respect of the Franchisee (including where Franchisee is an unincorporated joint venture or consortium, the members of that unincorporated joint



venture or consortium) or the Franchisee (such party being the "**Affected Party**"):

- (a) any tax return of the Affected Party submitted to a Relevant Tax Authority on or after 1 October 2012 is found on or after 1 April 2013 is found to be incorrect as a result of:
  - (i) a Relevant Tax Authority successfully challenging the Affected Party under the General Anti-Abuse Rule or the Halifax Abuse Principle or under any tax rules or legislation that have an effect equivalent or similar to the General Anti-Abuse Rule or the Halifax Abuse Principle;
  - (ii) the failure of an avoidance scheme which the Affected Party was involved in, and which was, or should have been, notified to a Relevant Tax Authority under the DOTAS or any equivalent or similar regime; and/or
- (b) any tax return of the Affected Party submitted to a Relevant Tax Authority on or after 1 October 2012 gives rise, on or after 1 April 2013, to a criminal conviction in any jurisdiction for tax related offences which is not spent at the Start Date or to a civil penalty for fraud or evasion; and

"Relevant Tax Authority" means HM Revenue & Customs, or, if applicable, a tax authority in the jurisdiction in which the Affected Party is established.

**APPENDIX 1 TO SCHEDULE 12**

**Form of Performance Bond**

Dated

20[●]

*[BOND PROVIDER]*

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Performance Bond

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*Secretary of State for Transport  
33 Horseferry Road  
London SW1P 4DR*

To: Secretary of State for Transport  
33 Horseferry Road  
London  
SW1P 4DR  
(the Secretary of State)

Whereas:

We are informed that you have entered into a franchise agreement dated [\_\_\_\_\_] (the "**Franchise Agreement**") with [name of Franchisee] (the "**Franchisee**"). Pursuant to the Franchise Agreement the Franchisee will provide certain railway passenger services.

We are further informed that the Franchise Agreement requires that the Secretary of State receives a duly executed performance bond in the amount of [*To be populated for the duration of the Bond in accordance with 4.4*] (the "**Bond Value**") to secure the performance by the Franchisee of and its compliance with their respective obligations under the Franchise Agreement and any Supplemental Agreement.

Accordingly:

We hereby unconditionally and irrevocably undertake to pay to you in full in London, immediately upon receipt of your first written demand on us in the form set out in the Schedule and, without further enquiry, the sum specified therein. Such written demand shall state:

- (a) the Call Event (as defined in clause 2 hereof) that has occurred; and
- (b) the date of occurrence of such Call Event.

You may call on us for the whole or part of the amount of our liability hereunder and you may make any number of calls on us up to a maximum aggregate amount of the Bond Value. All sums payable hereunder shall be paid free of any restriction or condition and free and clear of and (except to the extent required by law) without any deduction or withholding, whether for or on account of tax, by way of set-off or otherwise.

1. The undertaking given by us above shall operate provided that:

- (a) our maximum liability shall be limited to a sum or sums not exceeding in the aggregate the amount of the Bond Value or such lesser amount as you may notify us of from time to time in writing, separately from any demand, shall constitute the Bond Value of this Bond; and
- (b) notwithstanding anything contained herein, our liability hereunder shall expire on the earlier of:
  - (i) the date falling six months after the date on which any railway administration order is made in relation to the Franchisee pursuant to Sections 60 to 62 of the Railways Act 1993; and
  - (ii) the later of:
    - (A) the date falling one month after the determination of the Purchase Price (as defined in any Supplemental Agreement) under each relevant Supplemental Agreement; and
    - (B) the date falling seven Reporting Periods after the end of the Franchise Period; and
    - (C) the end of the Franchise Term; and

(iii) [●]<sup>79</sup>,

except in respect of any written demand for payment complying with all the requirements hereof which is received by us on or before such date for either the Bond Value, or for such lesser amount which, when aggregated with any previous demands, amounts to the Bond Value or less, after which date this undertaking shall be void whether returned to us or not.

2. Call Event means, in this Bond, any of:

- (a) the termination or expiry of the Franchise Agreement in circumstances where there are liabilities or obligations outstanding from the Franchisee to the Secretary of State;
- (b) the termination of the Franchise Agreement solely as a consequence of the occurrence of one or more Events of Default or a Termination Event of a type described in paragraph 3.2 of Schedule 10.3 (Event of Default and Termination Events) or pursuant to clause 4.2(b) or 4.3(b) of the Conditions Precedent Agreement in circumstances where the Secretary of State has incurred or expects to incur additional costs in connection with early termination of the TransPennine Express franchise;
- (c) the making of a railway administration order in relation to the Franchisee pursuant to Sections 60 to 62 of the Railways Act 1993;
- (d) the occurrence of an Event of Default under the Franchise Agreement in respect of:
  - (i) paragraph 2.12(a) of Schedule 10.3 (Events of Default and Termination Events) of the Franchise Agreement in relation to the Performance Bond; or
  - (ii) paragraph 2.12(b) of Schedule 10.3 (Events of Default and Termination Events) of the Franchise Agreement,
 whether or not the Franchise Agreement is, or is to be, terminated as a result thereof;
- (e) the failure by the Franchisee to perform or comply with its obligations under any Supplemental Agreement;
- (f) the failure by the Franchisee to provide the Secretary of State with a replacement Performance Bond which complies with paragraph 4 of Schedule 12 (Financial Obligations and Covenants) of the Franchise Agreement at least six months prior the scheduled expiry of the existing Performance Bond; or
- (g) the failure by the Franchisee to procure the execution and delivery of a new Performance Bond by a Bond Provider in favour of and acceptable to the Secretary of State when required to do so in accordance with paragraph 4.3(c) of Schedule 12 (Financial Obligations and Covenants) of the Franchise Agreement.

3. This undertaking is made to you, your successors and your assigns.

4. This undertaking shall not be discharged or released by time, indulgence, waiver, alteration or release of, or in respect to, the obligations of the Franchisee under the Franchise Agreement or any Supplemental Agreement or any other circumstances that might operate as a release of a guarantor at law or in equity.

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<sup>79</sup> Insert date that is date at least three years after the date of the Bond.

5. You may make demand or give notice to us under this Bond in writing by hand or facsimile transmission to us as follows:

Address: [Bond Provider's address]

Facsimile Number: [Bond Provider's fax number]

6. References in this Bond to the Franchise Agreement and the Supplemental Agreement are to the Franchise Agreement and any Supplemental Agreement as amended from time to time.
7. Where used in this Bond, capitalised terms have the same meanings as in the Franchise Agreement.
8. This Bond shall be governed by and construed in accordance with the laws of England and Wales.

Executed as a deed this [day and month] of [year].

**SCHEDULE TO THE PERFORMANCE BOND****SPECIMEN DEMAND NOTICE**

To: [name and address of Bond Provider]  
[date of demand notice]

We refer to the performance bond issued by you on [date of Bond] (the "**Performance Bond**") in connection with the franchise agreement (the "**Franchise Agreement**") entered into between the Secretary of State for Transport (the "**Secretary of State**") and [name of "**Franchisee**"] (the "**Franchisee**") on [Franchise Agreement signature date].

We hereby notify you that the following Call Event (as defined in the Performance Bond) occurred on [date of occurrence of Call Event]: [delete as appropriate].

[The Franchise Agreement has [terminated/expired] on [date of termination/expiry] in circumstances where there are liabilities or obligations outstanding from the Franchisee to the Secretary of State.]

[The Franchise Agreement has terminated solely as a consequence of the occurrence of one or more Events of Default on [date of termination] in circumstances where the Secretary of State has incurred or expects to incur additional costs in connection with the termination of the [name of franchise] franchise.]

[A railway administration order has been made in relation to the Franchisee pursuant to Sections 60 to 62 of the Railways Act 1993.]

[That an Event of Default under the Franchise Agreement has occurred under:

[(a) paragraph 2.12(a) of Schedule 10.3 (Events of Default and Termination Events) of the Franchise Agreement in relation to the Performance Bond; or]

[(b) paragraph 2.12(b) of Schedule 10.3 (Events of Default and Termination Events) of the Franchise Agreement.]]

[The Franchise Agreement has terminated pursuant to clause 4.2(b) or 4.3(b) of the Conditions Precedent Agreement in circumstances where the Secretary of State has incurred or expects to incur additional costs in connection with early termination of the [name of franchise] franchise.]

[The Franchisee has failed to perform or comply with its obligations under any Supplemental Agreement.]

[The Franchisee has failed to provide a replacement Performance Bond (as described in the Franchise Agreement) complying with paragraph 4 of Schedule 12 (Financial Obligations and Covenants) of the Franchise Agreement at least six months prior to the scheduled expiry of the existing Performance Bond.]

[The Franchisee has failed to procure the execution and delivery of a new Performance Bond by a Bond Provider acceptable to the Secretary of State when required to do so in accordance with paragraph 4.3(c) of Schedule 12 (Financial Obligations and Covenants) of the Franchise Agreement.]

We hereby demand immediate payment from you of [specify alternative amount if not Bond Value] or the Bond Value, whichever is smaller.

Please arrange for immediate payment of the relevant amount as follows:

[account details to which Bond monies to be paid into]

Where used in this Notice, capitalised terms have the same meanings as in the Franchise Agreement.

For and on behalf of

Secretary of State for Transport

**APPENDIX 2 TO SCHEDULE 12**

**Form of Season Ticket Bond**

Dated

20[●]

*[BOND PROVIDER]*

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Season Ticket Bond

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*Secretary of State for Transport  
33 Horseferry Road  
London SW1P 4DR*

To: Secretary of State for Transport  
33 Horseferry Road  
London  
SW1P 4DR  
(the "**Secretary of State**")

Whereas:

We are informed that you have entered into a franchise agreement dated [\_\_\_\_\_] (the "**Franchise Agreement**") with [name of Franchisee] (the "**Franchisee**") under which the Franchisee will provide certain railway passenger services.

We are further informed that the Franchise Agreement requires that the Secretary of State receives a duly executed season ticket bond to secure the performance by the Franchisee of and its compliance with its obligations under the Franchise Agreement and any Supplemental Agreement.

Accordingly:

We hereby unconditionally and irrevocably undertake to pay to you in full in London, immediately upon receipt of your first written demand on us in the form set out in Schedule 1 (Specimen Demand Notice) and, without further enquiry, the sum specified therein. Such written demand shall state:

- (a) the Call Event (as defined in clause 2) that has occurred; and
- (b) the date of occurrence of such Call Event.

You may call on us for the whole or part of the amount of our liability hereunder and you may make any number of calls on us up to a maximum aggregate amount of the Bond Value (as defined in clause 3). All sums payable hereunder shall be paid free and clear of any restriction or condition and free and (except to the extent required by law) without any deduction or withholding, whether for or on account of tax, by way of set-off or otherwise.

1. The undertaking given by us above shall operate provided that:
  - (a) our maximum liability shall be limited to a sum or sums not exceeding in the aggregate the amount of the Bond Value on the date of occurrence of the Call Event stated in your written demand on us; and
  - (b) you may only call on us (whether on one or more occasions) in relation to one Call Event, such Call Event to be determined by reference to the first written demand which is received by us in the form set out in Schedule 1 (Specimen Demand Notice).
2. Call Event means, in this Bond, any of:
  - (a) the termination or expiry of the Franchise Agreement;
  - (b) the making of a railway administration order in relation to the Franchisee pursuant to Sections 60 to 62 of the Railways Act 1993; or
  - (c) the occurrence of an Event of Default under paragraph 2.12(a) (in relation to a Season Ticket Bond) or paragraph 2.12(c) of Schedule 10.3 (Events of Default and Termination Events) of the Franchise Agreement (whether or not the Franchise Agreement is, or is to be, terminated as a result thereof).
3. Bond Value shall mean, in respect of any date, the amount specified in Schedule 2 (Bond Value) as being the value of this Bond for such date (provided that for these purposes the date of occurrence of the Call Event specified in clause 2(c) shall be deemed to be the last date for which a Bond Value is assigned under Schedule 2 (Bond Value) of this Bond).
4. Notwithstanding anything contained herein, but subject to clause 5, our liability hereunder in respect of any Call Event shall expire no later than the end of the Franchise Term and:



- (a) in relation to a Call Event specified in clauses 2(a) and (b), at noon (London time) on the date falling three business days after the date of occurrence of such Call Event (business day being a day on which banks are open for business in the City of London); and
- (b) in relation to any other Call Event, on the day falling one month after the last date for which a Bond Value is assigned under Schedule 2 (Bond Value) of this Bond unless you notify us in writing prior to the relevant expiry time that the relevant Call Event has occurred (whether or not you call on us at the same time under this Bond).
5. If you do notify us under clause 4 our liability shall expire on:
- (a) if the Call Event in respect of which you may call on us under this Bond is the termination of the Franchise Agreement, the date falling one month after the determination of the Purchase Price (as defined in the Supplemental Agreement) under each relevant Supplemental Agreement;
- (b) if the Call Event in respect of which you may call on us under this Bond is the making of a railway administration order in relation to the Franchisee pursuant to Sections 60 to 62 of the Railways Act 1993, the date falling three months after the making of such railway administration order; or
- (c) if the Call Event in respect of which you may call on us under this Bond is the occurrence of an Event of Default under paragraph 2.12(a) (in relation to a Season Ticket Bond) or paragraph 2.12(c) of Schedule 10.3 (Events of Default and Termination Events) of the Franchise Agreement (whether or not the Franchise Agreement is, or is to be, terminated as a result thereof), the date falling one month after your notification to us under clause 4,
- except, in each case, in respect of any written demand for payment complying with all the requirements hereof which is received by us on or before the relevant date, after which date this undertaking shall be void whether returned to us or not.
6. This undertaking is made to you, your successors and your assigns.
7. This undertaking shall not be discharged or released by time, indulgence, waiver, alteration or release of, or in respect to, the obligations of the Franchisee under the Franchise Agreement or any Supplemental Agreement or any other circumstances that might operate as a release of a guarantor at law or in equity.
8. You may make demand or give notice to us under this Bond in writing by hand or facsimile transmission to us as follows:
- Address: [Bond Provider's address]
- Facsimile Number: [Bond Provider's fax number]
9. References in this Bond to the Franchise Agreement and the Supplemental Agreement are to the Franchise Agreement and the Supplemental Agreement as amended from time to time and terms defined therein shall have the same meaning in this Bond.
10. Where used in this Bond, capitalised terms have the same meanings as in the Franchise Agreement.
11. This Bond shall be governed by and construed in accordance with the laws of England and Wales.

Executed as a deed this [day and month] of [year].

**SCHEDULE 1 TO THE SEASON TICKET BOND****SPECIMEN DEMAND NOTICE**

To: [Name and address of Bond Provider]  
[date of demand notice]

We refer to the season ticket bond issued by you on [date of Bond] (the "**Season Ticket Bond**") in connection with the franchise agreement (the "**Franchise Agreement**") entered into between the Secretary of State for Transport (the "**Secretary of State**") and [name of Franchisee] (the "**Franchisee**") on [Franchise Agreement signature date].

We hereby notify you that the following Call Event (as defined in the Season Ticket Bond) occurred on [date of occurrence of Call Event]: [delete as appropriate].

[The Franchise Agreement [terminated][expired] on [date of [termination][expiry]].

[A railway administration order has been made in relation to the Franchisee pursuant to Sections 60 to 62 of the Railways Act 1993.]

[An Event of Default occurred under paragraph 2.12(a) (in relation to a Season Ticket Bond) or paragraph 2.12(c) of Schedule 10.3 (Events of Default and Termination Events) of the Franchise Agreement.]

We hereby demand immediate payment from you of [specify alternative amount if not Bond Value] or the Bond Value, whichever is smaller.

Please arrange for immediate payment of the relevant amount as follows:

[account details to which Bond monies to be paid into]

Where used in this Notice, capitalised terms have the same meanings as in the Franchise Agreement.

For and on behalf of

Secretary of State for Transport

**SCHEDULE 2 TO THE SEASON TICKET BOND**

**BOND VALUE**

<b>Call Event occurring in Reporting Period</b>	<b>Bond Value</b>
<b>1</b>	
<b>2</b>	
<b>3</b>	
<b>4</b>	
<b>5</b>	
<b>6</b>	
<b>7</b>	
<b>8</b>	
<b>9</b>	
<b>10</b>	
<b>11</b>	
<b>12</b>	
<b>13</b>	

**SCHEDULE 13**

**Information and Industry Initiatives**

**Schedule 13:**

**Information and Industry Initiatives**

**Appendix 1 to Schedule 13: Environmental Impact Monitoring Dataset**

**Appendix 2 to Schedule 13: Key Assets**

**Appendix 3 to Schedule 13: Operational Information**

**SCHEDULE 13****Information and Industry Initiatives****1. General Information****Corporate Information**

1.1 The Franchisee shall provide the following information to the Secretary of State on the Start Date and shall notify the Secretary of State of any change to such information within 21 days of such change:

- (a) its name;
- (b) its business address and registered office;
- (c) its directors and company secretary;
- (d) its auditors;
- (e) its trading name or names; and
- (f) to the best of the Franchisee's knowledge and belief, having made due and diligent enquiry, the identity of all persons holding, separately or acting by agreement, directly or indirectly, the right to cast more than 20 per cent of the votes at general meetings of the Franchisee.

1.2 The Franchisee shall inform the Secretary of State of any material change or proposed material change in its business (including the employment or the termination of employment of any Key Personnel, the termination of any Key Contract and any litigation or other dispute which may have a material effect on its business) and any material change in or restructuring of the capitalisation or financing of the Franchisee, the Parent or the Guarantor.

**Operational and Performance-related Information to be provided by the Franchisee**

1.3 The Franchisee shall provide to the Secretary of State the information specified in the Appendices to this Schedule 13 at the times specified therein.

1.4 The Appendices to this Schedule 13 shall be interpreted in accordance with any guidance issued by the Secretary of State from time to time for that purpose.

**Maintenance of Records**

1.5 The Franchisee shall maintain true, up to date and complete records of all of the information required to be provided by the Franchisee under the Franchise Agreement.

1.6 Each record required to be maintained by the Franchisee in accordance with this Schedule 13 shall be held for a period of six years following the date on which such record was required to be created.

1.7 References to records in this Schedule 13 shall include records maintained under any Previous Franchise Agreement to the extent that such records relate to services equivalent to the Franchise Services and the Franchisee has access to them (which it shall use all reasonable endeavours to secure).

1.8 The Franchisee shall not be responsible for any records maintained under any Previous Franchise Agreement, as referred to in paragraph 1.7, being true, complete and up to date. As soon as reasonably practicable after becoming aware that any such records are not true, complete and up to date, the Franchisee shall take all reasonable steps to remedy any such deficiency, and shall thereafter maintain such records in accordance with paragraph 1.5.

**Information to the Passengers' Council and Local Authorities**

1.9 The Franchisee shall comply with any reasonable requests and guidance issued by the Secretary of State from time to time in respect of the provision of information to and co-operation and consultation with the Passengers' Council and Local Authorities.

**2. Business Plans****Initial Business Plan**

2.1 Within three months of the Start Date, the Franchisee shall deliver to the Secretary of State its Initial Business Plan, describing its planned activities for each Franchisee Year during the Franchise Term, which shall include:

- (a) a description as to how the Franchisee will be able to meet its obligations under the Franchise Agreement for the Franchise Term, supported by operational plans demonstrating this;
- (b) details of any investments proposed to be made or procured by the Franchisee in relation to the Franchise Services during the Franchise Term;
- (c) a summary of the Franchisee's plans for marketing and developing the Franchise Services; and
- (d) a profit and loss forecast, cash flow forecast and forecast balance sheet for each of the first 13 Reporting Periods following the Start Date, together with a list of assumptions on the basis of which each such forecast has been prepared.

2.2 Not used.

**Annual Business Plans**

2.3 The Franchisee shall, at all times during the Franchise Term, provide to the Secretary of State any annual business plan (in written or electronic form) that it provides to its Parent (or any other document or documents which individually or collectively can reasonably be considered to be an annual business plan) in relation to a Franchisee Year (other than the first Franchisee Year) and which describes the Franchisee's planned activities for such Franchisee Year or describes the manner in which the Franchisee will meet its obligations under the Franchise Agreement in respect of that Franchisee Year (the "**Annual Business Plan**"). Any such Annual Business Plan shall be provided to the Secretary of State within one month of submission of same to the Parent. Where the Franchisee does not produce an annual business plan it shall notify the Secretary of State of all the periodic plans that it does produce and:

- (a) the Secretary of State shall be entitled to copies of such periodic plans as he shall reasonably determine; and
- (b) any such periodic plans shall be deemed to be Annual Business Plans for the purposes of this paragraph 2.3.

2.4 The Franchisee shall, at the same time as it submits the Annual Business Plan to the Secretary of State in accordance with paragraph 2.3 (or to the extent that no Annual Business Plan is submitted to the Parent in any Franchisee Year, not more than three Reporting Periods and not less than one Reporting Period prior to the start of each Franchisee Year), provide to the Secretary of State:

- (a) a revised profit and loss forecast, cash flow forecast and forecast balance sheet for each of the 13 Reporting Periods in the relevant Franchisee Year and each subsequent Franchisee Year of the Franchise Term; and
- (b) an annual improvement plan providing:

- (i) details of any new technologies, processes, developments and/or proposals which could improve the provision of the Franchise Services, reduce the cost of providing the Franchise Services or enable the Franchise Services to be provided more efficiently;
- (ii) an analysis of the impact of any technologies, processes, developments and/or proposals that are proposed in relation to the Franchise Services, including analyses of the costs of and timescale for effecting such changes and the impact on the provision of the Franchise Services;
- (iii) details of those technologies, processes, developments and/or proposals which the Franchisee proposes to implement during the relevant Franchisee Year; and
- (iv) an analysis of the technologies, processes, developments and/or proposals which the Franchisee implemented in the previous Franchisee Year including details of any cost reductions and/or efficiency gains arising from the same and a reconciliation to the annual improvement plan for that previous Franchisee Year.

2.5 Not used.

2.6 The Franchisee shall not be relieved of any of its obligations under the Franchise Agreement as a result of any comment or failure to comment by the Secretary of State on any Business Plan or any agreement with or approval, implicit or explicit, of any Business Plan by the Secretary of State at any time.

2.7 The Secretary of State may at any time require the Franchisee to produce a Business Action Plan in respect of any aspect of the Business Plan. Such Business Action Plan may include steps relating to:

- (a) timetable and service pattern development;
- (b) Station facility improvement;
- (c) performance management improvement;
- (d) customer service improvement; and
- (e) improvements in the quality of service delivery or the efficiency of delivery of the Franchise Services.

2.8 The Franchisee shall comply with any guidance issued by the Secretary of State about how and with whom any consultation on the content of a Business Action Plan is to take place.

2.9 Any proposal in a Business Action Plan shall only be implemented if and to the extent that the Secretary of State decides it is appropriate to do so and subject to any conditions which he may impose.

### 3. **Financial And Operational Information**

#### **Accounting Records**

3.1 The Franchisee shall prepare and at all times during the Franchise Term maintain true, up to date and complete accounting records as are required to be kept under Section 386 of the Companies Act 2006. Such records shall be prepared on a consistent basis for each Reporting Period.

#### **Reporting Period Financial Information**

- 3.2 The Franchisee shall deliver to the Secretary of State, within two weeks of the end of each Reporting Period:
- (a) Management Accounts for such Reporting Period, setting out a cashflow statement, profit and loss account and balance sheet for that Reporting Period and cumulatively for the Franchisee Year to date;
  - (b) written confirmation that the Management Accounts, to the best of the knowledge, information and belief of the board of directors of the Franchisee, contain a true and accurate reflection of the current assets and liabilities of the Franchisee (including contingent assets or liabilities and known business risks and opportunities) and, to the extent that they do not, identify in a written report relevant issues in reasonable detail and provide such further information that the Secretary of State shall reasonably require in relation; and
  - (c) in circumstances where the Franchisee was in a Lock-up Period during such Reporting Period, written confirmation from a statutory director of the Franchisee that the Franchisee has complied with the restrictions applicable during a Lock-up Period pursuant to paragraph 3 of Schedule 12 (Financial Obligations and Covenants).
- 3.3 The Management Accounts shall also set out:
- (a) sufficient information to enable the Secretary of State to calculate Actual Operating Costs and Modified Revenue on a cumulative basis for the previous thirteen Reporting Periods;
  - (b) the ratio of the Franchisee's:
    - (i) Total Modified Revenue to its Total Actual Operating Costs; and
    - (ii) Total Forecast Modified Revenue to its Total Forecast Operating Costs,together with supporting information showing how the Franchisee has calculated such ratios including a breakdown of the Modified Revenue, Forecast Modified Revenue, Actual Operating Cost and Forecast Operating Costs for each of the Reporting Periods used for the purposes of the calculation of the ratios pursuant to this paragraph 3.3(b);
  - (c) a comparison of the Franchisee's performance during such period against the forecast provided by the Franchisee in the then current Business Plan;
  - (d) a comparison of the Franchisee's cumulative performance during the Franchisee Year in which such period occurs against the forecast referred to in paragraph 3.3(c);
  - (e) a detailed statement and explanation of any material difference between such Management Accounts and the forecast referred to in paragraph 3.3(c);
  - (f) where the level of financial performance reported in the Management Accounts is, in the reasonable opinion of the Secretary of State, materially worse than forecast by the Franchisee in its current Business Plan, the Secretary of State may require the Franchisee to prepare and submit to him, as soon as reasonably practicable, a Financial Action Plan to ensure that the level of financial performance forecast in its current Business Plan for the remainder of the currency of that Business Plan is achieved and the Franchisee shall use all reasonable endeavours to implement such Financial Action Plan; and
  - (g) a detailed statement and explanation of any Agreed Funding Commitment and PCS Advances (each as defined in the Funding Deed) provided during such Reporting Period and any repayments made during such Reporting Period in



respect of (i) previously provided Agreed Funding Commitments as against the Funding Plan (as defined in the Funding Deed) and (ii) PCS Advances (as defined in the Funding Deed).

#### **Quarterly Financial Information**

- 3.4 Within four weeks after the end of the third, sixth, ninth and twelfth Reporting Periods in each Franchisee Year, the Franchisee shall deliver to the Secretary of State the following information:
- (a) an updated version of the profit and loss forecast, cash flow forecast and forecast balance sheet provided in accordance with paragraph 2.1(d), for each of the following 13 Reporting Periods; and
  - (b) a statement of calculation demonstrating the Franchisee's performance against each of the financial covenants in paragraph 2 of Schedule 12 (Financial Obligations and Covenants) at the beginning of each Reporting Period and a forecast of performance against such covenants for each of the following 13 Reporting Periods.
- 3.5 Where any Reporting Period falls partly within one Franchisee Year and partly within another, the results for each section of such Reporting Period falling either side of such Franchisee Year end shall be prepared on an accruals basis for each such section of such Reporting Period.

#### **Annual Financial Information**

- 3.6 Within three weeks of the end of each Franchisee Year, the Franchisee shall deliver to the Secretary of State its Annual Management Accounts for that Franchisee Year.
- 3.7 The Franchisee shall deliver to the Secretary of State:
- (a) in respect of any Franchisee Year other than the final Franchisee Year, its Annual Financial Statements for that Franchisee Year within three Reporting Periods of the end of that Franchisee Year; and
  - (b) in respect of the final Franchisee Year, its Annual Financial Statements for the period from the start of that Franchisee Year to the end of the Franchisee Period within three Reporting Periods of the end of the Franchisee Period,
- each together with a reconciliation to the Management Accounts for the same period.
- 3.8 Not used.
- 3.9 Within four Reporting Periods after the end of each Franchisee Year, the Franchisee shall deliver to the Secretary of State the following information:
- (a) certified true copies of its annual report and Annual Audited Accounts for that Franchisee Year, together with copies of all related directors' and auditors' reports;
  - (b) a reconciliation to the Management Accounts for the same period;
  - (c) a statement from the Franchisee's auditors confirming compliance with the financial covenants in paragraph 2 of Schedule 12 (Financial Obligations and Covenants); and
  - (d) a statement from the Franchisee (signed by a statutory director of the Franchisee) confirming compliance with the reporting requirements of paragraph 3.3(g).

**Accounting Standards and Practices**

- 3.10 Each set of Management Accounts and Annual Management Accounts shall:
- (a) be in the formats set out in the document in the agreed terms marked FF or in such other format as the Secretary of State may reasonably specify from time to time;
  - (b) be prepared consistently in accordance with the Franchisee's normal accounting policies, details of which shall be supplied on request to the Secretary of State; and
  - (c) identify to the reasonable satisfaction of the Secretary of State, any changes in such accounting policies from those policies that were applied in preparing each of the profit and loss account, the cashflow projection and the balance sheet contained in the Financial Model Placed in Escrow on the date of the Franchise Agreement.
- 3.11 Each set of Annual Financial Statements and Annual Audited Accounts shall:
- (a) be prepared and audited in accordance with GAAP, consistently applied and in accordance with the Companies Act 2006; and
  - (b) give a true and fair view of:
    - (i) the state of affairs, profits and financial condition of the Franchisee for the period covered by such accounts; and
    - (ii) the amount of its total revenue (being all revenue whatsoever from any source obtained from any commercial or non-commercial activity or undertaking of the Franchisee, such revenue to be disaggregated by reference to revenue derived by the Franchisee from the sale of tickets, income received from Network Rail pursuant to Schedule 4 and Schedule 8 to the Track Access Agreement and other income (including car park revenue) or to such other level of disaggregation as may be notified to the Franchisee by the Secretary of State from time to time) derived by the Franchisee in respect of that Franchisee Year.

**Parent and Guarantor Accounts**

- 3.12 The Franchisee shall, upon the request of the Secretary of State, promptly deliver to, or procure delivery to, the Secretary of State, certified true copies of the annual reports and audited accounts of the Guarantor and the Parent, together with copies of all related directors' and auditors' reports. If any of the Guarantor or the Parent is domiciled outside England and Wales, the equivalent documents in the jurisdiction of residence of the Parent or the Guarantor (as applicable) shall be delivered to the Secretary of State.

**Secretary of State Audit of calculations provided pursuant to paragraph 3.3(b) of Schedule 13**

- 3.13 Without prejudice to paragraph 2.2 of Schedule 12 (Financial Obligations and Covenants) or to any other rights of the Secretary of State under the Franchise Agreement, the Secretary of State and his representatives shall be permitted to inspect at any time the books, records and any other material kept by or on behalf of the Franchisee in order to check or audit any item contained in or relating to the Management Accounts in so far as they relate to the statement of calculations required by paragraph 3.3(b) of this Schedule 13 and any other matter in connection with the Franchisee's obligations under paragraph 2 of Schedule 12 (Financial Obligations and Covenants).
- 3.14 The Franchisee shall make available to the Secretary of State and his representatives such information and grant such access or procure the grant of such access (including to or from

third parties) as they shall reasonably require in connection with any audit to be carried out pursuant to paragraph 3.13. If any audit carried out pursuant to paragraph 3.13 reveals, in the reasonable opinion of the Secretary of State, any material inaccuracy in the Management Accounts (but only in so far as such accounts relate to the statement of calculations required by paragraph 3.3(b)) then the Secretary of State may exercise its rights as described in paragraphs 2.2 (i) or 2.2(ii) of Schedule 12 (Financial Obligations and Covenants) and the Franchisee shall pay all reasonable costs of any such audit as a monitoring cost pursuant to paragraph 1.11 of Schedule 10.1 (Remedial Plans and Remedial Agreements).

#### 4. **Safety Information**

##### **Safety**

- 4.1 The Franchisee shall co-operate with any request from any relevant competent authority for provision of information and/or preparation and submission of reports detailing or identifying compliance with safety obligations set out in the Safety Regulations including any breaches of the Safety Regulations.
- 4.2 The Franchisee shall notify the Secretary of State as soon as practicable of the receipt and contents of any formal notification relating to safety or any improvement or prohibition notice received from ORR. Immediately upon receipt of such notification or notice, the Franchisee shall provide the Secretary of State with a copy of such notification or notice.
- 4.3 The Franchisee shall participate in industry groups and committees addressing the domestic and European safety agenda of the Railway Group.

#### 5. **Further Information**

- 5.1 The Franchisee shall:
- (a) deliver to the Secretary of State, or procure the delivery to the Secretary of State of, such information, records or documents as he may request within such period as he may reasonably require and which relate to or are connected with the Franchisee's performance of the Franchise Agreement; and
  - (b) procure that each Affiliate of the Franchisee complies with paragraph 5.1(a) in respect of any information, records or documents that relate to its dealings with the Franchisee in connection with the Franchisee's performance of its obligations under the Franchise Agreement.
- 5.2 The information referred to in paragraph 5.1(a) shall include:
- (a) any agreement, contract or arrangement to which the Franchisee is a party in connection with any rolling stock vehicles used in the operation of the Passenger Services;
  - (b) in so far as the Franchisee has or is able to obtain the same, any other agreement contract or arrangement which may be associated with the procurement, leasing, financing or maintenance of any such rolling stock vehicles;
  - (c) any agreement for the manufacture or supply of any rolling stock vehicles; or
  - (d) any arrangements for the securitisation of any lease granted in respect of such rolling stock vehicles.
- 5.3 The Secretary of State may require the Franchisee to provide:
- (a) the information required to be provided under this Schedule 13 more frequently than set out in this Schedule 13;

- (b) the information required to be provided under this Schedule 13, or, in the Secretary of State's discretion, more detailed financial information, at any time in connection with the re-letting of the Franchise; and
- (c) such unaudited accounts under such accounting policies as may be prescribed by the Secretary of State, acting reasonably, from time to time.

## 6. **Contraventions of the Franchise Agreement**

- 6.1 The Franchisee shall notify the Secretary of State, so far as possible before it may occur and in any event as soon as reasonably practicable thereafter, of any contravention by the Franchisee of any provision of the Franchise Agreement. This includes where the Franchisee is under an obligation to use all reasonable endeavours to achieve a particular result by a particular time, where such result is not achieved by such time.
- 6.2 The Franchisee shall deliver to the Secretary of State, or procure the delivery to the Secretary of State of, such information, records or documents as the Secretary of State may request within such period as the Secretary of State may reasonably require for the purpose of determining the existence, likelihood, nature or scope of any contravention of, Event of Default or Termination Event under, the Franchise Agreement.

## 7. **Information from Third Parties**

- 7.1 The Franchisee shall, if the Secretary of State so requests, use all reasonable endeavours to ensure that the Secretary of State has direct access to any information, data or records relating to the Franchisee which is or are maintained by third parties and to which the Secretary of State is entitled to have access, or of which the Secretary of State is entitled to receive a copy under the Franchise Agreement.
- 7.2 The Franchisee shall, if the Secretary of State so requests, procure the provision by RSP to the Secretary of State of such information, data and records as the Franchisee is entitled to receive under the Ticketing and Settlement Agreement, in such form as the Secretary of State may specify from time to time.
- 7.3 The obligations of the Franchisee under this Schedule 13 to provide information to the Secretary of State shall not apply if the Secretary of State notifies the Franchisee that he has received the relevant information directly from any other person (including Network Rail or RSP). The Franchisee shall, if the Secretary of State so requests, confirm or validate any such information which is received from any such other person.
- 7.4 The Franchisee shall promptly advise the Secretary of State of any changes that are to be made to its systems or processes or the systems and processes of the RSP that will, in the reasonable opinion of the Franchisee, materially affect the continuity of any of the records that are provided pursuant to this Schedule 13. Any such advice shall include an assessment of the materiality of the relevant change.

## 8. **Compatibility of Information**

- 8.1 All financial, operational or other information, and any data and records required to be provided to the Secretary of State under the Franchise Agreement shall be provided, if so requested by the Secretary of State, in a form compatible with the Secretary of State's electronic data and records systems on the Start Date, as modified from time to time in accordance with paragraph 9.
- 8.2 The Franchisee shall ensure that the interconnection of such systems or the provision of such information, data and records to the Secretary of State under the Franchise Agreement will not result in any infringement of any third party Intellectual Property Rights to which its systems or such information, data or records may be subject.

## 9. **Development of Industry Systems**

The Franchisee shall fully and effectively co-operate, in a manner consistent with it being a responsible Train Operator of the Franchise, with Network Rail, the Secretary of State, ORR and all other relevant railway industry bodies and organisations in relation to the development of anything that can reasonably be considered to be a railway industry system including systems in relation to the attribution of train delay, the allocation of revenue and the collection and dissemination of industry wide information.

## 10. **Co-operation with Various Schemes**

The Franchisee shall co-operate (in good faith) with the Secretary of State, the relevant Local Authority and/or any other affected railway industry parties in the development and the implementation of initiatives relating to its participation in Integrated Transport Schemes, multi-modal fares schemes, Traveline and Transport Direct (the "**Industry Schemes**"), where such Industry Schemes relate to the Franchise.

## 11. **Cooperation With Network Rail And Alliancing**

### 11.1 The Franchisee shall:

- (a) use all reasonable endeavours to work with Network Rail to identify ways in which cooperation between the Franchisee and Network Rail can be enhanced, costs can be reduced and closer working and alignment of incentives can improve value for money within the parameters of this Agreement; and
- (b) within 6 months of the Start Date, use all reasonable endeavours to enter into an alliance agreement with Network Rail. The alliance agreement to be entered into by the Franchisee pursuant to this paragraph 11.1(b) shall be of the type that will not require the Franchisee's obligations under the Franchise Agreement to be varied in any way and shall include ways in which Network Rail and the Franchisee can work together in relation to:
  - (i) the operation, maintenance and renewal of the assets and facilities at Stations and infrastructure relevant for the provision of the Passenger Services;
  - (ii) delivery of the infrastructure projects relevant to the Franchise;
  - (iii) delivery of safety improvements;
  - (iv) delivery of improvements in operational performance of the Passenger Services (including improvements to service quality); and
  - (v) developing joint initiatives and projects that deliver value for money for the railway.

### 11.2 Where the Franchisee considers pursuant to its obligations under paragraph 11.1 above that it is appropriate to enter into an alliance agreement with Network Rail that would require its obligations under this Agreement to be varied (an **Alliance Agreement**) it may make a proposal for the Secretary of State to consider. The Franchisee agrees that any such proposal (unless otherwise agreed by the Secretary of State) shall:

- (a) be for the purposes of improved delivery of some or all of the following:
  - (i) the efficient and cost effective operation of some or all of the network over which the Passenger Services operate;
  - (ii) the efficient and cost effective maintenance of some or all of the network over which the Passenger Services operate;

- (iii) the efficient and cost effective renewal of some or all of the network over which the Passenger Services operate;
    - (iv) the efficient and cost effective delivery of some or all enhancement projects on the network over which the Passenger Services operate; and
    - (v) such other infrastructure enhancement projects as may be agreed by the Franchisee and Network Rail and approved by the Secretary of State during the Franchise Term;
  - (b) be on terms which are commercially fair and reasonable so that:
    - (i) the incentives of the Franchisee and Network Rail are more effectively aligned in a way that gives a reasonable expectation that the matters subject to the alliance will be delivered in a more efficient and effective way;
    - (ii) the financial and operational risk of the Franchisee arising out of the operation of the Franchise is not unreasonably increased (including through the agreement of appropriate limitations of liability); and
    - (iii) the Secretary of State has rights to require the termination of the Alliance Agreement in appropriate circumstances including so that the term of the alliance is aligned with the Franchise Term and liabilities do not accrue to any Successor Operator.
- 11.3 The Franchisee shall provide such information, updates and reports on the progress of its negotiation with Network Rail as the Secretary of State shall reasonably require and meet with the Secretary of State to discuss the progress of the negotiations when reasonably requested to do so.
- 11.4 On reaching agreement in principle with Network Rail on the terms of an Alliance Agreement the Franchisee shall present the draft Alliance Agreement to the Secretary of State for approval and shall not enter into any such agreement without the prior written consent of the Secretary of State (which he shall have an unfettered discretion to withhold).
- 11.5 The Franchisee agrees that any approval of an Alliance Agreement shall (without prejudice to the unfettered discretion of the Secretary of State to refuse to consent to such an alliance) be conditional upon:
- (a) the Secretary of State being satisfied that such Alliance Agreement is consistent with the provisions of paragraph 11.2(b) above;
  - (b) the Franchisee agreeing to a fair and reasonable allocation of the gain from such alliance being passed to the Secretary of State (whether through profit share or otherwise) consistent with the role of the Secretary of State in funding the railway network; and
  - (c) the Franchisee entering into a deed of amendment to the Franchise Agreement in a form reasonably determined by the Secretary of State.

## 12. **Sustainable Construction**

For construction projects (including building refurbishment or fit out):

- (a) which are either being funded by the Franchisee or in respect of which the Franchisee has design responsibility; and

- (b) in respect of which the total capital cost exceeds £250,000 (indexed by the Retail Prices Index in the same way as variable costs are indexed in Schedule 8.2 (Annual Franchise Payments)),

the Franchisee shall use reasonable endeavours to achieve at least an "excellent" rating from an accredited assessor using Building Research establishment environmental assessment methodology (or an equivalent recognised standard) at both the design stage and the post-construction stage unless the Secretary of State (acting reasonably) agrees that the relevant project is not of a suitable scale or type to be so assessed and the Franchisee shall provide to the Secretary of State such information in relation to any construction project as the Secretary of State may reasonably request.

### 13. **Environmental Management and Sustainability Accreditation**

The Franchisee shall, from the Start Date, attain and, at all times thereafter, maintain accreditation pursuant to ISO14001 and ISO50001 or equivalent standards.

### 14. **Not Used**

### 15. **Small and Medium-sized Enterprises**

15.1 The Franchisee shall at all times keep accurate and complete records of its use of and interaction with SMEs in delivering the Franchise Services.

15.2 By no later than 31 January in each year (and within one month of the end of the Franchise Period) the Franchisee shall deliver to the Secretary of State a breakdown of the number of SMEs used by the Franchisee in providing the Franchise Services during the calendar year (or part thereof) which ended on the immediately preceding 31 December or at the end of the Franchise Period (as applicable).

### 16. **Apprenticeships**

16.1 The Franchisee shall at all times keep accurate and complete records of the training and apprenticeships offered by the Franchisee and/or its immediate UK-based supply chain in delivering the Franchise Services.

16.2 By no later than 31 January in each year (and within one month of the end of the Franchise Period) the Franchisee shall deliver to the Secretary of State a breakdown of the number of training and apprenticeships offered by the Franchisee and/or its supply chain in providing the Franchise Services during the calendar year (or part thereof) which ended on the immediately preceding 31 December or at the end of the Franchise Period (as applicable).

### 17. **Environmental impact monitoring, data collection and contractual targets**

17.1 The Franchisee shall, by no later than 3 months after the Start Date, provide a report to the Secretary of State setting out:

- (a) which measures included in the Dataset the Franchisee is unable to provide, despite using reasonable endeavours to do so ("**Excluded Data**");
- (b) for each item of Excluded Data, the technical, operational or commercial reason why the Franchisee is unable to provide the Excluded Data; and
- (c) a plan ("**Environmental Data Implementation Plan**") detailing, in relation to each item of Excluded Data, the actions which the Franchisee would need to take in order to be able to provide such Excluded Data, the Franchisee's best estimate of the cost of taking such action and the date by which, if such actions were taken, the Franchisee would be able to begin providing such Excluded Data to the Secretary of State.

The Dataset, excluding any measures which the Secretary of State agrees, acting reasonably, that the Franchisee is, despite using reasonable endeavours, unable to provide, shall be referred to as the “**Initial Dataset**”.

17.2 The Secretary of State may require:

- (a) the Franchisee to implement the Environmental Data Implementation Plan in whole or in part; and/or
- (b) the Franchisee to take such other actions as, in the reasonable opinion of the Secretary of State, would enable the Franchisee to provide any item of Excluded Data,

following which the relevant item of Excluded Data will form part of the Initial Dataset.

17.3 Where the Franchisee is:

- (a) undertaking works, whether at a station or depot or in respect of rolling stock;
- (b) procuring rolling stock; or
- (c) taking any other action which could enable the Franchisee to provide any items of Excluded Data in a cost effective manner,

the Franchisee will use reasonable endeavours to do so in a manner which would enable the Franchisee to provide any relevant item of Excluded Data (and any item of Excluded Data which the Franchisee becomes able to provide as a result will, with effect from the date on which the Franchisee becomes able to provide the same, form part of the Initial Dataset).

17.4 With effect from the Start Date, unless not reasonably practicable in which case with effect from the date which is 3 months after the Start Date, the Franchisee shall measure and collect that data included on the Initial Dataset so as to allow the Secretary of State and the Franchisee to understand the current environmental performance of the Franchise and any potential for improvement in terms of environmental impact.

17.5 The Franchisee may, in its discretion, measure and collect additional data provided that the minimum required Initial Dataset is adhered to and the Franchisee will co-operate with the Secretary of State to seek to identify improvements in the efficiency and/or cost effectiveness of the collection of the data in the Dataset.

17.6 The Franchisee shall ensure that the form of measurement of the Initial Dataset enables it to report a consolidated periodic or annual usage figure to the Secretary of State as specified for each measure in Appendix 1 to Schedule 13.

17.7 The Franchisee shall submit to the Secretary of State a report setting out the result of the data collection required by this paragraph 17 within three months following the end of each Franchisee Year.

17.8 The Franchisee shall procure a suitably qualified independent body (such independent body to be appointed only with the prior written approval of the Secretary of State) to undertake an annual independent audit of the data provided and the collection methodology in respect of each Franchisee Year.

17.9 The Franchisee shall procure that the independent audit report contains:

- (a) a retrospective assessment (covering the Franchisee Year to which the audit relates) of the Franchisee's data collection methodology and level of data granularity carried out in accordance with this paragraph 17;
- (b) a verification of the accuracy of past data submissions made in accordance with paragraph 17.7 above; and



- (c) an assessment of the Franchisee's proposed data collection methodology and level of data granularity for the following Franchisee Year's data collection.

In each case where the independent audit report states that there are errors or concerns with any of the items described in paragraphs 17.9(a) to 17.9(c) above, the Franchisee shall procure that the independent auditor specifies whether these are material or minor errors or concerns.

- 17.10 The Franchisee shall submit a copy of the independent audit report covering the relevant Franchisee Year to the Secretary of State at the same time as the report is submitted in accordance with paragraph 17.7 above.
- 17.11 Where the independent audit report highlights errors or concerns with any of the items described in paragraphs 17.9(a) to 17.9(c) above, the Franchisee shall:
- (a) in the case of minor errors within past data which are capable of rectification without significant resource or significant expenditure, rectify those flaws and resubmit the relevant report to the Secretary of State as soon as reasonably practicable following submission of the independent audit report so that there is a complete and accurate record of the data in question;
- (b) in the case of material errors within past data which are capable of rectification, rectify those flaws and resubmit the relevant report to the Secretary of State as soon as reasonably practicable following submission of the independent audit report so that there is a complete and accurate record of the data in question; and
- (c) in the case of concerns in relation to the Franchisee's proposed data collection methodology and level of data granularity for the forthcoming Franchisee Year's data collection, make such changes to that proposed methodology so as to address those concerns.

### **Environmental Impact Improvement Targets**

- 17.12 The following targets shall apply for the purpose of this paragraph 17. For the purpose of paragraphs 17.1 and 17.4, the data required in order to measure the Franchisee's performance against these targets is acknowledged to be data which it is reasonable for the Franchisee to measure and collect from the Start Date:
- (a) Traction carbon emissions: the target is a reduction of 30% in kg CO<sub>2</sub>e per vehicle km against the 2014 baseline figure of 1.39 kg CO<sub>2</sub>e per vehicle km over the Franchise Term, such reduction to be achieved in accordance with the annual trajectory set out in the Sustainable Development Plan agreed or determined in accordance with paragraph 18.3 (Sustainability), which will contain a target for each Franchisee Year for this purpose;
- (b) Non-traction energy use:
- (i) target for the first Franchisee Year being a reduction in kilowatt hours (kWh) of 2.5% against the 2014 baseline figure of 7,478,626 kWh; and
- (ii) the target for each subsequent Franchisee Year being a further reduction in kilowatt hours (kWh) of 4.75% against the baseline figure of 7,478,626 kWh;
- up to a total reduction of 31% in kilowatt hours (kWh) against the 2014 baseline figure of 7,478,626 kWh over the Franchise Term;
- (c) Mains water use: a reduction in mains water use year on year, so that:-

- (iii) usage during the first Franchisee Year is less than the 2014 baseline of 42,333m<sup>3</sup>; and
- (iv) usage in each subsequent Franchisee Year is less than in the preceding Franchisee Year; and
- (d) Waste: from the end of the second Franchisee Year, the Franchisee must send zero waste to landfill and must recycle or prepare for re-use, 90% of waste (by weight) per Franchisee Year.

### **Performance against environmental impact improvement targets and remedial actions**

- 17.13 For each Franchisee Year the Secretary of State shall determine the Franchisee's performance against each target in paragraph 17.12 by comparing:
- (a) **for traction carbon emissions:** the Franchisee's performance (as submitted to the Secretary of State pursuant to paragraph 17.7 or (where it applies) paragraph 17.11) against the target for the relevant Franchisee Year, in accordance with the annual trajectory specified in the Sustainable Development Plan;
  - (b) **for both non-traction energy use and mains water use:** the Franchisee's performance (as submitted to the Secretary of State pursuant to paragraph 17.7 or (where it applies) paragraph 17.11) against the annual targets set out in paragraphs 17.12(b) and (c); and
  - (c) **for waste:** the Franchisee's performance (as submitted to the Secretary of State pursuant to paragraph 17.7 or (where it applies) paragraph 17.11) against the target set out in paragraph 17.12(d).
- 17.14 For the purposes of undertaking the comparison pursuant to paragraph 17.13, the results referred to in paragraphs 17.13(a), 17.13(b) or 17.13(c) (as the case may be) shall be rounded up to one decimal place with the midpoint (that is, 4.45) rounded upwards (that is, 4.5).
- 17.15 As soon as reasonably practicable following the Start Date, the Franchisee must produce an implementation plan which, in the opinion of the Secretary of State, is capable of achieving each target in paragraph 17.12 until the end of the Franchise Term. This includes, for the purpose of paragraph 17.13(a) the Franchisee Year targets provided for in the annual trajectory contained in the Sustainable Development Plan. The Franchisee shall use all reasonable endeavours to implement that plan.
- 17.16 In the event that a target set out in paragraph 17.12 is not met in any Franchisee Year, the Franchisee must as soon as reasonably practicable produce a revised implementation plan, which, in the reasonable opinion of the Secretary of State, is capable of achieving the targets. The Franchisee shall use all reasonable endeavours to implement that plan.
- 17.17 Without limiting paragraph 17.17, the Franchisee shall review its then current implementation plan and produce a revised implementation plan by the end of the fifth Franchisee Year which, in the opinion of the Secretary of State, is capable of achieving each target in paragraph 17.12 until the end of the Franchise Term. The Franchisee shall use all reasonable endeavours to implement that plan.
- 17.18 The Franchisee shall publish (in such format as the Secretary of State may reasonably require) details of its performance against the targets set out in paragraph 17.12 in widely accessible forms including, as a minimum, publishing them on its website and in each Customer Report.

## **18. Sustainability**

- 18.1 The Franchisee shall at all times comply with the Sustainable Development Strategy.

- 18.2 By no later than six months following the Start Date, the Franchisee shall consult with the Rail Safety and Standards Board, and such other Stakeholders as agreed between the Secretary of State and the Franchisee (or, in the absence of agreement, such Stakeholders as the Secretary of State shall determine) on the Initial Sustainable Development Plan in order to finalise (i) the key priority sustainable development areas specified in the Initial Sustainable Development Plan and (ii) the targets associated with such key priority sustainable development areas.
- 18.3 The Franchisee shall revise the Initial Sustainable Development Plan to reflect such consultation and the Franchisee shall propose and agree a final version of the sustainable development plan with the Rail Safety and Standards Board and the Secretary of State by not later than 12 months after the Start Date. Such agreed plan shall be the Sustainable Development Plan for the purposes of the Franchise Agreement, provided that in the absence of agreement between the parties the Sustainable Development Plan shall be the plan determined by the Secretary of State (acting reasonably).
- 18.4 The Franchisee shall 1 year after the Sustainable Development Plan is agreed in accordance with paragraph 18.3 above, and annually thereafter, provide to the Secretary of State a report showing:
- (a) progress against the targets in key priority sustainable development areas;
  - (b) progress on development of staff to ensure they have the skills and knowledge required to deliver a sustainable franchise;
  - (c) proposed revisions to the Sustainable Development Plan (such revisions to include those revisions reflecting feedback and advice from stakeholders, and which have been consulted on with Rail Safety and Standards Board).
- 18.5 Subject to the Secretary of State consenting to such amendments to the Sustainable Development Plan, such revised Sustainable Development Plan shall be the Sustainable Development Plan for the purposes of the Franchise Agreement.
- 18.6 On request by the Secretary of State, the Franchisee shall publish (in such form as the Secretary of State may reasonably determine):
- (a) all or any part of its Sustainable Development Strategy; and/or
  - (b) all or any of the information described in paragraphs 18.4(a), (b) and/or (c).
- 18.7 Rail Industry Sustainable Development Principles
- The Franchisee will have regard to the Rail Industry Sustainable Development Principles in the management and operation of the Franchise Services. For this purpose the Rail Industry Sustainable Development Principles are those published by Rail Safety and Standards Board in February 2009 as varied from time to time.
19. **Innovation Account**
- 19.1 The Franchisee shall:
- (a) by no later than the date falling one year after the Start Date provide to the Secretary of State its Innovation Implementation Plan in accordance with the Innovation Guidelines; and
  - (b) at all times comply with its Innovation Strategy.

**Establishment of Account**

- 19.2 Not later than seven days following the start of:
- (a) each Innovation Year the Franchisee shall deposit an amount equal to 1% of its Estimated Turnover for that Innovation Year (the "**Annual Innovation Account Contribution**") into the Innovation Account; and
  - (b) the first Innovation Year, the Franchisee shall enter into a charge with the Secretary of State on the same terms as the document in the agreed terms IAC.
- 19.3 Not later than three months after the end of a Franchisee Year falling during the Innovation Period, the Franchisee shall:
- (a) where the Annual Innovation Account Contribution for that Franchisee Year was lower than 1% of the Turnover for that Franchisee Year, deposit into the Innovation Account an amount equal to the difference between the Annual Innovation Account Contribution for that Franchisee Year and 1% of the Turnover for that Franchisee Year; or
  - (b) where the Annual Innovation Account Contribution for that Franchisee Year was higher than 1% of the Turnover for that Franchisee Year, withdraw from the Innovation Account an amount equal to the difference between the Annual Innovation Account Contribution for that Franchisee Year and 1% of the Turnover for that Franchisee Year ("**Excess Amount**") but subject to the Franchisee first having reimbursed to the Secretary of State an amount equal to the Excess Amount. Unless otherwise agreed by the parties any such reimbursement shall be made, by way of adjustment to Franchise Payments, on the first Payment Date falling no less than seven days after the date that is 3 months after the end of the relevant Franchisee Year.
- 19.4 Not used
- 19.5 The Innovation Account shall be an interest bearing account.

**Proposals during the Innovation Period**

- 19.6 At any time during the Innovation Period, the Franchisee may make proposals to the Innovation Board in relation to initiatives, works or proposals to implement any aspect of its Innovation Implementation Plan or any other initiatives, works or proposals which fall within the aims specified in the Innovation Guidelines (each an "**Innovation Scheme**").
- 19.7 In relation to each Innovation Scheme proposed by the Franchisee pursuant to 19.6, the Franchisee shall provide to the Innovation Board (with a copy to the Secretary of State):
- (a) details of the new ideas that the Innovation Scheme will exploit and how such Innovation Scheme will be new to the company, organisation, industry or sector and whether it applies to products, services, business processes, models, marketing or enabling technologies and demonstrate how the Innovation Scheme falls within the aims specified in the Innovation Guidelines; and
  - (b) details of how the Innovation Scheme will be implemented, in sufficient detail to allow the Innovation Board to evaluate the same, including:
    - (i) a timetable for the implementation of that Innovation Scheme, setting out the proposed commencement and completion date of such Innovation Scheme and other key dates and Innovation Milestones; and
    - (ii) details of the Projected Innovation Cost and the proposed milestone upon satisfaction of which withdrawals from the Innovation Account would be required; and

- (c) such other information as may be required to enable the Innovation Board to review an Innovation Scheme in accordance with the Innovation Guidelines.
- 19.8 The Franchisee shall provide the Innovation Board and/or the Secretary of State with;
- (a) details of all Background Intellectual Property and the proposed use of the Background Intellectual Property in connection with any Innovation Scheme proposed by the Franchisee pursuant to paragraph 19.6; and
  - (b) such further information in relation to any Innovation Scheme proposed by the Franchisee pursuant to paragraph 19.6 as the Innovation Board and/or the Secretary of State may reasonably require.
- 19.9 The Franchisee grants (and shall procure that each of its Collaborators grants) to the Secretary of State an irrevocable, royalty-free, perpetual, transferable, worldwide, non-exclusive licence (including the right to grant sub-licences) to use or otherwise exploit the Background Intellectual Property referred to in paragraph 19.8(a) for the purpose of exploiting the Innovation Intellectual Property.
- 19.10 In calculating the Projected Innovation Cost (and the Actual Innovation Cost), the Franchisee shall not include the cost of any management time or employee time, save to the extent that additional personnel are employed or to be employed by the Franchisee solely in connection with the implementation of the Innovation Scheme.
- 19.11 An Innovation Scheme proposed by the Franchisee pursuant to paragraph 19.6 shall not be an Approved Innovation Scheme until:
- (a) the Innovation Board has notified the Secretary of State in writing that:
    - (i) the Innovation Scheme meets the requirements of the Innovation Guidelines; and
    - (ii) it approves the Innovation Scheme, subject to the further approval of the Secretary of State; and
  - (b) the Secretary of State has notified the Franchisee in writing that the Franchisee may implement the Innovation Scheme. Without limitation, the Secretary of State may withhold its approval to any Proposed Innovation Scheme:
    - (i) which has not been identified in the Innovation Implementation Plan;
    - (ii) which does not, in the Secretary of State's opinion, exploit new ideas and/or is not new to the company, organisation, industry or sector;
    - (iii) where the Projected Innovation Cost for the Proposed Innovation Scheme, when considered in aggregate with (i) the Projected Innovation Cost (where the Actual Innovation Cost for an Approved Innovation Scheme is not known at the relevant time) and/or (ii) the Actual Innovation Cost, in each case for any other Approved Innovation Schemes would be greater than the Account Balance at the relevant time or the projected Account Balance at the time when a withdrawal from the Innovation Account would be required;
    - (iv) in relation to which the Secretary of State believes the Projected Innovation Cost to be too high or disproportionate to the benefits accruing from the Innovation Scheme;
    - (v) which the Franchisee is otherwise funded to undertake; and/or

- (vi) which in the opinion of the Secretary of State, amounts to actions or steps which the Franchisee is otherwise obliged to take or which any competent train operator would other than for the requirement to innovate in this Schedule 13 take in relation to the operation of the Franchise.

19.12 Approved Innovation Schemes shall be included as Committed Obligations in Schedule 6.1 (Committed Obligations and Related Provisions).

#### **Withdrawals from the Innovation Account**

19.13 The Franchisee may only withdraw amounts from the Innovation Account in the following circumstances:

- (a) on the achievement of milestones agreed with the Secretary of State in respect of any Approved Innovation Scheme and for the amounts agreed with the Secretary of State, and following the provision of evidence satisfactory to the Secretary of State that such milestones shall have been satisfied;
- (b) to transfer the Innovation Period Underspend to the Secretary of State as may be required pursuant to paragraph 19.22;
- (c) at the request of the Secretary of State and in the amount and to the account directed by the Secretary of State in order to pay costs to a third party group providing advisory, project management and/or administration services in respect of the matters described in this paragraph 19 to the Secretary of State and/or the Innovation Board, provided that such costs, in relation to any Innovation Year, shall not exceed an amount equal to 3% of the Annual Innovation Account Contribution in respect of that Innovation Year; or
- (d) following receipt of confirmation from the Secretary of State, to recover any Excess Amount reimbursed to the Secretary of State pursuant to paragraph 19.3(b).

#### **Intellectual Property**

19.14 All Innovation Intellectual Property shall be owned by the Franchisee or its Collaborators.

19.15 The Franchisee grants (and shall procure that each of its Collaborators grants) to the Secretary of State an irrevocable, royalty-free, perpetual, transferable, worldwide, non-exclusive licence (including the right to grant sub-licences) to use or otherwise exploit the Innovation Intellectual Property for any purpose.

19.16 The Franchisee shall:

- (a) maintain an accurate and up to date register of all Innovation Intellectual Property in such format as the Secretary of State may reasonably specify and shall provide copies of such register to the Secretary of State and the Innovation Board upon request and at least annually in any event; and
- (b) upon request and at the Franchisee's cost, provide assistance to the Secretary of State in relation to the protection, enforcement and defence of the Innovation Intellectual Property including the taking of any steps on behalf of the Secretary of State which the Secretary of State may specify.

19.16A Notwithstanding the scope of the licences granted to the Secretary of State in paragraphs 19.9 and 19.15, the Secretary of State may accept a lesser licence where the Innovation Board recommends that to the Secretary of State in respect of a specific Innovation Scheme or generally from time to time. As a minimum, the Secretary of State would require that:

- (a) the licences granted to the Secretary of State in respect of the Background Intellectual Property and the Innovation Intellectual Property extend to all the

Background Intellectual Property and the Innovation Intellectual Property, be irrevocable, royalty-free, perpetual, transferable, non-exclusive licence (including the right to grant sub-licences) but only for the purposes of allowing use by persons within the United Kingdom rail industry. The Secretary of State would only exercise his right to grant such a sub-licence to a person where the owners of the Background Intellectual Property and the Innovation Intellectual Property have failed to grant a fair, reasonable and non-discriminatory licence to that person for use within the United Kingdom rail industry; and

- (b) the owners of the Background Intellectual Property and the Innovation Intellectual Property shall grant Licences for Permitted Use and the Secretary of State shall have the additional right to grant an irrevocable, royalty-free, perpetual, transferable, non-exclusive licence (including the right to grant sub-licences) in order to grant a Licence for Permitted Use in so far as the owners of the Background Intellectual Property and the Innovation Intellectual Property have failed to grant fair, reasonable and non-discriminatory Licences for Permitted Use.

#### **Innovation Scheme Underspend**

- 19.17 Within 30 days of completion of each Approved Innovation Scheme, the Franchisee shall notify the Secretary of State of the Actual Innovation Cost.
- 19.18 Where, in respect of any Approved Innovation Scheme, withdrawals have been made from the Innovation Account based on the Projected Innovation Cost, any Innovation Scheme Underspend shall be deposited in the Innovation Account within 30 days of the Actual Innovation Cost being calculated and the Franchisee shall, on request by a Secretary of State provide such information as may be required to demonstrate that amounts withdrawn from the Innovation Account have been spent on the Approved Innovation Scheme.
- 19.19 In respect of each Innovation Year, at the end of that Innovation Year, the Secretary of State shall calculate the Indexation Sum and the Franchisee shall deposit such sum into the Innovation Account within 30 days.

#### **Overspend**

- 19.20 If the Actual Innovation Cost incurred by the Franchisee in relation to any Approved Innovation Scheme exceeds the Projected Innovation Cost notified to the Secretary of State pursuant to paragraph 19.7(b)(ii), the Franchisee shall not be entitled to withdraw such excess from the Innovation Account.

#### **Report**

- 19.21 Not later than three months after the end of each Innovation Year, the Franchisee shall:
- (a) submit a report to the Secretary of State which shall set out in respect of each Approved Innovation Scheme:
- (i) all withdrawals from the Innovation Account made during each completed Innovation Year in relation to such Approved Innovation Scheme;
  - (ii) all anticipated withdrawals from the Innovation Account to be made in future years in respect of such Approved Innovation Scheme;
  - (iii) where an Approved Innovation Scheme was completed, the Actual Innovation Cost for such Approved Innovation Scheme and any Innovation Scheme Underspend; and
  - (iv) confirm the level of any Innovation Year Underspend, together with any other information which the Secretary of State may

reasonably require in respect of any Approved Innovation Scheme and/or the Innovation Account.

### **Innovation Period Underspend**

- 19.22 If at the end of the Innovation Period, subject to paragraph 19.23 there is an amount remaining in the Innovation Account which has not been committed to an Approved Innovation Scheme (the "**Innovation Period Underspend**"), the Secretary of State may require the Franchisee to pay all or part of the Innovation Period Underspend to the Secretary of State.

### **Extension**

- 19.23 The Secretary of State, may, prior to 31 March 2019, extend the Innovation Period by notice in writing to the Franchisee and the definitions of "Innovation Period" and "Innovation" shall be construed accordingly and any such extension shall be a Change.

## **20. Publication of data**

### **Performance Data**

- 20.1 The Franchisee shall in accordance with paragraph 20.2 (and in such format as the Secretary of State may reasonably require) publish on the Franchisee's web site in relation to each Reporting Period during the Franchise Term the performance of the Franchisee by reference to:

- (a) the Short Formations Figures;
- (b) the Cancellations Figures;
- (c) PPM Figures;
- (d) Right Time Figures; and
- (e) CaSL Figures.

Such data shall be published by the Franchisee within 10 Weekdays of it becoming available to the Franchisee.

- 20.2 The Franchisee shall ensure that the data published by it pursuant to paragraph 20.1 shall in each case:

- (a) be shown in relation to all Passenger Services and also disaggregated by reference to Service Groups;
- (b) include details of:
  - (i) the number of Passenger Services operated by the Franchisee during each relevant Reporting Period which are late in arriving at their final scheduled destination in the Plan of the Day:
    - (A) by between thirty minutes and fifty nine minutes;
    - (B) by between sixty minutes and one hundred and nineteen minutes; and
    - (C) by one hundred and twenty minutes or more,

and the percentage that each such category of delayed Passenger Services represents of the total number of Passenger Services



scheduled to be provided in the Plan of the Day during such Reporting Period;

- (ii) the number of Passenger Services formed with fewer vehicles than specified in the Train Plan during such Reporting Period and the percentage that this represents of all Passenger Services scheduled to be operated in that Reporting Period.

20.3 As part of each Customer Report to be provided by the Franchisee pursuant to paragraph 3.2 of Schedule 7.2, the Franchisee shall publish (in such format as the Secretary of State may reasonably require):

- (a) the mean average of the statistics required to be published pursuant to paragraph 20.1 in relation to each of the Short Formations Figures, Cancellations Figures, PPM Figures, Right Time Figures and CaSL Figures for the Reporting Periods that have elapsed since the last Reporting Period reported on in the previous Customer Report or, in the case of the first Customer Report, since the Start Date;
- (b) from the third Customer Report onwards a summary comparison of the mean average of the statistics provided pursuant to paragraph 20.3(a) as against the equivalent mean average statistics provided for the same Reporting Periods in the previous Franchisee Year;
- (c) an update on the key activities undertaken by the Franchisee to improve its performance in relation to achieving and exceeding its targets in relation to the Cancellations Figures, PPM Figures, Right Time Figures and CaSL Figures and minimising the number of Passenger Services recorded in the Short Formations Figures during the period referred to in paragraph 20.3(a); and
- (d) a summary of the key activities planned to be undertaken by the Franchisee in the period in relation to which the next Customer Report will report to improve its performance in relation to achieving its targets in relation to and exceeding the Cancellations Figures, PPM Figures, Right Time Figures and CaSL Figures and minimising the number of Passenger Services recorded in the Short Formations Figures.

#### **Complaints and Faults Handling Data**

20.4 As part of each Customer Report to be provided by the Franchisee pursuant to paragraph 3.2 of Schedule 7.2, the Franchisee shall publish (in such format as the Secretary of State may reasonably require) in relation to the Reporting Periods that have elapsed since the last Reporting Period reported on in the previous Customer Report or, in the case of the first Customer Report, since the Start Date:

- (a) a summary of the data published by the ORR from time to time in relation to the handling of passenger complaints regarding the Franchisee's operation of the Passenger Services;
- (b) details of the number of faults notified to the Franchisee by passengers or station users through specified channels including the website of the Franchisee (each a "**Notified Fault**") in each case identifying the total numbers of Notified Faults (by reference to whether such Notified Faults relate to rolling stock or stations), with such numbers further disaggregated by Service Group and broken down into relevant sub-categories of Notified Fault;
- (c) the mean average time taken by the Franchisee:
  - (i) to resolve Notified Faults; and

- (ii) where Notified Faults are not resolved within 20 Weekdays, to provide feedback to applicable passengers and/or station users on its progress in seeking resolution of such Notified Faults; and
- (d) from the third Customer Report onwards a summary comparison of:
  - (i) the mean average number of Notified Faults notified to the Franchisee;
  - (ii) the mean average time taken by the Franchisee to resolve Notified Faults; and
  - (iii) the mean average time taken by the Franchisee, where Notified Faults have not been resolved within 20 Weekdays, to provide feedback to applicable passengers and/or station users on its progress in seeking resolution of such Notified Faults,

in each case in comparison with the relevant equivalent mean average statistics provided for the same Reporting Periods in the previous Franchisee Year.

### Customer Service and Satisfaction Data

20.5 As part of each Customer Report to be provided by the Franchisee pursuant to paragraph 3.2 of Schedule 7.2, the Franchisee shall publish (in such format as the Secretary of State may reasonably require) details of the Franchisee's:

- (a) level of adherence to scheduled ticket office opening hours at Stations (so that the Customer Report shows, as a percentage, the proportion of scheduled ticket office opening hours not delivered aggregated across all ticket offices at all Stations); and
- (b) performance by reference to such benchmarks as may be agreed between the Franchisee and the ORR as part of the Franchisee's Disabled People's Protection Policy in respect of the Passenger Assistance service operated by the Franchisee,

in each case in relation to the Reporting Periods that have elapsed since the last Reporting Period reported on in the previous Customer Report or, in the case of the first Customer Report, since the Start Date, along with (from the third Customer Report onwards) a comparison with the relevant statistics or results (as applicable) provided for the same Reporting Periods in the previous Franchisee Year.

20.6 Within 20 Weekdays of the publication of each National Rail Passenger Survey carried out by the Passengers' Council during the Franchise Term, the Franchisee shall publish on its web site (in such format as the Secretary of State may reasonably require) details of:

- (a) the scores achieved by the Franchisee in such National Rail Passenger Survey in respect of each NRPS Measure; and
- (b) the scores achieved by the Franchisee in such National Rail Passenger Survey in respect of passengers' "overall satisfaction".

20.7 The Franchisee shall ensure that the NRPS scores published by it pursuant to paragraph 20.6 are also recorded in the subsequent Customer Report which relates to the Reporting Periods during which the applicable NRPS scores were achieved, along with:

- (a) from the third Customer Report onwards, a comparison with the NRPS scores achieved for the same Reporting Periods in the previous Franchisee Year accompanied by a supporting narrative describing the outcomes and implications of the results of such comparison exercise;

- (b) a comparison against the applicable NRPS Benchmarks for the Reporting Periods in question accompanied by a supporting narrative describing the outcomes and implications of the results of such comparison exercise;
- (c) details of any remedial work either:
  - (i) planned by the Franchisee to occur in the period in relation to which the next Customer Report will report to improve the Franchisee's performance in relation to achieving and exceeding the NRPS Benchmarks (for instance, the planned application of Additional Expenditure); or
  - (ii) undertaken by the Franchisee during the Reporting Periods that have elapsed since the last Reporting Period reported on in the previous Customer Report or, in the case of the first Customer Report, since the Start Date, for the purposes of improving the Franchisee's performance in relation to achieving and exceeding the NRPS Benchmarks (for instance, the planned application of Additional Expenditure); and
- (d) details of any other initiatives planned to be implemented by the Franchisee to improve passenger experience.

20.8 The Franchisee shall also ensure that a summary of the then current Customer Report is made available at all staffed Stations (in such format as the Secretary of State may reasonably require), and that such summary includes instructions to enable passengers to locate and obtain a full copy of the applicable Customer Report.

#### **Sustainability Performance and Environmental Impact Data**

- 20.9 In addition and without prejudice to the Franchisee's other obligations under the Franchise Agreement, including under paragraph 17.18, the Franchisee shall:
- (a) within 30 days of the end of each Reporting Period commencing from 1 April 2016 publish on its website, data relating to the Franchisee's sustainability performance and environmental impact for each such Reporting Period; and
  - (b) by no later than 1 July 2016 and every 3 months thereafter, display posters at all Stations publicising data relating to the Franchisee's sustainability performance and environmental impact. The Franchisee and the Secretary of State agree that the sustainability performance and environmental impact data to be published pursuant to this paragraph 20.9(b) shall:
    - (i) for the data to be published by 1 July 2016, relate to each Reporting Period preceding 1 July 2016; and
    - (ii) for the data to be published every 3 months thereafter relate to the three months immediately preceding the required date for publication of such data.

**APPENDIX 1 TO SCHEDULE 13****Environmental Impact Monitoring Dataset**

<b>Environmental Impact Monitoring Dataset SUBJECT (UNIT)</b>		<b>GRANULARITY</b>	<b>REGULARITY</b>
<b>TRACTION</b>	EC4T (kWh)	Breakdown per distinct fleet - metered	4-week period
	EC4T (kWh)	Breakdown per distinct fleet - unmetered	4-week period
	Gas-oil (litres)	Breakdown per distinct fleet	4-week period
<b>NONTRACTION</b>	Electricity (kWh)	Total	4-week period or monthly
	Gas (kWh)	Total	4-week period or monthly
	Gas-oil (litres)	Total	4-week period or monthly
<b>CARBON</b>	Scope 1 emissions (tonnes)	Total	Annual
	Scope 2 emissions (tonnes)	Total	Annual
	Embodied carbon in new infrastructure projects over £250,000	Total	Per project
<b>WATER</b>	Mains Water consumption (m <sup>3</sup> )	Total	Annual
	Water recycling initiatives	Narrative	Annual
<b>WASTE</b>	Waste generated (tonnes)	Total	Annual
	Waste recycled (tonnes)	Total	Annual
	Waste subject to other recovery (tonnes)	Total	Annual
	Waste to landfill (tonnes)	Total	Annual
	Hazardous waste	Total	Annual
<b>ENVIRONMENTAL MANAGEMENT SYSTEM</b>	Enforcement/information Notices	Total	Annual
	Environmental fines or prosecutions	Total	Annual
	Environmental incidents reported through EMS	Total	Annual
	Environmental training records % personnel briefed/trained	Total	Annual

**APPENDIX 2 TO SCHEDULE 13****Key Assets****1. Information About Assets Used In The Franchise**

The Franchisee shall at all times during the Franchise Term maintain (and shall provide copies to the Secretary of State when requested to do so from time to time) records covering the following information:

- (a) for each Primary Franchise Asset or other asset which is the subject of, or operated under, a Key Contract:
  - (i) the progress and completion of all work described in the maintenance schedules and manuals;
  - (ii) all operating manuals (including any safety related regulations); and
  - (iii) all permits, licences, certificates or other documents required to operate such asset; and
- (b) a printed or electronic list of all assets owned by the Franchisee from time to time (excluding, unless otherwise requested by the Secretary of State, any office furniture and consumable items).

**APPENDIX 3 TO SCHEDULE 13**

**Operational Information**

**1. Information about the Performance of the Franchisee**

1.1 The Franchisee shall at all times during the Franchise Term maintain records in relation to its operational performance under the Franchise Agreement, covering the areas and the information described in this Appendix 3. Such information shall include details as to whether or not any curtailment, diversion, delay or failure to attain any connection is attributable, in the Franchisee's opinion, to either a Force Majeure Event or the implementation of a Service Recovery Plan.

1.2 The Franchisee shall, subject to paragraph 1.3, provide to the Secretary of State the information set out in the following tables at the frequency specified in the column of each such table headed "When information to be provided".

1.3 When so requested by the Secretary of State, the Franchisee shall, within such reasonable period as the Secretary of State may specify, make such information available for review by the Secretary of State by reference to:

- (a) such level of disaggregation (including by Route or Service Group) as is reasonably specified by the Secretary of State; and
- (b) any particular day, week or other longer period as is reasonably specified by the Secretary of State.

1.4 The following key shall apply to the table in this Appendix 3:

- A = Information to be provided on or before any Passenger Change Date;
- B = Information to be provided for every Reporting Period within 17 days of the last day of each Reporting Period; and
- C = Information to be provided annually within 10 days of the last day of each Franchisee Year.

**Table 1 Operational Information**

<b>Information to be provided</b>	<b>Information (format)</b>	<b>When information to be provided</b>
<b>Number of Passenger Services</b>		
Number of Passenger Services in the Timetable	[number]	B
Number of Passenger Services in the Enforcement Plan of the Day	[number]	B
<b>Number of Cancellations and Partial Cancellations</b>		
Number of Passenger Services in the Enforcement Plan of the Day which were the subject of a Cancellation	[number]	B
Number of Passenger Services in the Enforcement Plan of the Day which were the subject of a Partial Cancellation	[number]	B

Information to be provided	Information (format)	When information to be provided
Number of Passenger Services in the Enforcement Plan of the Day which were the subject of a Cancellation attributable to the Franchisee's implementation of a Service Recovery Plan	[number]	B
Number of Passenger Services in the Enforcement Plan of the Day which were the subject of a Partial Cancellation attributable to the Franchisee's implementation of a Service Recovery Plan	[number]	B
Number of Passenger Services in the Enforcement Plan of the Day which were the subject of a Network Rail Cancellation	[number]	B
Number of Passenger Services in the Enforcement Plan of the Day which were the subject of a Network Rail Partial Cancellation	[number]	B
Number of Passenger Services in the Enforcement Plan of the Day which were the subject of a Disputed Cancellation	[number]	B
Number of Passenger Services in the Enforcement Plan of the Day which were the subject of a Disputed Partial Cancellation	[number]	B
Number of Disputed Cancellations and Disputed Partial Cancellations for the 12 preceding Reporting Periods for which the attribution remains in dispute between Network Rail and the Franchisee	[number]	B
Number of Disputed Cancellations and Disputed Partial Cancellations from the 12 preceding Reporting Periods for which disputed attribution has been resolved or determined since the Franchisee's previous report pursuant to paragraph 2.1 of Schedule 7.1 (Performance Benchmarks) including whether each relevant Disputed Cancellation and/or Disputed Partial Cancellation was attributed to Network Rail or to the Franchisee	[number]	B
<p>Where there is a difference between the Timetable and the Plan of the Day on any day the following:</p> <p>(a) the fact of such difference (together with an annotation showing whether the difference was initiated by Network Rail or the Franchisee); and</p> <p>(b) the number of:</p> <p>(i) Passenger Services affected; and</p> <p>(ii) Cancellations or Partial Cancellations which would have arisen if the Timetable on that day had been the same as the Plan of the Day</p>	[number]	B

Information to be provided	Information (format)	When information to be provided
<p>Where there is a difference between the Plan of the Day and the Enforcement Plan of the Day on any day:</p> <ul style="list-style-type: none"> <li>(a) the fact of such difference;</li> <li>(b) the number of:                             <ul style="list-style-type: none"> <li>(i) Passenger Services affected; and</li> <li>(ii) Cancellations or Partial Cancellations which would have arisen if the Plan of the Day had been the same as the Enforcement Plan of the Day</li> </ul> </li> </ul>	[number]	B
<p>Number of Passenger Services in the Enforcement Plan of the Day which were the subject of a cancellation and which satisfied the conditions of the term Cancellation, except that such cancellations occurred for reasons attributable to the occurrence of a Force Majeure Event</p>	[number]	B
<p>Number of Passenger Services in the Enforcement Plan of the Day which were the subject of a partial cancellation and which satisfied the conditions of the term Partial Cancellation, except that such partial cancellations occurred for reasons attributable to the occurrence of a Force Majeure Event</p>	[number]	B
<b>Short Formation</b>		
<p>Number of Short Formation Passenger Services that have less than the required Passenger Carrying Capacity specified in the Train Plan</p>	[number]	B
<p>Number of Short Formation Passenger Services that have less than the required Passenger Carrying Capacity specified in the Train Plan attributable to the Franchisee's implementation of a Service Recovery Plan</p>	[number]	B
<p>Number of Short Formation Passenger Services that have less than the required Passenger Carrying Capacity specified in the Train Plan attributable to the occurrence of a Force Majeure Event</p>	[number]	B
<b>Minutes Delay and Punctuality</b>		
<p>Number of Minutes Delay attributable to the Franchisee</p>	[minutes]	B
<p>Number of Minutes Delay attributable to Network Rail</p>	[minutes]	B
<p>Number of Minutes Delay attributable to any other Train Operator</p>	[minutes]	B
<p>Number of Minutes Delay for such Reporting Period for which the attribution is in dispute between Network Rail and the Franchisee</p>	[minutes]	B



<b>Information to be provided</b>	<b>Information (format)</b>	<b>When information to be provided</b>
Number of Minutes Delay for the 12 preceding Reporting Periods for which the attribution remains in dispute between Network Rail and the Franchisee	[minutes]	B
Number of Minutes Delay from the 12 preceding Reporting Periods for which disputed attribution has been resolved or determined since the Franchisee's previous report pursuant to paragraph 2.9 of Schedule 7.1 (Performance Benchmarks) and the number of such Minutes Delay attributed to each of the Franchisee and Network Rail as a result of such resolution or determination	[minutes]	B
Number of Minutes Delay attributed to the occurrence of a Force Majeure Event	[minutes]	B
<b>Train Mileage</b>		
Aggregate Train Mileage scheduled in the Timetable	[mileage]	A
Aggregate Train Mileage operated	[mileage]	B
Year to Date Loaded Train Miles	[mileage]	B

**APPENDIX 4 TO SCHEDULE 13****Estimated Turnover**

<b>Innovation Year</b>	<b>Estimated Turnover<sup>80</sup></b>
Franchisee Year 2	
Franchisee Year 3	
Franchisee Year 4	

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<sup>80</sup> Date of redaction 16/06/2016 - where text has been omitted from the document, this is because the Director General Rail or Secretary of State has decided to exclude the text in accordance with the provisions within the Freedom of Information Act 2000.

**SCHEDULE 0**

**Preservation of Assets**

- Schedule 14.1: Maintenance of Franchise**
- Schedule 14.2: Maintenance of Operating Assets**
- Schedule 14.3: Key Contracts**
  - Appendix: List of Key Contracts**
- Schedule 14.4: Designation of Franchise Assets**
  - Appendix: List of Primary Franchise Assets**
- Schedule 14.5: Dealings with Franchise Assets**

**SCHEDULE 14.1****Maintenance of Franchise****Maintenance as a going concern**

1. The Franchisee shall maintain and manage the business of providing the Franchise Services so that, to the greatest extent possible and practicable:
  - (a) the Franchisee is able to perform its obligations under the Franchise Agreement; and
  - (b) a Successor Operator would be able to take over the business of providing the Franchise Services immediately at any time.
2. The Franchisee's obligation under paragraph 1 shall include an obligation to ensure that any computer and information technology systems of the Franchisee shared in whole or in part with Affiliates or third parties can be operated by a Successor Operator as a stand alone system without continued reliance on such Affiliates or other third parties immediately from the date of termination of the Franchise Agreement without any reduction in functionality or any increase in maintenance or support costs to the Successor Operator (this obligation being without prejudice to any requirement for the Franchisee to obtain consent to such arrangements relating to sharing computer and information technology systems from the Secretary of State).
3. The Franchisee shall use all reasonable endeavours to ensure that such Successor Operator would have immediate access to all Franchise Employees and Primary Franchise Assets for such purpose.
4. The Franchisee shall maintain and manage the business of providing the Franchise Services on the basis that such business will be transferred, in the manner contemplated under the Franchise Agreement, as a going concern at the end of the Franchise Period to, and continued immediately thereafter by, a Successor Operator.
5. The Franchisee shall use all reasonable endeavours to ensure that an appropriate number of employees (having sufficient skills, qualifications and experience) will transfer by operation of Law to any Successor Operator following the expiry of the Franchise Period and in so doing shall plan for the recruitment and training of Franchise Employees to continue up until the end of the Franchise Term.
6. The Franchisee shall comply with all reasonable requirements of the Secretary of State to obtain or maintain the property and rights that a Successor Operator would require, or that it would be convenient for it to have, on the basis that the same will transfer by operation of Law to any Successor Operator following the expiry of the Franchise Period.

**Post-Franchise timetables**

7. Both prior to and following the selection of a Successor Operator (whether a franchisee or otherwise and whether or not subject to the satisfaction of any conditions), the Franchisee shall:
  - (a) co-operate with, where a Successor Operator has been appointed, that Successor Operator, or where not, the Secretary of State; and
  - (b) take such steps as may reasonably be requested by the Secretary of State,so as to ensure the continuity of, and orderly handover of control over of the Franchise Services.

8. The steps that the Secretary of State may reasonably request the Franchisee to take pursuant to paragraph 7 include:
- (a) participating in any timetable development process that takes place during the Franchise Period, but which relates to any timetable period applying wholly or partly after the expiry of the Franchise Term ("**Successor Operator Timetable**"), including bidding for and securing any Successor Operator Timetable, whether or not:
    - (i) the Successor Operator has been identified; or
    - (ii) there is in place an Access Agreement relating to the period over which that Successor Operator Timetable is intended to be operated;
  - (b) using reasonable endeavours to seek amendments to and/or extensions of Access Agreements which can be transferred to the Successor Operator on expiry of the Franchise Period;
  - (c) assisting the Secretary of State or the Successor Operator (as the case may be) in the preparation and negotiation of any new Access Agreement relating to any Successor Operator Timetable; and/or
  - (d) entering into that Access Agreement in order to secure the relevant priority bidding rights required by the Successor Operator to operate that Successor Operator Timetable, provided that the Franchisee shall not be required to enter into any such Access Agreement unless the Secretary of State has first provided to it confirmation in writing that he will include that Access Agreement in any Transfer Scheme pursuant to paragraph 3.1 of Schedule 15.4 (Provisions Applying on and after Termination).

**SCHEDULE 14.2****Maintenance of Operating Assets****1. Operating Assets**

- 1.1 The Franchisee shall maintain, protect and preserve the assets (including any Intellectual Property Rights or intangible assets) employed in the performance of its obligations under the Franchise Agreement (the "**Operating Assets**") in good standing or good working order, subject to fair wear and tear.
- 1.2 The Franchisee shall carry out its obligations under paragraph 1.1 so that the Operating Assets may be transferred at the end of the Franchise Period to a Successor Operator and used by such Successor Operator in the provision or operation of similar services to the Franchise Services.
- 1.3 Where any Operating Asset is lost, destroyed or otherwise beyond repair, the Franchisee shall replace the Operating Asset with property, rights or liabilities in modern equivalent form to the Operating Asset to be replaced. The Franchisee shall at all times maintain an appropriate volume of Spares, and/or an appropriate level of access to Spares from a third party, to enable it to perform its obligations under the Franchise Agreement.
- 1.4 The Secretary of State may at any time require the Franchisee to provide to the Secretary of State a schedule specifying the condition of any asset or class of assets that he specifies for this purpose. Such schedule shall cover such aspects of asset condition as the Secretary of State may reasonably require. If the parties are unable to agree the content of such schedule of condition, either party may refer the dispute for resolution in accordance with the Dispute Resolution Rules. Until such dispute is resolved, the Franchisee shall comply with the Secretary of State's requirements in respect of such schedule of condition.
- 1.5 The Franchisee shall keep vested in it at all times during the Franchise Period all Franchise Assets designated as such pursuant to Schedule 14.4 (Designation of Franchise Assets) as it may require in order to comply with:
- (a) the Licences;
  - (b) any contracts of employment with Franchise Employees;
  - (c) any relevant Fares;
  - (d) any Key Contracts; and
  - (e) any applicable safety legislation regulations or safety standards and the Safety Certificate,

in order to ensure that the Secretary of State may designate such assets as Primary Franchise Assets.

**2. Brand Licences And Branding****Brand Licences**

- 2.1 The Franchisee shall comply with its obligations under each of the Brand Licences.

**Branding**

- 2.2 Subject to any applicable obligations or restrictions on the Franchisee (including the terms of the Rolling Stock Leases), the Franchisee may apply registered or unregistered trade marks (including company names, livery and other distinctive get-up) to any assets owned or used by it in the operation and provision of the Franchise Services.

- (a) Subject to paragraphs 2.2(c) and (g), the Franchisee may:
- (i) in respect of unregistered Marks, provide or procure the provision of an irrevocable undertaking to any relevant Successor Operator to the effect that neither it nor the owner of the Marks will enforce such rights as it may have or may in the future have in respect of such Marks against such Successor Operator and its successors; and
  - (ii) in respect of registered Marks, grant or procure the grant of an irrevocable licence to use such Marks to such Successor Operator and its successors.
- (b) Any such licence or undertaking under paragraph 2.2(a) shall be in such form as the Secretary of State shall reasonably require except that the terms of any such licence and, to the extent appropriate, any such undertaking shall accord with the provisions of paragraph 8.3 of Schedule 15.4 (Provisions Applying on and after Termination).
- (c) Subject to paragraph 2.2(g), to the extent that:
- (i) the Franchisee does not provide a relevant undertaking or licence in accordance with paragraph 2.2(a);
  - (ii) the Secretary of State considers the relevant Marks to be so distinctive or otherwise such that a Successor Operator could not reasonably be asked to use the relevant assets to which the Marks are applied; or
  - (iii) the Franchisee has not otherwise removed or covered such Marks in such a way as may be reasonably acceptable to the Secretary of State prior to the expiry of the Franchise Period,
- then the Franchisee shall pay to the relevant Successor Operator such amount as may be agreed between the Franchisee and such Successor Operator, as being the reasonable cost (including any Value Added Tax for which credit is not available under Sections 25 and 26 of the Value Added Tax Act 1994) of covering such Marks or otherwise removing all indications of or reference to the Marks in a manner reasonably acceptable to the Secretary of State. Such amount shall not in any event exceed the cost to the Successor Operator of replacing such Marks with its own. If the Franchisee and the relevant Successor Operator fail to agree such cost within 28 days of the expiry of the Franchise Period, the Franchisee shall submit such dispute for resolution in accordance with such dispute resolution procedures as the Secretary of State may require.
- (d) The amount to be paid to a Successor Operator under paragraph 2.2(c) may include the reasonable cost of:
- (i) removing or covering Marks from the exterior of any rolling stock vehicle;
  - (ii) removing or covering interior indications of the Marks including upholstery and carpets;
  - (iii) replacing or covering all station or other signs including bill boards; and
  - (iv) otherwise ensuring that such removal, covering or replacement is effected with all reasonable care and in such manner that the relevant assets may reasonably continue to be used by a Successor Operator in the provision of the Franchise Services.

- (e) The Franchisee shall, in addition to making a payment under paragraph 2.2(c) grant or procure the grant of a licence or undertaking complying with paragraphs 2.2(a) and (b) except that such licence shall only be for such period as may be agreed between the Franchisee and the Successor Operator as being reasonably required by the Successor Operator to remove the Marks from all relevant assets without causing excessive disruption to the operation of services similar to the Franchise Services provided by such Successor Operator. If such period cannot be agreed, the Franchisee shall submit such dispute for resolution in accordance with such dispute resolution procedures as the Secretary of State may require.
- (f) The Secretary of State shall determine at or around the end of the Franchise Period, and after consultation with the Franchisee, the maximum liability of the Franchisee under paragraph 2.2(c) and the maximum length of licence or undertaking under paragraph 2.2(e).
- (g) The provisions of paragraphs 2.2(a) to (f) shall not apply to the extent that the relevant asset is not to be used by a Successor Operator in the provision of services similar to the Franchise Services. The Secretary of State shall notify the Franchisee as soon as he becomes aware of whether or not any such asset is to be so used.

#### **Non-designation of New Brands**

- 2.3 The Secretary of State agrees not to designate as a Primary Franchise Asset any registered or unregistered trade mark which is developed by the Franchisee.



## SCHEDULE 14.3

### Key Contracts

#### 1. Key Contracts

- 1.1 The provisions of this Schedule 14.3 apply to all contracts designated as Key Contracts from time to time.
- 1.2 The Key Contracts as at the date of the Franchise Agreement are set out in the Appendix (List of Key Contracts) to this Schedule 14.3. The Franchisee shall, in respect of any category of agreement, contract, licence or other arrangement which, by virtue of the provisions of this paragraph 1.2, is a Key Contract and to which the Franchisee, as at date of the Franchisee Agreement, is not already a party:
- (a) inform the Secretary of State from time to time of any such agreement, contract, licence or other arrangement which it may be intending to enter into; and
  - (b) the provisions of paragraph 5.1 shall apply in respect of any such agreement, contract, licence or other arrangement.
- 1.3 Without prejudice to the provisions of paragraphs 2, 3 and 4 of this Schedule 14.3, the Appendix (List of Key Contracts) to this Schedule 14.3 shall be amended as considered necessary from time to time to take account of any:
- (a) designation by the Secretary of State of any actual or prospective agreement, contract, licence or other arrangement or any category of agreement, contract, licence or other arrangement, to which or under which the Franchisee is (or may become) a party or a beneficiary pursuant to paragraph 2 of this Schedule 14.3; or
  - (b) de-designation by the Secretary of State of any Key Contract pursuant to paragraph 3 of this Schedule 14.3; or
  - (c) re-designation by the Secretary of State pursuant to paragraph 4 of this Schedule 14.3.

#### 2. Designation of Key Contracts

- 2.1 Where the Secretary of State considers that it is reasonably necessary for securing the continued provision of the Franchise Services or the provision of services similar to the Franchise Services by a Successor Operator in accordance with the Franchise Agreement, he may make a designation pursuant to paragraph 2.2.
- 2.2 The Secretary of State may at any time, by serving notice on the Franchisee, designate as a Key Contract:
- (a) any actual or prospective agreement, contract, licence or other arrangement; and/or
  - (b) any category of agreement, contract, licence or other arrangement, to which or under which the Franchisee is (or may become) a party or a beneficiary,
- with effect from the date specified in such notice.
- 2.3 Key Contracts may include any agreement, contract, licence or other arrangement whether in written, oral or other form, whether formal or informal and whether with an Affiliate of the Franchisee or any other person and may include any arrangement for the storage of assets (including electronic systems or Computer Systems) or accommodation of employees.

### 3. **De-Designation of Key Contracts**

The Secretary of State may at any time, by serving a notice on the Franchisee, de-designate any Key Contract from continuing to be a Key Contract with effect from the date specified in such notice.

### 4. **Re-Designation of Key Contracts**

The Secretary of State may at any time, by serving notice on the Franchisee, re-designate as a Key Contract anything which has ceased to be designated as a Key Contract in accordance with paragraph 3 with effect from the date specified in such notice.

### 5. **Direct Agreements**

5.1 Unless the Secretary of State otherwise agrees, or unless directed to do so by the ORR, the Franchisee shall not enter into any prospective Key Contract unless the counterparty to that prospective Key Contract:

- (a) is a Train Operator; or
- (b) has entered into a Direct Agreement with the Secretary of State in respect of that prospective Key Contract, providing on a basis acceptable to the Secretary of State, amongst other things, for the continued provision of the Passenger Services and/or the continued operation of the Stations and Depots in the event of:
  - (i) breach, termination or expiry of such Key Contract;
  - (ii) termination or expiry of the Franchise Agreement; or
  - (iii) the making of a railway administration order in respect of the Franchisee.

5.2 Where the Secretary of State designates or re-designates as a Key Contract:

- (a) any agreement, contract, licence or other arrangement to which the Franchisee is already a party; or
- (b) any category of agreement, contract, licence or other arrangement where the Franchisee is already a party to a contract, licence or other arrangement which, by virtue of the Secretary of State's designation or re-designation, is classified in such category,

the Franchisee shall use all reasonable endeavours to assist the Secretary of State in entering into a Direct Agreement as envisaged by paragraph 5.1(b).

5.3 The Franchisee shall pay to the Secretary of State an amount equal to any losses, costs, liabilities, charges or expenses which may be suffered or incurred by the Secretary of State under the provisions of any Direct Agreement and which may be notified to the Franchisee as a result of, or in connection with:

- (a) any breach by the Franchisee of the terms of the Key Contract to which the relevant Direct Agreement relates; or
- (b) any unsuccessful claim being brought by the Franchisee against the counterparty of any such Key Contract in relation to the termination of such Key Contract.

### 6. **Emergencies**

Where any emergency may arise in connection with the provision and operation of the Franchise Services, the Franchisee:

- (a) may enter into on a short-term basis such contracts, licences or other arrangements as it considers necessary or appropriate to deal with the emergency;
- (b) need not procure that the relevant counterparty enters into a Direct Agreement in respect of such contracts or use all reasonable endeavours to assist the Secretary of State in entering into the same;
- (c) shall promptly inform the Secretary of State of any such emergency and contracts, licences or other arrangements which it proposes to enter into; and
- (d) shall take such action in relation to such emergency, contracts, licences or other arrangements as the Secretary of State may request.

7. **No Amendment**

The Franchisee shall not without the prior consent of the Secretary of State (which shall not be unreasonably withheld) vary, or purport to vary, the terms or conditions of any Key Contract at any time, unless directed to do so by the ORR.

8. **Replacement of Key Contracts**

The Franchisee shall, prior to the scheduled expiry date of any Key Contract (or, if earlier, such other date on which it is reasonably likely that such Key Contract will terminate), take all reasonable steps to enter into an appropriate replacement contract (whether with the counterparty to the existing Key Contract or not) and shall comply with the reasonable instructions of the Secretary of State in relation to such replacement contract.

9. **Termination of Key Contracts**

The Franchisee shall, to the extent so requested by the Secretary of State, exercise its right to terminate any Key Contract on the Expiry Date.

**APPENDIX TO SCHEDULE 14.3****List of Key Contracts**

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

1. any Access Agreement to which the Franchisee is a party other than in its capacity as a Facility Owner;
2. any Property Lease and all side agreements relating to such relevant Property Lease;
3. any Rolling Stock Related Contract including the Rolling Stock Leases listed in Table 1 and Table 2 of Schedule 1.7 (The Train Fleet);
4. any contract for the maintenance and renewal works at Stations including any:
  - 4.1 framework delivery contracts for the provision of building and civil engineering works, mechanical and electrical works at Stations; and
  - 4.2 side agreements with Network Rail relating to maintenance and renewal works at Stations;
5. 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;
6. 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));
7. 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;
8. 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;
9. any contract or arrangement for the supply of spare parts or Spares;
10. any contract or arrangement for the maintenance of track and other related infrastructure;
11. any licences of Marks to the Franchisee;
12. any licence of any CRM System or Yield Management System;
13. any contract or arrangement for the provision or lending of Computer Systems (other than the CRM System and Yield Management System) used by the Franchisee for the delivery of the Franchise Services;
14. Universal Licence Agreement dated 1 February 2004 between (1) BRB (Residuary) Limited and (2) Franchisee;
15. Sub-Licence Deed dated 1 February 2004 between (1) BRB (Residuary) Limited and (2) Franchisee; and

16. Master Software Licence dated 1 February 2004 between (1) BRB (Residuary) Limited and (2) Franchisee.

**SCHEDULE 14.4****Designation of Franchise Assets****1. Franchise Assets**

- 1.1 Subject to paragraph 1.2, all property, rights and liabilities of the Franchisee from time to time during the Franchise Period shall be designated as Franchise Assets and shall constitute Franchise Assets for the purposes of Section 27(11) of the Act.
- 1.2 The rights and liabilities of the Franchisee in respect of the following items shall not be designated as Franchise Assets and shall not constitute franchise assets for the purposes of Section 27(11) of the Act:
- (a) any contracts of employment;
  - (b) the Franchise Agreement and any Transfer Scheme or Supplemental Agreement;
  - (c) the Ticketing and Settlement Agreement;
  - (d) any sums placed on deposit with a bank or other financial institution;
  - (e) such other property, rights and liabilities as the Franchisee and the Secretary of State may agree from time to time or as the Secretary of State may de-designate as Franchise Assets under paragraph 10.2; and
  - (f) any Rolling Stock Leases.

**2. Primary Franchise Assets and Investment Assets**

- 2.1 The following property, rights and liabilities shall (to the extent that they constitute Franchise Assets) be designated as Primary Franchise Assets with effect from the following dates:
- (a) the property, rights and liabilities listed as such in Part 1 of the table in the Appendix (List of Primary Franchise Assets) to this Schedule 14.4 (which constitute Primary Franchise Assets agreed between the parties as at the date of the Franchise Agreement), on the Start Date;
  - (b) any additional property, rights and liabilities designated under paragraph 3 during the Franchise Period, on the date of such designation;
  - (c) any property or right which is vested in the Franchisee and used for the purpose of maintaining, replacing, repairing or renewing any property designated as Primary Franchise Assets and which forms or replaces part or all of such designated property on completion of such maintenance, replacement, repair or renewal, on the date of its use for such purpose;
  - (d) the rights and liabilities of the Franchisee under any Key Contract designated under paragraph 5, on the date of such designation;
  - (e) the rights and liabilities of the Franchisee in respect of the terms of any Fare or Discount Card designated under paragraph 6, on the date of such designation;
  - (f) any CRM Data and/or Yield Management Data and, to the extent that any CRM System and/or Yield Management System is the property of the Franchisee, such CRM System and/or Yield Management System on the later of the Start Date and:

- (i) in relation to CRM Data or Yield Management Data, the date on which such CRM Data or Yield Management Data (as applicable) is collected; or
- (ii) in relation to any such CRM System or Yield Management System, the date on which such CRM System or Yield Management System is created,

save, in relation to CRM Data and Yield Management Data, any data in respect of which the Data Subject has not consented to such data being disclosed and Processed by any Successor Operator and/or the Secretary of State;

- (g) any licence of any CRM System and/or Yield Management System, on the date of such licence;
- (h) an RV Asset on the date in which such RV Asset is brought into operational use as specified in the applicable Certification of Completion; and
- (i) Actual Passenger Demand information (and all Intellectual Property Rights in respect of the same), on the date such information is supplied to the Secretary of State pursuant to paragraph 1.1 of Schedule 1.5 (Information about Passengers).

## 2.2 Investment Assets

- (a) On each Investment Asset Request Date the Franchisee shall provide to the Secretary of State a list of all Franchise Assets acquired since the Start Date (in the case of the first such list) or the previous Investment Asset Request Date (in the case of subsequent lists) which it wishes the Secretary of State to designate as Investment Assets. Such list shall clearly identify each relevant Franchise Asset, its purpose, specification, usual location, acquisition price, any ongoing charge payable by the Franchisee in relation to the Franchise Asset and any other asset upon which the operation of the Franchise Asset is dependent. The Franchisee shall provide such additional information as the Secretary of State shall reasonably request in relation to any such Franchise Asset.
- (b) The Franchisee shall not be permitted to nominate as Investment Assets without the prior written consent of the Secretary of State (which the Secretary of State shall have an unfettered discretion as to whether or not to give) Franchise Assets which:
  - (i) individually have an acquisition cost exceeding £2,000,000 (two million pounds);
  - (ii) when aggregated with the Franchise Assets already designated as Investment Assets in a Franchisee Year have an aggregate acquisition cost exceeding £5,000,000 (five million pounds) (apportioned proportionately where a Franchisee Year is less than 13 Reporting Periods);
  - (iii) when aggregated with Franchise Assets already designated as Investment Assets during the Franchise Term have an aggregate acquisition cost exceeding £15,000,000 (fifteen million pounds); or
  - (iv) are already designated as Primary Franchise Assets (including for the avoidance of doubt an RV Asset).
- (c) The Secretary of State shall designate any Franchise Asset nominated by the Franchisee as an Investment Asset within three months of the Investment Asset Request Date unless he serves notice on the Franchisee of designation of such

Franchise Asset as a Primary Franchise Asset in accordance with paragraph 3 of this Schedule 14.4 or if in his reasonable opinion such Franchise Asset:

- (i) is an information technology or computer system which is of a specification which, in the reasonable opinion of the Secretary of State, materially limits its utility to a Successor Operator including because it is constructed to a bespoke specification of or otherwise intended to work with the systems of the Parent or any company of which the Parent has Control; or
  - (ii) has had branding applied to it which renders it unsuitable for continued use by a Successor Operator; or
  - (iii) is not reasonably appropriate for the purposes of delivering the Franchise Services in a reasonable, proper and cost effective manner.
- (d) The Franchisee acknowledges the definition of Franchise Assets and agrees not to put forward for designation as an Investment Asset any asset not falling within such definition including, without limitation, accounting entries and assets in which the Franchisee does not have title.
- (e) On the final Investment Asset Request Date the Franchisee shall in addition to the list referred to in paragraph 2.2(a) also provide an additional list in two parts confirming:
- (i) in part 1 of such additional list which Investment Assets that have already been designated as such should be designated as Primary Franchise Assets and not be capable of de-designation as such without the prior agreement of the Franchisee and which Investment Assets should not be capable of being designated as Primary Franchise Assets without the prior agreement of the Franchisee and the Secretary of State; and
  - (ii) in part 2 of such additional list which Franchise Assets which the Franchisee is proposing should be designated as Investment Assets should be designated as Primary Franchise Assets and not be capable of de-designation as such without the prior agreement of the Franchisee and which should not be capable of being designated as Primary Franchise Assets without the prior agreement of the Franchisee and the Secretary of State in both cases only if such Franchise Assets are designated as Investment Assets in accordance with paragraphs 2.2(a) to 2.2(c).
- (f) The Secretary of State shall comply with the requirement of the Franchisee set out in the list referred to in paragraph 2(e)(i) above. The Secretary of State shall comply with the requirements of the Franchisee in the list referred to in paragraph 2(e)(ii) above in relation to any Franchise Assets on such list which are actually designated by the Secretary of State as Investment Assets in accordance with paragraphs 2.2(a) to 2.2(c) but not otherwise. This paragraph is without prejudice to the other rights of the Secretary of State to designate Franchise Assets as Primary Franchise Assets.

### 3. **Designation of Additional Primary Franchise Assets**

Subject to paragraph 2.2(f) the Secretary of State may at any time and from time to time during the Franchise Period, by serving notice on the Franchisee, designate any or all of the Franchise Assets as Primary Franchise Assets. Such designation shall take effect from the delivery of such notice and may refer to all or certain categories of property, rights or liabilities. Any such notice shall specify the reasons for such designation. On or before designation of any Franchise Asset as a Primary Franchise Asset, the Secretary of State may agree not to subsequently de-designate such Primary Franchise Asset without the prior written consent of the Franchisee. If the Secretary of State so agrees, the notice



designating the relevant Franchise Asset as a Primary Franchise Asset shall state that the Secretary of State shall not de-designate such Primary Franchise Asset without the prior written consent of the Franchisee.

**4. Designation during last 12 Months of Franchise Period**

If the Secretary of State designates a Franchise Asset as a Primary Franchise Asset under paragraph 3 at any time during the last 12 months of the Franchise Period then, within 28 days of such designation, the Secretary of State may de-designate such Primary Franchise Asset by serving notice on the Franchisee provided that, in relation to any Primary Franchise Asset in respect of which the Secretary of State agreed pursuant to paragraph 3 that he would not de designate without the prior written consent of the Franchisee, such consent has been obtained. Such de-designation shall take effect upon delivery of such notice.

**5. Designation of Key Contracts as Primary Franchise Assets**

The Secretary of State shall, subject to paragraphs 1.2(b) and 7, be entitled to designate any Key Contract as a Primary Franchise Asset at any time during the Franchise Period by serving notice on the Franchisee. Such designation shall take effect from delivery of such notice.

**6. Designation of Fares and Discount Cards**

The Secretary of State may designate any Fare or Discount Card as a Primary Franchise Asset at any time during the Franchise Period by serving a notice on the Franchisee. Such designation shall take effect from delivery of such notice.

**7. Rights and Liabilities**

The Secretary of State, in designating the rights and liabilities of the Franchisee (whether under a particular contract or other arrangement) as a Primary Franchise Asset may, in his discretion, elect to designate some but not all of the rights and liabilities under a particular contract or other arrangement, or to designate only those rights and liabilities arising after or otherwise relating to a period after a particular time (including the period after the expiry of the Franchise Period) or to those relating only to the Franchise Services or a particular part thereof.

**8. Disputes over Designation**

8.1 The Franchisee may object in writing to the Secretary of State to any designation pursuant to paragraph 3 or 4.

8.2 Such objection may be made solely on the grounds that the designation of the relevant property, rights or liabilities specified in the objection is not, in the Franchisee's opinion, reasonably necessary to secure the continued provision of the Franchise Services by a Successor Operator on the expiry of the Franchise Period on a basis reasonably acceptable to the Secretary of State or to facilitate the transfer to such Successor Operator of the provision of the Franchise Services at such time.

8.3 Any such objection may only be made within 28 days of a designation made more than 12 months prior to the end of the Franchise Period or 14 days of a designation made during the last 12 months of the Franchise Period.

8.4 The Secretary of State shall respond to any such objection as soon as reasonably practicable and shall take account of any representations made by the Franchisee regarding the use of the relevant Primary Franchise Asset otherwise than in the provision and operation of the Franchise Services.

8.5 If the Franchisee's objection cannot be resolved by agreement within a period of 14 days from the date of submission of that objection, the Franchisee may refer the dispute for resolution in accordance with the Dispute Resolution Rules.

8.6 Any body duly appointed to resolve such dispute shall determine whether or not the designation of the relevant property, rights or liabilities was reasonably necessary for securing that the Franchise Services may continue to be provided by a Successor Operator on the expiry of the Franchise Period on a basis reasonably acceptable to the Secretary of State or otherwise facilitating the transfer of the provision of the Franchise Services at such time, and accordingly whether or not they should cease to be so designated.

8.7 If any dispute as to any designation pursuant to paragraph 3 remains outstanding on the expiry of the Franchise Period, then such dispute shall be deemed to cease immediately before the expiry of the Franchise Period and the relevant Franchise Assets shall continue to be designated as Primary Franchise Assets on and after the expiry of the Franchise Period.

## 9. **Provision of Information to the Secretary of State**

9.1 The Franchisee shall provide such information as the Secretary of State may reasonably require in order to satisfy the Secretary of State that any Franchise Assets which are to be designated as Primary Franchise Assets after the Start Date under this Schedule 14.4 will at the time of such designation be vested in the Franchisee. Such information may include details of any Security Interests over such property, rights and liabilities.

9.2 The Franchisee shall further provide such information as to the property, rights and liabilities of the Franchisee as the Secretary of State may reasonably require in connection with the designation of Primary Franchise Assets. Such information shall be supplied to the Secretary of State within such timescale as the Secretary of State may reasonably require.

## 10. **De-Designation of Franchise Assets and Primary Franchise Assets**

10.1 The Secretary of State and the Franchisee may agree in writing at any time during the Franchise Period that a Franchise Asset shall cease to be so designated as a Franchise Asset or that a Primary Franchise Asset shall cease to be so designated as a Primary Franchise Asset, and the relevant Franchise Asset or Primary Franchise Asset (as the case may be) shall cease to be designated upon such agreement coming into effect.

10.2 The Secretary of State may in addition at any time during the Franchise Period, by serving notice on the Franchisee, cause a Franchise Asset which is not a Primary Franchise Asset to cease to be so designated as a Franchise Asset. Such Franchise Asset shall cease to be so designated on the date specified in such notice.

10.3 The Secretary of State may in addition, at any time during the Franchise Period, by serving notice on the Franchisee, cause a particular Primary Franchise Asset to cease to be designated as such provided that, in relation to any Primary Franchise Asset in respect of which the Secretary of State agreed pursuant to paragraph 3 that he would not de designate without the prior written consent of the Franchisee, such consent has been obtained. Such Primary Franchise Asset shall cease to be so designated on the date specified in such notice. Such right may be exercised, in respect of any rights and liabilities in respect of a Fare or Discount Card, at any time and, in respect of any other Primary Franchise Asset, no later than one year prior to the expiry of the Franchise Term.

## 11. **Amendment of the Appendix to this Schedule 14.4**

The table in part 1 of the Appendix (List of Primary Franchise Assets) to this Schedule 14.4 shall be amended as the Secretary of State considers necessary or desirable from time to time to take account of designation and de-designation of Primary Franchise Assets pursuant to this Schedule 14.4.

## 12. **Spares**

The obligation of the Franchisee to maintain, preserve and protect the Operating Assets (as such term is defined in paragraph 1.1 of Schedule 14.2 (Maintenance of Operating Assets)) under Schedule 14.2 shall, in respect of Spares, include the obligation to replace any Spare which has been designated as a Primary Franchise Asset, which subsequent to its

designation ceases to be part of the stock of Spares available to the Franchisee for use in the provision of the Franchise Services, with an equivalent Spare of equal or better quality than the Spare so replaced.

### 13. Provisions relating to RV Assets

13.1 The provisions of paragraphs 3, 4, 7, 8 and 10 to 12 (inclusive) shall not apply in respect of any RV Asset.

#### **De-Designation of RV Assets as Primary Franchise Assets**

13.2 The Secretary of State may, at any time during the Franchise Period, by serving notice on the Franchisee cause a particular RV Asset designated as a Primary Franchise Asset pursuant to paragraph 2.1(h) to cease to be designated as such on the occurrence of any of the following:

- (a) such RV Asset is lost, destroyed or otherwise beyond repair after the date upon which it is designated as a Primary Franchise Asset pursuant to paragraph 1.2(h) and such RV Asset is not replaced; or
- (b) the Secretary of State and the Franchisee agree in writing at any time during the Franchise Period that such RV Asset shall cease to be so designated as a Primary Franchise Asset; or
- (c) for an RV Asset that is a Network Rail Fixture Asset the applicable Station Access Conditions or Depot Access Conditions are amended at any time after the date of designation of such RV Asset such that the Franchisee ceases to be responsible under the applicable Station Access Conditions or Depot Access Conditions (as the case may be) for the maintenance, repair and renewal of such RV Asset.

Such RV Asset shall cease to be designated as a Primary Franchise Asset with effect from the date specified in any notice served by the Secretary of State pursuant to this paragraph 13.2 and the table in Part 2 of the Appendix to this Schedule 14.4 shall be deemed to be amended and thereafter shall be amended to take account of any such de-designation.

#### **Process for issue of a Certificate of Completion for RV Assets**

13.3

- (a) Within 20 days of the date upon which an RV Asset is brought into operational use the Franchisee shall provide to the Secretary of State such information as is required by the Secretary of State for, and in the detail needed for demonstrating that such RV Asset has been brought into operational use and evidencing the actual capital cost incurred by the Franchisee on the procurement of such RV Asset including the following:
  - (i) the information described in paragraph 9, including such information as the Secretary of State may require pursuant to paragraph 9.2;
  - (ii) information which shows the actual date upon which such RV Asset was brought into operational use (including photographic evidence or any other kind of record which shows that such RV Asset has been brought into operational use);
  - (iii) in respect of an RV Asset that is a Network Rail Fixture Asset, written confirmation from Network Rail that:
    - (A) such RV Asset will be owned by the Franchisee and remain the unencumbered asset of the Franchisee for the duration of the asset life of such RV Asset or the

- duration of the Franchise Period (whichever is the shorter);
- (B) the Franchisee has the responsibility under the Station Access Conditions or the Depot Access Conditions (as the case may be) applicable in relation to such Station or Depot (as the case may be) to maintain, repair and renew such RV Asset from the date upon which such RV Asset property is brought into operational use for the duration of the asset life of such RV Asset or the duration of the Franchise Period (whichever is the shorter);
- (iv) information evidencing the actual capital cost of procuring such RV Asset (including receipts and other supporting evidence);
- (v) information which shows that such RV Asset satisfies the requirements of the Committed Obligations to which it relates; and
- (vi) the information required by paragraph 13.5; and
- (vii) such other information as the Secretary of State may reasonably require for the purposes of satisfying himself that such RV Asset has been brought into operational use by a date that is no later than 4 years after the Start Date and verifying the actual capital costs incurred by the Franchisee on the procurement of such RV Asset.
- (b) Subject to receipt of the information required in paragraph 13.3(a) and none of the events described in paragraph 13.2 having occurred, the Secretary of State shall issue to the Franchisee a certificate of completion ("**Certificate of Completion**") which shall specify for the purposes of this Franchise Agreement the date upon which the relevant RV Asset was brought into operational use provided that nothing in this paragraph 13.3(b) shall oblige the Secretary of State to issue a Certificate of Completion in respect of any RV Asset:
- (i) if the Secretary of State, acting reasonably is not satisfied that such RV Asset will at the time of such designation be vested in the Franchisee;
- (ii) if the Secretary of State reasonably determines that such RV Asset does not satisfy the requirements of the Committed Obligation to which it relates;
- (iii) that is brought into operational use on a date that is later than the date which is 4 years after the Start Date; or
- (iv) where the confirmation from Network Rail referred in paragraph 13.3(a)(iii) has not been issued.
- (c) The Secretary of State may, prior to the issue of a Certificate of Completion in respect of an RV Asset, exercise his rights under paragraph 5 of Schedule 11 (Agreement Management Inspection) to inspect an RV Asset for the purposes of satisfying himself that such RV Asset satisfies the requirements of the Committed Obligation to which it relates.

### **Adjustments to the Transfer Value**

- 13.4 If:
- (a) the Franchise Agreement is extended as contemplated in paragraph 1.2 of Schedule 18 (Additional Reporting Periods) then the Secretary of State shall

adjust the RV Asset Transfer Value applicable to each RV Asset by depreciating each such RV Asset on a straight line basis from its Planned Delivery Date until the end of the Franchise Period (as extended) and so that:

- (i) the Revised RV Asset Transfer Value will be the residual value of the RV Asset following such depreciation as at the end of the Franchise Period (as extended) or, if the RV Asset has been fully depreciated on that basis at that time, nil; and
  - (ii) from the date of the extension of the Franchise Agreement Column 2 of the table in Part 2 of the Appendix to this Schedule 14.4 shall be deemed to be and shall be restated in the amounts of the Revised RV Asset Transfer Value; or
- (b) the actual capital cost incurred by the Franchisee in procuring any RV Asset is less than the amount specified in Column 5 of the table in Part 2 of the Appendix to this Schedule 14.4 in respect of any such RV Asset, then:
- (i) the Secretary of State shall with effect from the date upon which a Certificate of Completion is issued in respect of such RV Asset adjust the RV Transfer Value applicable to such RV Asset by using the same principles as were specified in the Financial Model and Record of Assumption for the calculation of the initial RV Transfer Value except that actual capital cost for such RV Asset shall replace the capital cost specified for such RV Asset in Column 5 of the table in Part 2 of the Appendix to this Schedule 14.4 in order to calculate the Revised RV Asset Transfer Value; and
  - (ii) Column 2 of the table in part 2 of the Appendix to this Schedule 14.4 shall, from the date of any such adjustment be deemed to be restated and shall be restated in the amounts of the Revised RV Asset Transfer Value.
- (c) For the purposes of this paragraph 13.4:
- (i) **"RV Asset Transfer Values"** means each of the transfer values relating to the RV Assets as specified in Column 2 of the table in Part 2 of the Appendix to this Schedule 14.4;
  - (ii) **"Revised RV Asset Transfer Values"** means each of the RV Asset Transfer Values as adjusted by the Secretary of State in accordance with the provisions of paragraph 13.4(a) or paragraph 13.4(b) (as applicable).

#### **Maintenance Requirements for RV Assets**

- 13.5 At the same time as the Franchisee provides the information required pursuant to paragraph 13.3(a) in respect of any RV Asset, the Franchisee shall submit to the Secretary of State a schedule of condition specifying the condition of such RV Asset as at the date upon which such RV Asset was brought into operational use as specified in the applicable Certificate of Completion. Such schedule of condition must be approved by the Secretary of State and shall be in respect of such aspects of an RV Asset as the Secretary of State may reasonably require. The Franchisee shall ensure that each RV Asset is maintained, preserved and protected in at least the same condition, subject to fair wear and tear, as specified in the applicable schedule of condition as approved by the Secretary of State in respect of such RV Asset pursuant to this paragraph 13.5. In respect of any RV Asset that is a Network Rail Fixture Asset the Franchisee shall ensure that any schedule of condition prepared as required by this paragraph 13.5 shall comply with the Franchisee's maintenance obligations relating to such Network Rail Fixture Asset under the applicable Station Access Conditions and/or Depot Access Conditions (as the case may be).

- 13.6 Subject to paragraph 13.7, where the Franchisee has failed to demonstrate to the reasonable satisfaction of the Secretary of State that it has complied with its maintenance obligations in paragraph 13.5 in respect of any RV Asset then the Secretary of State may by notice in writing to the Franchisee require that the RV Asset Transfer Value payable by a Successor Operator required pursuant to the Supplemental Agreement to pay to the Franchisee the RV Asset Transfer Value for such RV Asset ("**Relevant Successor Operator**") is adjusted downwards by an amount that is equal to the amount that is agreed by the Franchisee and the Relevant Successor Operator (or on failure to agree, as reasonably determined by the Secretary of State) as being the amount reasonably expected to be incurred by the Relevant Successor Operator for putting such RV Asset in the condition required pursuant to paragraph 13.5.
- 13.7 The provisions of paragraph 13.6 shall not apply in circumstances where the Franchisee and the Relevant Successor Operator agree that the Franchisee shall either:
- (a) rectify any relevant non-compliance with the requirements of paragraph 13.5 or
  - (b) indemnify the Relevant Successor Operator (the form of such indemnity to be in a form that is acceptable to the Relevant Successor Operator) against the reasonable costs of putting the relevant RV Asset in the condition required by paragraph 13.5.

**APPENDIX TO SCHEDULE 14.4****Part 1****List of Primary Franchise Assets**

<b>Description of Primary Franchise Asset</b>	<b>Commitment not to de-designate</b>
Universal Licence Agreement dated 1 February 2004 between (1) BRB (Residuary) Limited and (2) Franchisee (as such agreement was transferred to the Franchisee pursuant to the Start Date Transfer Scheme);	<b>No</b>
Sub-Licence Deed dated 1 February 2004 between (1) BRB (Residuary) Limited and (2) Franchisee (as such deed was transferred to the Franchisee pursuant to the Start Date Transfer Scheme); and	<b>No</b>
Master Software Licence dated 1 February 2004 between (1) BRB (Residuary) Limited and (2) Franchisee (as such licence was transferred to the Franchisee pursuant to the Start Date Transfer Scheme).	<b>No</b>

## Part 2

## List of the RV Assets

Column 1	Column 2	Column 3	Column 4	Column 5
Description of the RV Assets	RV Asset Transfer Value (£) <sup>81</sup>	Planned Delivery Date	Is RV Asset a Network Rail Fixture Asset (Yes/No)	Capital Cost (£) <sup>82</sup>
LED lighting at Stations and car parks as specified in the Committed Obligation set out in paragraph 19 of Part 1 of Schedule 6.1 (Committed Obligations and Related Provisions)		31 March 2017	Yes	
Renewable energy generation as specified in the Committed Obligation set out in paragraph 20 of Part 1 of Schedule 6.1 (Committed Obligations and Related Provisions)		30 September 2017	Yes	
Stabling and servicing facilities at Scarborough and York as specified in the Committed Obligation set out in paragraphs 46 and 47 of Part 1 of Schedule 6.1 (Committed Obligations and Related Provisions)		31 October 2017	Yes	
Hull Station retail development as specified in the Committed Obligation set out in paragraph		31 March 2017 <sup>83</sup>	Yes	

<sup>81</sup> Date of redaction 16/06/2016 - where text has been omitted from the document, this is because the Director General Rail or Secretary of State has decided to exclude the text in accordance with the provisions within the Freedom of Information Act 2000.

<sup>82</sup> Date of redaction 16/06/2016 - where text has been omitted from the document, this is because the Director General Rail or Secretary of State has decided to exclude the text in accordance with the provisions within the Freedom of Information Act 2000.

<sup>83</sup> Note to bidder: Noted that the intention is to complete the development by 31 December 2016 but the related CO and model account for delivery by 31 March 2017.



104.1 of Part 1 of Schedule 6.1 (Committed Obligations and Related Provisions)				
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Notes to List of the RV Assets Table

RV Asset Transfer Value: The RV Asset Transfer Value is calculated and shown in the price base applicable to the Planned Delivery Date(s) for the relevant RV Asset.

Capital Cost: The Capital Cost is calculated and shown in 2015/16 prices.

**SCHEDULE 14.5****Dealing with Franchise Assets****1. Assets not Designated as Primary Franchise Assets**

1.1 This paragraph 1 relates to any Franchise Assets that are property or rights and are not designated as Primary Franchise Assets.

1.2 For the purposes of Section 27(3) of the Act, the Secretary of State consents to the Franchisee:

- (a) transferring or agreeing to transfer any such Franchise Assets or any interests in, or right over, any such Franchise Assets; and
- (b) creating or extinguishing, or agreeing to create or extinguish, any interest in, or right over, any such Franchise Assets.

**2. Liabilities not Designated as Primary Franchise Assets**

2.1 This paragraph 2 relates to any liabilities which are not designated as Primary Franchise Assets.

2.2 For the purposes of Section 27(3) of the Act, the Secretary of State consents to the Franchisee entering into any agreement under which any such liability is released or discharged, or transferred to another person.

**3. Franchise Assets and Primary Franchise Assets**

3.1 This paragraph 3 relates to Franchise Assets (whether or not designated as Primary Franchise Assets) which are property or rights.

3.2 The Secretary of State hereby consents to the installation of Spares which have been designated as Primary Franchise Assets on any rolling stock vehicles. Any Spare which is so installed shall cease to be so designated on such installation.

3.3 For the purposes of Section 27(3) of the Act, the Secretary of State hereby consents to the Franchisee creating or agreeing to create any Security Interest over any of these Franchise Assets to the extent that the terms of any such Security Interest provided that:

- (a) if the relevant Franchise Asset becomes the subject of a transfer scheme made under Section 12 and Schedule 2 of the Railways Act 2005, it shall be fully and automatically released from the relevant Security Interest immediately before the coming into force of such transfer scheme;
- (b) if the relevant Franchise Asset is assigned, novated or otherwise transferred to another person pursuant to and in accordance with the Franchise Agreement, it shall be fully and automatically released from the relevant Security Interest immediately before such assignment, novation or transfer; and
- (c) such Security Interest shall not be enforced or enforceable until the date on which such Franchise Asset ceases to be designated as a Franchise Asset.

**4. Prohibition on Other Security Interests**

The Franchisee shall not create or agree to create a Security Interest over any Franchise Asset except on the terms permitted under paragraph 3.3.

5. **Miscellaneous**

The Franchisee shall promptly inform the Secretary of State of any Security Interest arising at any time over any of its property or rights and shall provide the Secretary of State with such information in relation thereto as he may reasonably require.

**SCHEDULE 15**

**Obligations Associated with Termination**

- Schedule 15.1: Reletting Provisions**
- Schedule 15.2: Last 12 or 13 Months of Franchise Period and other conduct of business provisions**
- Schedule 15.3: Handover Package**
  - Appendix: Form of Handover Package**
- Schedule 15.4: Provisions Applying on and after Termination**
  - Appendix 1: Form of Transfer Scheme**
  - Appendix 2: Form of Supplemental Agreement**

**SCHEDULE 15.1****Reletting Provisions****1. Reletting of Franchise**

- 1.1 The Franchisee acknowledges that the Secretary of State may wish, at or before the expiry of the Franchise Period, either to invite persons to tender for the right to provide all or some of the Passenger Services under a franchise agreement or alternatively to enter into a franchise agreement in respect of all or some of the Passenger Services without having gone through a tendering process.
- 1.2 The Franchisee further acknowledges that the Secretary of State has in certain circumstances a duty under Section 30 of the Act to secure the continued provision of services equivalent to the Passenger Services on expiry or termination of the Franchise Agreement. The Franchisee accordingly accepts and agrees to the restrictions and obligations imposed on it under Schedule 1.6 (Franchise Services), Schedule 14 (Preservation of Assets) and this Schedule 15.

**2. Preparation for Reletting**

- 2.1 The Franchisee shall, if so requested by the Secretary of State:
- (a) provide the Secretary of State and his representatives and advisers with access to officers, the Franchise Employees and all books, records and other materials kept by or on behalf of the Franchisee in connection with the Franchise Services (including electronic or magnetic records, any CRM System and any Yield Management System) for the purpose of assisting such representatives and advisers:
- (i) to prepare reports or other documents in connection with any invitation to potential Successor Operators to tender for the right and obligation to operate all or any of the Franchise Services;
- (ii) to prepare invitations to other potential franchisees to tender for the right and obligation to provide any other railway passenger services or operate any other additional railway asset; or
- (iii) to enter into any franchise agreement or other agreement (including any agreement entered into by the Secretary of State in fulfilment of his duties under section 30 of the Act) relating to the services equivalent to the Franchise Services, without undergoing a tendering process,
- provided that the exercise of such access rights by the Secretary of State and his representatives and advisers shall not unduly interfere with the continuing provision and operation of the Franchise Services by the Franchisee; and
- (b) at its own cost, publish and display such publicity and promotional material and notices as the Secretary of State may provide to the Franchisee for the purposes of informing passengers of any matters relating to the Tendering/Reletting Process including:
- (i) the commencement of any Tendering/Reletting Process;
- (ii) making passengers aware of any consultation being undertaken by the Secretary of State in relation to any such Tendering/Reletting Process; and

- (iii) informing passengers of the outcome of any Tendering/Reletting Process.
- (c) The obligation to publish and display pursuant to paragraph 2.1(b) shall mean making the relevant publicity and promotional material and notices available to passengers by such means as the Secretary of State may reasonably require including by displaying publicity and promotional material and notices at Stations and on trains, publishing relevant information in any reports published to passengers or including such information in any leaflets, newspapers or other promotional material published to passengers by the Franchisee from time to time.

## 2.2

- (a) The Franchisee shall make available to the Secretary of State and his representatives and advisers such Data Site Information (as defined at paragraph (e)) as they shall reasonably require in connection with the matters referred to in paragraph 2.1.
- (b) The Franchisee shall prepare and present such information in such manner (including in disaggregated form) as the Secretary of State may require, and shall provide such assistance as the Secretary of State may require in connection with the verification of such information.
- (c) The Franchisee shall provide such confirmation in relation to the accuracy of:
  - (i) the contents of the documents referred to in paragraph 2.1; and
  - (ii) any Data Site Information uploaded to such electronic data site as the Secretary of State may require pursuant to paragraph 2.2(d),
 in each case, as the Secretary of State shall require from time to time.
- (d) The Franchisee shall upload such Data Site Information as the Secretary of State may require to such electronic data site as he may specify and shall make a sufficient number of appropriate staff available for that purpose. The Franchisee shall ensure that such staff are trained in the use of such data site (such training to be at the expense of the Secretary of State). For the avoidance of doubt, the Data Site Information required by the Secretary of State under this paragraph may cover the entire Franchise Period or any part of it.
- (e) **"Data Site Information"** means information relating to any of the following:
  - (i) the Franchise or the Franchisee, any Affiliate of the Franchisee or their respective businesses (including their audited and management accounts, asset registers and contract lists);
  - (ii) past and present demand for the Franchise Services or any similar services (including passenger count data, Yield Management Data and CRM Data);
  - (iii) information required to be provided by the Franchisee pursuant to Schedule 1.5 (Information about Passengers);
  - (iv) the total revenue (being all revenue whatsoever from any source obtained from any commercial or non-commercial activity or undertaking of the Franchisee) received or which the Franchisee expects to receive during the Franchise Period;
  - (v) the Franchisee's safety authorisation, safety certificate or safety management system (in each case as defined in the Safety Regulations);

- (vi) any other safety matter;
- (vii) the arrangements contained within the Railways Pension Scheme, the Pension Trust, the Franchise Section, or any other pension arrangement in respect of employees of the Franchisee or employees of any person who was a franchisee or franchise operator in relation to a Previous Franchise Agreement;
- (viii) the management structure of the Franchisee's business (including organograms and any planned changes);
- (ix) employees and contractors (including details of responsibilities, job title, remuneration, grade, qualifications and any other personnel records);
- (x) terms and conditions of employment and human resources policies;
- (xi) public and working timetables;
- (xii) driver, other train crew and rolling stock diagrams;
- (xiii) rolling stock (including train and vehicle miles, restrictions of use, fleet examinations and servicing, fleet performance, casualty data and any relevant reports);
- (xiv) any station (including any leases, documents of title, maintenance arrangements, station facilities, plans and contingency or security plans relating to any station);
- (xv) health and safety and environmental information;
- (xvi) copies of contracts (including Access Agreements, policies of insurance, property, rolling stock and other leases, catering contracts, contracts for outsourced services, and rolling stock maintenance and spares contracts);
- (xvii) Network Rail charges and requirements (including rules of the route/plan);
- (xviii) any information technology system (hardware or software) used or owned by the Franchisee or any Affiliate of the Franchisee (including any software licences);
- (xix) performance data;
- (xx) customer service (including staffing levels, call volumes and opening hours);
- (xxi) fares and fares baskets;
- (xxii) relationships with stakeholders (including minutes of meetings with unions, Passenger Transport Executives, local authorities or Transport for London); or
- (xxiii) any other matter which the Secretary of State may specify from time to time,

and in this paragraph (e) the term "**employee**" includes any person engaged by the Franchisee pursuant to a contract of personal service.

- (f) The Franchisee shall:
- (i) comply with its obligations under paragraph 2.1 or this paragraph 2.2 promptly and in any case in accordance with any reasonable timetable with which the Secretary of State requires the Franchisee by notice in writing to comply;
  - (ii) where the Secretary of State raises with the Franchisee any query in relation to any Data Site Information, make a full and substantive response to such query within 5 Weekdays. Such response shall include any further information requested by the Secretary of State in relation to such query; and
  - (iii) nominate a person to whom:
    - (A) all queries or requests for information pursuant to paragraph 2.2(f)(ii);
    - (B) requests for access to premises pursuant to paragraph 4; and
    - (C) requests for access to employees,
 shall be addressed and who shall be responsible for complying with any such queries or requests for information and such requests for access to employees and premises. The Franchisee shall notify the Secretary of State (his representatives and advisers) of the name and contact details of such person.

2.3 In connection with any proposal (whether or not yet finalised) to enter into separate franchise agreements and/or other agreements with more than one Successor Operator, each relating to some only of services equivalent to the Franchise Services (whether or not together with other railway passenger services) at or following the end of the Franchise Period, the Franchisee agrees and acknowledges that the Secretary of State may require:

- (a) that the Franchisee provides the Secretary of State with additional information and reports and analysis in respect of such Service Groups as the Secretary of State may specify. This may include:
  - (i) information relating to the operational and financial performance of the Franchisee in relation to such Service Groups; and
  - (ii) identification of those employees, assets and liabilities which relate to such Service Groups together with an indication of the extent to which the same are shared between the operation of different Service Groups; and
- (b) subject to paragraph 2.4, that the Franchisee reorganises the business of providing services equivalent to the Franchise Services in order to facilitate the transfer anticipated by this Schedule 15.1 on an ongoing basis of the business of providing the Franchise Services within each of such Service Groups to separate Successor Operators. This may include, to the extent reasonably practicable:
  - (i) the re-organisation of personnel such that an appropriate number of employees (having sufficient skills, qualifications and experience) will transfer by operation of Law to each Successor Operator of each such Service Group; and/or
  - (ii) entering into additional or clarificatory contractual or other arrangements so that the Successor Operator of each such Service



Group will have the necessary assets and rights to operate the Franchise Services within that Service Group; and

- (c) that the Franchisee uploads Data Site Information to more than one data site.
- 2.4 Subject to paragraph 2.5, the Secretary of State shall reimburse any reasonable out-of-pocket expenses that the Franchisee may incur in complying with its obligations under this paragraph 2.
- 2.5 Without prejudice to any other rights the Secretary of State may have (under the Franchise Agreement or otherwise) in respect of any contravention by the Franchisee of its obligations under this paragraph 2, if the Secretary of State is of the reasonable opinion that the Franchisee does not have sufficient resources to enable its compliance with its obligations under this paragraph 2 he may:
- (a) require the Franchisee (at its own cost) to employ; or
- (b) after notification to the Franchisee, employ,
- such suitable additional resource as may be required to ensure that the Franchisee can comply with its obligations under this paragraph 2. The Franchisee shall reimburse to the Secretary of State, by way of adjustment to Franchise Payments, any proper costs (including staff costs) incurred by him in the employment of any such additional resource pursuant to paragraph 2.5(b).
- 2.6 To the extent reasonably practicable, prior to taking any of the actions referred to in paragraph 2.5, the Secretary of State shall allow the Franchisee a reasonable opportunity to make representations to him concerning the exercise by the Secretary of State of his rights under paragraph 2.5 but the Secretary of State shall not be obliged by those representations to refrain from exercising any of the actions specified under paragraph 2.5.

### 3. **Non-Frustration of Transfer to Successor Operator**

- 3.1 The Franchisee shall take no action or steps which is or are designed, directly or indirectly:
- (a) to prevent, prejudice or frustrate the transfer as a going concern of the business of providing the Franchise Services at the end of the Franchise Period to a Successor Operator; or
- (b) to avoid, frustrate or circumvent any provision of the Franchise Agreement (including in particular the provisions of Schedule 14 (Preservation of Assets) and this Schedule 15 (Obligations Associated with Termination)) which is included in whole or in part for the purpose of preventing any such preventive, prejudicial or frustrating action or steps.
- 3.2 Subject to the restrictions set out in paragraph 3.1 and the other provisions of the Franchise Agreement, the Franchisee may take such action as it may require for the purposes of bidding to become, or becoming, a Successor Operator.

### 4. **Inspection Rights at premises used for the provision of the Franchise Services**

- 4.1 Without limiting any other rights of the Secretary of State under the Franchise Agreement and subject to paragraph 4.2, the Franchisee shall, if so requested by the Secretary of State, permit the Secretary of State (or his nominee, which for these purposes shall include potential Successor Operators including potential bidders who have expressed an interest in tendering for the right and obligation to operate any or all of the Franchise Services) to have such access to premises owned or occupied by the Franchisee or any of its Affiliates (including Stations and Depots and which for these purposes shall include any premises used in connection with the provision of the Franchise Services by the Franchisee or any of its Affiliates) as the Secretary of State may reasonably require in connection with any Tendering/Reletting Process including for the purposes of inspecting such premises

(including the taking of inventories) and undertaking such surveys as may be necessary or desirable for the purposes of ascertaining the condition of any such premises.

- 4.2 The Secretary of State shall use reasonable endeavours to ensure that any access rights required pursuant to paragraph 4.1 shall be undertaken so as not to unduly interfere with the continuing provision and operation of the Franchise Services by the Franchisee.

**SCHEDULE 15.2****Last 12 or 13 Months of Franchise Period and other conduct of business provisions****1. Last 12 or 13 Month Period**

1.1 Where reference is made in the Franchise Agreement to the last 12 or 13 months of the Franchise Period, such period shall be deemed to commence on the earliest of the following dates:

- (a) the date which is 12 or 13 months, as the case may be, prior to the Expiry Date or if the actual date of expiry of the Franchise Period is known the date which is 12 or 13 months prior to that date;
- (b) the date on which the Secretary of State notifies the Franchisee that such period of 12 or 13 months shall be deemed to commence on the grounds that the Secretary of State reasonably considers that an Event of Default may occur within the following 12 months; or
- (c) the date on which the Secretary of State notifies the Franchisee that such period of 12 or 13 months shall be deemed to commence on the grounds that the Secretary of State considers it reasonably likely that the Franchise Agreement will be terminated by agreement between the parties within such period.

1.2 Any such period (which may be longer or shorter than 12 or 13 months, as the case may be) shall expire on the Expiry Date or, if earlier:

- (a) in the case of periods commencing under paragraph 1.1(b) or (c), the date falling 12 or 13 months after the date of any notice under paragraph 1.1(b) or (c); or
- (b) such earlier date as the Secretary of State may determine.

**2. Franchise Employees****Terms of Employment of Existing Employees**

2.1 The Franchisee shall not, and shall secure that each other relevant employer shall not, without the prior consent of the Secretary of State (which shall not be unreasonably withheld), vary or purport or promise to vary the terms or conditions of employment of any Franchise Employee (in particular, the Franchisee shall not promise to make any additional payment or provide any additional benefit or vary any term or condition relating to holiday, leave or hours to be worked) where such variation or addition:

- (a) takes effect in the last 12 months of the Franchise Period unless it is in the ordinary course of business and, when aggregated with any other variation or addition which takes effect during such period, represents an increase in the remuneration of a Franchise Employee of no more than the amount determined in accordance with the following formula:

$$\frac{\text{MAWE} + \text{JAWWE} + \text{SAWE} + \text{DAWE}}{4}$$

4

where:

MAWE is the change in the Average Weekly Earnings between March in the preceding 12 months and the corresponding March one year before, expressed as a percentage;

- JAWE is the change in the Average Weekly Earnings between June in the preceding 12 months and the corresponding June one year before, expressed as a percentage;
- SAWE is the change in the Average Weekly Earnings between September in the preceding 12 months and the corresponding September one year before, expressed as a percentage; and
- DAWE is the change in the Average Weekly Earnings between December in the preceding 12 months and the corresponding December one year before, expressed as a percentage;
- (b) wholly or partly first takes effect after the end of the Franchise Period;
- (c) results in any such employment not being terminable by the Franchisee or other relevant employer within six months of the expiry of the Franchise Period;
- (d) relates to a payment or the provision of a benefit triggered by termination of employment;
- (e) relates to the provision of a benefit (excluding base salary) which any such employee will or may have a contractual right to receive after the expiry of the Franchise Period; or
- (f) prevents, restricts or hinders any such employee from working for a Successor Operator or from performing the duties which such employee performed for the Franchisee.

It is agreed that the Franchisee will be permitted to make a decrease in the remuneration of any Franchise Employee that takes effect in the last 12 months of the Franchise Period without first obtaining the consent of the Secretary of State in circumstances where such decrease is in the ordinary course of business and when aggregated with any other variation which takes effect during such period, represents a decrease in the remuneration of a Franchise Employee of no more than the amount determined in accordance with the formula contained in paragraph 2.1(a) where a calculation pursuant to such formula gives rise to a negative percentage. In any other circumstances the prior consent of the Secretary of State will be required to any decrease in the remuneration of a Franchise Employee in the last 12 months of the Franchise Period.

2.2 Without limiting the foregoing, the Franchisee shall consult the Secretary of State as soon as reasonably practicable in any circumstances in which the Secretary of State's consent under paragraph 2.1 may be required. Further, it shall always be deemed to be reasonable for the Secretary of State to withhold his consent to a variation or addition which is prohibited without such consent under paragraph 2.1(a) provided the Secretary of State:

- (a) makes an overall increase in Franchise Payments equal to the amount of the direct net losses suffered by the Franchisee on the days when the Passenger Services are affected by Industrial Action taken by the Franchise Employees which is a consequence of a refusal by the Secretary of State to agree to the variation or addition; and
- (b) agrees that, to the extent that the Franchisee would otherwise be in contravention of the Franchise Agreement as a consequence of the Industrial Action referred to in this paragraph 2.2, no such contravention shall have occurred, save where such contravention relates to safety requirements.

2.3 The expression "**promise to vary**" when used in paragraph 2.1 includes any offer or indication of willingness to vary (whether or not such offer or willingness is made conditional upon obtaining the Secretary of State's consent).

### **Terms of Employment of New Employees**

- 2.4 The Franchisee shall not, and shall secure that each other relevant employer shall not, without the prior consent of the Secretary of State (which shall not be unreasonably withheld), create or grant, or promise to create or grant, terms or conditions of employment for any Franchise Employee where the employment of such Franchise Employee by the Franchisee or such other relevant employer may commence on or after the Start Date if and to the extent that:
- (a) such terms or conditions are, in the reasonable opinion of the Franchisee, materially different from the terms or conditions of employment of equivalent or nearest equivalent Franchise Employees at the date on which such employment is scheduled to commence; and
  - (b) if such terms or conditions were granted to such equivalent Franchise Employees already employed by the Franchisee by way of variation to their terms or conditions of employment, the Franchisee would be in contravention of paragraph 2.1.

### **Changes in Numbers and Total Cost of Employees**

- 2.5 Subject to and excluding any increase in the remuneration of Franchise Employees permitted under paragraph 2.1, the Franchisee shall not, and shall secure that each other relevant employer shall not, without the prior written consent of the Secretary of State (which shall not be unreasonably withheld) increase or decrease in the last 12 months of the Franchise Period the number of Franchise Employees such that:
- (a) the total number of Franchise Employees or the total cost per annum to the Franchisee and each other relevant employer of employing all Franchise Employees is increased; or
  - (b) the total number of Franchise Employees is decreased,

in each case, by more than five per cent during such period of 12 months provided that where the last 12 months or 13 months of the Franchise Period has been deemed to have commenced under paragraph 1.1 and the period of the restriction contemplated by this paragraph 2.5 lasts longer than 12 months such restriction shall apply in respect of the longer period.

## **3. Fares**

### **Reduction in Prices of Fares**

#### **3.1**

- (a) During the last 13 months of the Franchise Period the Franchisee shall not, without the prior written consent of the Secretary of State (not to be unreasonably withheld), set the Price or Child Price of or sell (except to the extent required to do so under the terms of the Ticketing and Settlement Agreement as a result of the Price or Child Price of a Fare being set by another person) any Fare which would entitle the purchaser of such Fare to travel on all or any of the Passenger Services after the Franchise Period for an amount which is less than the Price or the Child Price of that Fare immediately before the commencement of such 13 month period or, in the case of a new Fare, the Price of its nearest equivalent immediately before the commencement of such period.
- (b) Paragraph 3.1(a) shall not prevent the Franchisee from giving any discount or reduction to which the purchaser of a Fare may be entitled by virtue of:
  - (i) presenting a Discount Card (or any equivalent replacement thereof) issued by the Franchisee before the commencement of

- such 13 month period and to which the purchaser would have been entitled before the commencement of such period;
- (ii) presenting a Discount Card issued by another train operator;
  - (iii) the Passenger's Charter or the passenger's charter of any other train operator; or
  - (iv) any relevant conditions of carriage.
- (c) The Franchisee shall procure that persons acting as its agent (except persons acting in such capacity by virtue of having been appointed under Parts II to VI of Chapter 9 of the Ticketing and Settlement Agreement or by being party to the Ticketing and Settlement Agreement) shall comply with the provisions of paragraph 3.1(a) to the extent that such provisions apply to the selling of Fares by the Franchisee.

### **Percentage Allocations**

#### 3.2

- (a) Except to the extent that the Secretary of State may consent from time to time (such consent not to be unreasonably withheld), the Franchisee shall not, in the last 13 Reporting Periods of the Franchise Period, take any action or step which may result in its Percentage Allocation (as defined in the Ticketing and Settlement Agreement) in respect of any Rail Product (as defined in the Ticketing and Settlement Agreement) being reduced.
- (b) The Franchisee shall notify the Secretary of State before taking any such action or step in the last 13 Reporting Periods of the Franchise Period and upon becoming aware of any other person proposing to take any action or step which may have the same effect. The Franchisee shall take such action as the Secretary of State may reasonably request in order to prevent any such reduction, including submitting any dispute to any relevant dispute resolution procedures.

### **Restrictions in respect of Sale of Advance Purchase Train-specific Fares**

#### 3.3

- (a) It is acknowledged that the Franchisee will make available for sale prior to the end of the Franchise Period Advance Purchase Train-specific Fares which are valid for travel after the end of the Franchise Period.
- (b) In making such Advance Purchase Train-specific Fares available for purchase the Franchisee shall not change its commercial practice in terms of the number of such Advance Purchase Train-specific Fares made available or the Passenger Services on which they are valid for use when compared with its previous commercial practice in respect of Advance Purchase Train-specific Fares valid for travel prior to the end of the Franchise Period.
- (c) The Franchisee will be permitted to take into account reasonable seasonal factors in determining its previous commercial practice. In assessing reasonableness, account will be taken of the Franchisee's practice in addressing such seasonal factors in the corresponding period in the previous year.

## **4. Inter-Operator Schemes**

### **Voting on Scheme Councils**

- 4.1 Subject to paragraph 4.6, during the last 12 months of the Franchise Period the Franchisee shall give the Secretary of State reasonable notice of:

- (a) any meeting of:
    - (i) a scheme council of an Inter-Operator Scheme on which the Franchisee is represented; or
    - (ii) a scheme management group of any Inter-Operator Scheme:
      - (A) in which the Franchisee has a permanent position; or
      - (B) where the Franchisee employs a member of such group;
  - (b) the resolutions to be voted upon at any such meeting; and
  - (c) the Franchisee's voting intentions.
- 4.2 Subject to paragraph 4.3, the Franchisee shall vote at any such meeting in the manner required by the Secretary of State.

### **Successor Operator**

- 4.3 Where the Franchisee has been notified by the Secretary of State that a Successor Operator has been selected (whether a franchisee or otherwise and whether or not such selection is conditional), the Franchisee shall give such Successor Operator reasonable notice of:
- (a) any meeting referred to in paragraph 4.1(a);
  - (b) any resolutions to be voted upon at any such meeting where such resolutions might reasonably be considered to affect the interests of such Successor Operator; and
  - (c) the Franchisee's voting intentions.
- 4.4 The Franchisee shall discuss with the Successor Operator in good faith with a view to agreeing the way the Franchisee should vote on the resolutions referred to in paragraph 4.3(b). In the absence of any agreement, the Franchisee shall, as soon as reasonably practicable thereafter, having regard to the deadline for voting on such resolutions, refer the matter to the Secretary of State for determination.
- 4.5 The Secretary of State shall reasonably determine the way the Franchisee should vote on any resolutions referred to him in accordance with paragraph 4.4, having regard to the transfer of the Franchise Services as a going concern at the end of the Franchise Period.

Where paragraph 4.3 applies, the Franchisee shall vote at any meeting referred to in paragraph 4.1(a) in accordance with any agreement pursuant to paragraph 4.4 or determination pursuant paragraph 4.5.

**SCHEDULE 15.3****Handover Package****1. Handover Package Status**

1.1 The Franchisee shall:

- (a) on or before the Start Date, provide to the Secretary of State:
  - (i) the Handover Package; and
  - (ii) a letter in a form approved by and addressed to the Secretary of State confirming the details of any insurer providing insurance to the Franchisee and authorising the insurer (and any relevant broker) to release any insurance-related information to any of the Secretary of State, a Successor Operator or its agent on demand;
- (b) maintain the Handover Package and update it at least every three Reporting Periods; and
- (c) in respect of the information required pursuant to paragraph 1.1(a)(ii), supply revised information and/or letters to the Secretary of State as and when required in order to ensure that such information and letters remain accurate and up to date.

1.2 The Franchisee shall ensure that any Successor Operator will have immediate access to the Handover Package on the expiry of the Franchise Period.

1.3 The Franchisee shall also ensure that the Key Contacts List is provided to the Secretary of State within 24 hours of the receipt of any Termination Notice.

1.4 From the date that the Station Asset Management Plan is created pursuant to paragraph 4.1(a) of Schedule 6.2 (TransPennine Express Franchise Specific Provisions) the Franchisee shall update the Handover Package to include the Station Asset Management Plan and shall supply updated versions of the Station Asset Management whenever such plan is updated in accordance with paragraphs 4.4 and 4.5 of Schedule 6.2.

**2. Director's Certificate**

Once in each Franchisee Year, the Franchisee shall provide to the Secretary of State a certificate signed by a nominated and duly authorised director of the Franchisee, addressed to the Secretary of State, which confirms that the Handover Package contains the information and objects specified in the Appendix (Form of Handover Package) to this Schedule 15.3 and that such information is accurate as at the date of the certificate.



**APPENDIX TO SCHEDULE 15.3****Form of Handover Package****1. Property**

A list of all property owned, leased, operated or occupied by the Franchisee which shall include the address and contact telephone number of each property. Where applicable, the list will also include the name, address and telephone number of the lessor and/or the party which has granted authority to use or occupy the property, and any relevant reference numbers applicable to that lease or occupation.

**2. Contracts**

A printed or electronic list (in a format acceptable to the Secretary of State) of all contracts (sales, purchases or otherwise including leases and licences) between the Franchisee and the counterparty or counterparties to each such contract, showing the name, address and telephone number of each counterparty; the contract reference number of the Franchisee and each counterparty (if any); and the contract price/value, term and expiry date. This requirement shall apply to all contracts unless otherwise agreed by the Secretary of State.

**3. Systems**

A list of the electronic systems in use by the Franchisee, together with the name, office address and telephone number of the Franchisee's Information Technology Manager (or the holder of any equivalent post) who is responsible for administration of each such system.

**4. Daily Operations**

A printed or electronic list (in a format acceptable to the Secretary of State) of all assets owned or operated by the Franchisee, together with their location.

**5. Insurance**

A list of the names, addresses and telephone numbers of all insurers and any relevant broker providing insurance to the Franchisee, together with the relevant policy numbers and other references and details of any outstanding claims or unresolved disputes.

**6. Safety Certificate**

A complete copy of the Safety Certificate and full details of the Franchisee's safety management system in place to support the Safety Certificate.

**SCHEDULE 15.4****Provisions Applying on and after Termination****1. Novation of Access Agreements on Termination of the Franchise Agreement**

1.1 The Franchisee shall, to the extent so requested by the Secretary of State on termination of the Franchise Agreement, in relation to any Access Agreement to which it is a party, novate its interest under any relevant Access Agreement (and any related Collateral Agreement) to the Secretary of State or as he may direct.

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

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

(a) that the Franchisee shall not be released from any accrued but unperformed obligation, the consequences of any breach of the relevant agreement which is the subject of arbitration or litigation between the parties or any liability in respect of any act or omission under or in relation to the relevant agreement prior to, or as at the date of, any such novation (except to the extent that the Secretary of State or his nominee agrees to assume responsibility for such unperformed obligation, such liability or the consequences of such breach in connection with the relevant novation); and

(b) that neither the Secretary of State nor his nominee shall be obliged, in connection with such novation, to agree to assume responsibility for any unperformed obligation, liability or consequences of a breach referred to in paragraph 1.3(a),

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

1.4 The Franchisee shall, on the occurrence of any of the circumstances specified in paragraph 1.1 in relation to any other Train Operator who is a party to an Access Agreement to which the Franchisee is also party, agree to the novation of the relevant Train Operator's interest under the relevant Access Agreement to the Secretary of State or as he may direct, subject, to the extent applicable, to the consent of the ORR. The provisions of paragraph 1.3 shall apply to any such novation.

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

**2. Co-operation with Successor Operator**

2.1 In order to ensure the continuity of, and an orderly handover of control over, the Franchise Services, the Franchisee shall co-operate with:

(a) where a Successor Operator has been appointed, such Successor Operator; or

(b) where a Successor Operator has not been so appointed, the Secretary of State,

and shall take such steps as may be reasonably requested by the Secretary of State in connection therewith.

2.2 In satisfaction of its obligations under paragraph 2.1, the Franchisee shall:

- (a) Not used;
- (b) make appropriately skilled and qualified Franchise Employees reasonably available to attend such meetings with the Secretary of State, the Successor Operator, Network Rail, any rolling stock lessor and/or and other relevant third party as are reasonably required in order to determine:
  - (i) those actions that are required in order to facilitate such continuity and orderly handover, in particular those actions arising under, but not limited to, the following agreements:
    - (A) Access Agreements;
    - (B) Property Leases;
    - (C) agreements in relation to Shared Facilities;
    - (D) Rolling Stock Leases;
    - (E) Rolling Stock Related Contracts;
    - (F) any other Key Contract; and
  - (ii) without prejudice to the Secretary of State's rights under this Schedule 15.4, those rights and liabilities as may be specified in any Transfer Scheme.

### 3. **Transfer of Primary Franchise Assets**

#### **Option Arrangements**

##### 3.1

- (a) The Secretary of State hereby grants to the Franchisee the right to require the Secretary of State to make, and the Franchisee hereby grants to the Secretary of State the right to make, a Transfer Scheme in accordance with Section 12 and Schedule 2 of the Railways Act 2005 for the transfer of any or all Primary Franchise Assets on the expiry of the Franchise Period.
- (b) On or within 14 days before the expiry of the Franchise Period:
  - (i) either party may serve notice on the other party specifying the Primary Franchise Assets to be transferred; and
  - (ii) the other party may (within such timescale) serve a subsequent notice specifying any additional Primary Franchise Assets to be transferred.
- (c) The Secretary of State may (and shall if required by the Franchisee) make one or more such Transfer Schemes for the transfer of the Primary Franchise Assets specified in any such notice within 14 days after service of such notice (except in relation to any such Primary Franchise Assets which are, in accordance with Schedule 14.4 (Designation of Franchise Assets), de-designated as such prior to the end of the Franchise Period).
- (d) Any Franchise Assets or Primary Franchise Assets which are not so transferred shall cease to be designated as such 14 days after service of such notice.

#### **Supplemental Agreement**

- 3.2 Without prejudice to the duties, powers, rights and obligations of the Secretary of State under the Railways Act 2005 in respect of any Transfer Scheme, any Transfer Scheme shall

impose on the Franchisee and the transferee an obligation to enter into an agreement substantially in the form of the Supplemental Agreement which shall provide for the determination of amounts to be paid in respect of the property, rights and liabilities which are transferred under such Transfer Scheme. The Franchisee shall enter into any such Supplemental Agreement and shall comply with its obligations thereunder.

### **Payment of Estimated Transfer Price**

#### 3.3

- (a) The Secretary of State may require the Franchisee to pay to any transferee under a Transfer Scheme, or may require any such transferee to pay to the Franchisee, on the day on which the Transfer Scheme comes into force such sum as the Secretary of State may determine should be so paid having regard to:
- (i) his estimate of the sum likely to be paid under the relevant Supplemental Agreement in respect of the Primary Franchise Assets being transferred under the relevant Transfer Scheme;
  - (ii) his estimate of any other sums likely to be paid thereunder;
  - (iii) the financial condition of the Franchisee and the transferee and whether any estimate so paid would be likely to be repaid, if in excess of the sums eventually payable thereunder; and
  - (iv) such other matters as the Secretary of State may consider appropriate.
- (b) The Franchisee shall pay to any such transferee the sum determined by the Secretary of State in accordance with paragraph 3.3(a) on the day on which the relevant Transfer Scheme comes into force.

### **Possession of Franchise Assets**

- 3.4 On the coming into force of a Transfer Scheme, the Franchisee shall deliver up to the Secretary of State (or his nominee) possession of the Primary Franchise Assets transferred under such Transfer Scheme.

## **4. Associated Obligations on Termination**

### **Assistance in Securing Continuity**

#### 4.1

- (a) In order to facilitate the continuity of the Franchise Services on expiry of the Franchise Period, the Franchisee shall take such steps, both before and after the expiry of the Franchise Period, as the Secretary of State may reasonably require, to assist and advise any Successor Operator in providing and operating the Franchise Services.
- (b) In particular, the Franchisee shall provide any Successor Operator with such records and information relating to or connected with the Franchise Services as the Secretary of State may reasonably require (other than confidential financial information but including all records relating to the Franchise Employees).

### **Access**

- 4.2 On the expiry of the Franchise Period, the Franchisee shall grant the Secretary of State and his representatives such access as the Secretary of State may reasonably request to any property owned, leased or operated by the Franchisee at such time, for the purpose of facilitating the continued provision of the Franchise Services.

**Key Contracts**

4.3

- (a) The Franchisee shall provide such assistance to any Successor Operator as the Secretary of State may reasonably require in ensuring that, pursuant to any Direct Agreements, such Successor Operator may enter into (or enjoy the benefit of) contracts equivalent to the relevant Key Contracts (or part thereof).
- (b) In satisfaction of its obligations under paragraph 4.3(a), the Franchisee shall terminate, surrender, cancel or undertake not to enforce its rights under any Key Contract (or part thereof) provided that nothing in this paragraph shall require the Franchisee to undertake not to enforce any rights under a Key Contract relating to the period prior to the expiry of the Franchise Period.

**Change of Name**

4.4

The Franchisee shall cease to use any trade marks which are licensed to the Franchisee under any of the Brand Licences forthwith upon expiry of the Franchise Period and shall take all necessary steps to change any company name which incorporates any such marks as soon as practicable.

**Property Leases**

4.5

- (a) The Franchisee shall, on the expiry of the Franchise Period, if requested by the Secretary of State, assign its interest under all or any Property Leases to the Secretary of State or as he may direct, subject where applicable to the agreement of any other party to such Property Lease or the ORR.
- (b) Such assignment shall be on such terms as the Secretary of State may reasonably require, including:
  - (i) that the Franchisee shall not be released from any accrued but unperformed obligation, the consequences of any antecedent breach of a covenant or obligation in the Property Leases or any liability in respect of any act or omission under or in relation to the Property Lease prior to, or as at the date of, any such assignment (except to the extent that the Secretary of State or his nominee agrees to assume responsibility for such unperformed obligation, such liability or the consequences of such breach in connection with the relevant assignment); and
  - (ii) that neither the Secretary of State nor his nominee shall be obliged, in connection with such assignment, to agree to assume responsibility for any unperformed obligation, liability or consequences of a breach referred to in paragraph 4.5(b)(i), and the Franchisee shall indemnify the Secretary of State or his nominee, as the case may be, on demand, on an after-tax basis against any costs, losses, liabilities or expenses suffered or incurred in relation thereto.
- (c) The Franchisee shall, on the occurrence of any of the circumstances specified in paragraph 4.5(a) in relation to any other Train Operator who is a party to a Property Lease to which the Franchisee is also party, agree to the assignment of such Train Operator's interest under the relevant Property Lease to the Secretary of State or as he may direct, subject, where applicable, to the consent of Network Rail. The provisions of paragraph 4.5(b) shall apply to any such assignment.

- (d) The Franchisee shall notify the Secretary of State on becoming aware of any circumstances which might lead to the Secretary of State being able to require the Franchisee to assign its interest or agree to the assignment of another Train Operator's interest under this paragraph 4.

## 5. **Actions required immediately on Handover**

5.1 The Franchisee shall immediately on the expiry of the Franchise Period make available to the Secretary of State:

- (a) information as to the status of each purchase order or contract, including its award date, anticipated delivery date, confirmation of receipt of goods or services and the payment records for each purchase order, together with any matters in dispute with the appointed subcontractor and, to the extent that the Franchisee is a subcontractor to another Train Operator, equivalent information in respect of that Train Operator; and
- (b) information concerning any contract necessary for the continued operation of the Franchise where a procurement or bidding process has been initiated.

5.2 The Franchisee agrees that the Secretary of State or his agents may have access to and use free of charge any information contained in any Computer System or in hard copy format as he sees fit (for the purposes of continuing the operation of the Franchise Services).

## 6. **Maintenance Records**

The Franchisee shall immediately on expiry of the Franchise Period provide to the Secretary of State:

- (a) records of the status of the maintenance of the rolling stock vehicles used in the provision of the Passenger Services;
- (b) records of the status of the maintenance of any lifting equipment;
- (c) a list of any deferred maintenance; and
- (d) records of the status of the maintenance of any depot or station which is a Franchise Asset,

including the extent of completion of examinations and the modification status of each such rolling stock vehicle

## 7. **Ticketing Arrangements**

The Franchisee shall provide immediately on expiry of the Franchise Period a statement certifying:

- (a) all ticketing transactions with the public or credit card agencies that are in process and not yet complete, together with any allocations on multi-modal travel with other agencies or local authorities;
- (b) the extent of any outstanding claims with ticketing settlement agencies;
- (c) refund arrangements (whether under the Passenger's Charter or not) with members of the public or other Train Operators or ticketing settlement agencies that are in process and not yet complete; and
- (d) commissions owed and/or due.

## 8. Franchisee's Intellectual Property

### 8.1

- (a) On the expiry of the Franchise Period, the Franchisee will grant to any Successor Operator licences of any Intellectual Property Rights which:
- (i) is owned by or licensed to the Franchisee;
  - (ii) was not owned by or licensed to it immediately prior to the Start Date;
  - (iii) has not been designated as a Primary Franchise Asset;
  - (iv) does not represent or constitute a Mark; and
  - (v) may, in the reasonable opinion of the Secretary of State, be necessary for any Successor Operator to operate the Franchise Services on an efficient and economic basis after the expiry of the Franchise Period.
- (b) When agreeing the terms on which Intellectual Property Rights is to be licensed to it, the Franchisee shall use all reasonable endeavours to ensure that such terms include the right to sub-license such Intellectual Property Rights in accordance with this paragraph 8.1. The Franchisee shall not enter into a licence that does not include such a provision without first obtaining the Secretary of State's prior written consent (such consent not to be unreasonably withheld).

### 8.2

- (a) Any such licence shall be granted to the relevant Successor Operator for such period as the Secretary of State may determine to be reasonably necessary for the purpose of securing continuity of the provision of the Franchise Services and shall be free of charge and royalty-free for a period of one month or less.
- (b) If such licence is for a period in excess of one month, the grant of the licence shall be subject to payment of a reasonable royalty (backdated to the expiry of the Franchise Period) on the basis of a willing licensor and licensee entering into a licence on comparable terms to similar licences of such Intellectual Property Rights. If the Franchisee and the relevant Successor Operator are unable to agree such royalty, the Franchisee shall submit such dispute for resolution in accordance with such dispute resolution rules as the Secretary of State may require.

### 8.3 Any such licence shall be in such form as the Secretary of State shall reasonably determine and shall:

- (a) be non-exclusive and limited to use solely for the purposes of the provision and operation of the Franchise Services and will not provide for any right to use such Intellectual Property Rights for any other purpose (including its marketing or exploitation for any other purpose);
- (b) be terminable on material breach by the Successor Operator;
- (c) contain an indemnity from the Franchisee to the effect that to the best of its knowledge and belief it owns the relevant Intellectual Property Rights or has the right to license it and the licensing of it and the subsequent use of the Intellectual Property Rights will not infringe any third party Intellectual Property Rights; and
- (d) require the Successor Operator, to the extent that it relates to any trade marks, to use such trade marks in such manner as may reasonably be required by the Franchisee provided that it shall not be reasonable for the Franchisee to require

any such trade mark to be used in a manner materially different from its use during the Franchise Period.

9. **Information about Passengers**

The Franchisee shall immediately on the expiry of the Franchise Period make available to the Secretary of State and/or his nominee:

- (a) passenger numbers information specified in paragraph 1 of Schedule 1.5 (Information about Passengers), in such format and to such level of disaggregation as the Secretary of State and/or his nominee may reasonably require;
- (b) the CRM Data and Yield Management Data.



**APPENDIX 1 TO SCHEDULE 15.4**

**Form of Transfer Scheme**

**Dated \_\_\_\_\_ 20[•]**

**TRANSFER SCHEME  
OF  
THE SECRETARY OF STATE FOR TRANSPORT  
MADE PURSUANT TO SCHEDULE 2 OF THE RAILWAYS ACT 2005**

**IN FAVOUR OF  
[SUCCESSOR OPERATOR]**

**IN RESPECT OF  
CERTAIN PROPERTY, RIGHTS AND LIABILITIES  
OF  
[FRANCHISEE]**

*Secretary of State for Transport  
33 Horseferry Road  
London SW1P 4DR*

**TRANSFER SCHEME**

**Whereas:**

- (A) [Franchisee] (the "**Transferor**") has been providing certain services for the carriage of passengers by railway and operating certain stations and light maintenance depots pursuant to a franchise agreement with the Secretary of State for Transport (the "**Secretary of State**") dated [\_\_\_\_\_] (the "**Franchise Agreement**").
- (B) The Franchise Agreement terminated or is to terminate on [\_\_\_\_\_] and [Successor Operator] (the "**Transferee**") is to continue the provision of all or part of such services or the operation of all or some of such stations and light maintenance depots under a new franchise agreement or in connection with the performance or exercise of the duties and powers of the Secretary of State to secure the provision of such services or the operation of such stations or light maintenance depots.
- (C) Certain property, rights and liabilities of the Transferor which were designated as franchise assets for the purpose of the Franchise Agreement are to be transferred to the Transferee under a transfer scheme made by the Secretary of State under Section 12 and Schedule 2 of the Railways Act 2005.

The Secretary of State, in exercise of the powers conferred on him by Schedule 2 of the Railways Act 2005, hereby makes the following scheme:

**1. Definitions and Interpretation**

In this Transfer Scheme functions has the meaning ascribed to it in the Railways Act 2005 and relevant enactment has the meaning ascribed to it in paragraph 6 of Schedule 2 of the Railways Act 2005.

**2. Transfer of Property, Rights and Liabilities**

With effect from [\_\_\_\_\_] the property, rights and liabilities of the Transferor specified or described in the Schedule shall be transferred to, and vest in, the Transferee.

**3. Statutory Functions**

Subject to any amendment to the relevant enactment which comes into force on or after the date on which this Transfer Scheme is made, there shall be transferred to the Transferee all the functions of the Transferor under any relevant enactments if and to the extent that any such relevant enactment:

- (a) relates to any property which is to be transferred by this Transfer Scheme; or
- (b) authorises the carrying out of works designed to be used in connection with any such property or the acquisition of land for the purpose of carrying out any such works.

**4. Supplemental Agreement**

Each of the Transferor and the Transferee shall enter into the Supplemental Agreement (as defined in the Franchise Agreement) on the coming into force of this Transfer Scheme.

This Transfer Scheme is made by the Secretary of State on [\_\_\_\_\_] .

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



.....

Authenticated by authority of the Secretary of  
State for Transport

**SCHEDULE TO THE TRANSFER SCHEME**

*[List relevant Franchise Assets to be transferred to Successor Operator]*

**APPENDIX 2 TO SCHEDULE 15.4**

**Form of Supplemental Agreement**

Dated \_\_\_\_\_ 20[•]

***[OUTGOING FRANCHISEE]***

**and**

***[SUCCESSOR OPERATOR]***

**SUPPLEMENTAL AGREEMENT**

to the transfer scheme dated [•] made  
by the Secretary of State for Transport in respect of  
certain property rights and liabilities of  
*[OUTGOING FRANCHISEE]*

*Secretary of State for Transport  
33 Horseferry Road  
London SW1P 4DR*

**This Supplemental Agreement** is made on [\_\_\_\_\_] 20[\_\_\_]

**BETWEEN**

- (1) [OUTGOING FRANCHISEE] whose registered office is at [registered office] (the "**Transferor**"); and
- (2) [SUCCESSOR OPERATOR] whose registered office is at [registered office] (the "**Transferee**").

**WHEREAS**

- (A) The Transferor has been providing certain services and the carriage of passengers by railway and operating certain stations and light maintenance depots pursuant to a franchise agreement with the Secretary of State for Transport (the "**Secretary of State**") dated [\_\_\_\_\_] (the "**Franchise Agreement**").
- (B) The Franchise Agreement terminated or is to terminate on [\_\_\_\_\_] and the Transferee has been selected by the Secretary of State to continue the provision of all or part of such services pursuant either to a franchise agreement with the Secretary of State or arrangements made with the Secretary of State in connection with the Secretary of State's duties and powers.
- (C) Certain property, rights and liabilities of the Transferor are to be transferred to the Transferee pursuant to a transfer scheme made by the Secretary of State on [\_\_\_\_\_] under Section 12 and Schedule 2 of the Railways Act 2005 (the "**Transfer Scheme**").
- (D) This Agreement is supplemental to the Transfer Scheme and sets out certain terms between the Transferor and the Transferee in relation to the transfer of such property, rights and liabilities under the Transfer Scheme and the transfer of certain other property, rights and liabilities at the same time.

**IT IS AGREED THAT**

**1. DEFINITIONS AND INTERPRETATION**

**Definitions**

1.1 The following words and expressions shall have the following meaning:

"**Business**" means such of the undertaking or part of the undertaking of the Transferor prior to the Transfer Date as may be continued by the Transferee after the Transfer Date;

"**Credit**" has the meaning assigned to that term under the Ticketing and Settlement Agreement;

"**Debit**" has the meaning assigned to that term under the Ticketing and Settlement Agreement;

"**Estimated Completion Payment**" has the meaning ascribed to that term in clause 2.1;

"**Net Asset Statement**" means the statement to be drawn up pursuant to clause 2.2;

"**Net Asset Value**" means the aggregate of the amounts of the Relevant Franchise Assets, the Relevant Contract Liabilities, the Relevant Debits and Credits and the Relevant Employee Liabilities as shown in the Net Asset Statement agreed or determined pursuant to clause 2.2;

"**Purchase Price**" has the meaning ascribed to that term in clause 2.1;

"**Relevant Contract Liabilities**" means such rights and liabilities of the Transferor as may be transferred to the Transferee on the expiry of the Franchise Period in relation to any Licence, Access Agreement or Property Lease under paragraphs 1 and 4.5 of Schedule 15.4 (Provisions Applying on and after Termination) of the Franchise Agreement;

**"Relevant Debits and Credits"** means such Debits and Credits of the Transferor which relate to Fares sold before the Transfer Date and which may be received by the Transferee as a result of Clause 11-33 of the Ticketing and Settlement Agreement;

**"Relevant Employee Liabilities"** means such rights and liabilities of the Transferor (or any other relevant employer or person) under any contracts of employment relating to the Relevant Employees which have been or are to be transferred to the Transferee by virtue of the operation of Law (including the Transfer Regulations);

**"Relevant Employees"** means all persons employed in the Business immediately before the Transfer Date (whether employed by the Transferor or otherwise) whose contract of employment has been or is to be transferred to the Transferee by virtue of the operation of Law (including the Transfer Regulations) or any other person employed at any time in the Business in respect of whom liabilities arising from a contract of employment or employment relationship have or will be transferred by virtue of the operation of Law (including the Transfer Regulations);

**"Relevant Franchise Assets"** means such of the property, rights and liabilities that are legally or beneficially owned by the Transferor and which are or are to be transferred to the Transferee under the Transfer Scheme;

**"Reporting Accountants"** means such firm of accountants as may be selected by agreement between the parties within four weeks of the preparation of the Net Asset Statement or, in the absence of such agreement, selected by the Secretary of State upon the request of either party;

**"Season Ticket Fare"** means a Fare which entitles the purchaser to make an unlimited number of journeys in any direction during the period for which, and between the stations and/or the zones for which, such Fare is valid;

**"Stored Credit Balance"** means any monetary amount held by the Franchisee which a passenger can apply at a future date to the purchase of a Fare (stored in any medium);

**"Taxation"** comprises all forms of taxation, duties, contributions and levies of the United Kingdom whenever imposed and (except in so far as attributable to the unreasonable delay or default of the Transferee) all penalties and interest relating thereto;

**"TOGC"** has the meaning assigned to that term in clause 6.2;

**"Transfer Date"** means the date and, where relevant, the time on or at which the Transfer Scheme comes into force;

**"Transfer Regulations"** means the Transfer of Undertakings (Protection of Employment) Regulations 2006 (as amended, replaced or substituted from time to time);

**"Transferring Assets and Liabilities"** has the meaning assigned to that term in clause 2.1; and

**"Undisclosed Employee"** has the meaning assigned to that term in clause 7.1(d).

## Construction and Interpretation

1.2 In this Agreement terms and expressions defined in the Franchise Agreement shall have the same meaning and the terms **"contract of employment"**, **"collective agreement"**, **"employee representatives"** and **"trade union"** shall have the same meanings respectively as in the Transfer Regulations.

## 2. Transfer Price

### Amount and Payment

2.1 The price for the transfer of:

- (a) the Relevant Franchise Assets;

- (b) the Relevant Contract Liabilities;
- (c) the Relevant Debits and Credits; and
- (d) the Relevant Employee Liabilities,

(together the "**Transferring Assets and Liabilities**") shall (subject to adjustment as expressly provided in this Agreement) be an amount equal to the Net Asset Value (the "**Purchase Price**"). The sum of £[amount], as determined under paragraph 3.3 of Schedule 15.4 (Provisions Applying on and after Termination) of the Franchise Agreement (the "**Estimated Completion Payment**") shall be paid in immediately available funds by the Transferor to the Transferee, or by the Transferee to the Transferor, as determined under paragraph 3.3 of Schedule 15.4 (Provisions Applying on and after Termination) of the Franchise Agreement, on the Transfer Date. On determination of the Purchase Price a balancing payment (if any) shall be made by the Transferor to the Transferee or the Transferee to the Transferor (as the case may be) in accordance with clause 2.5.

### **Net Asset Statement**

- 2.2 The Transferee shall procure that, as soon as practicable and in any event not later than two months following the Transfer Date, there shall be drawn up a statement showing a true and fair view of the aggregate of the amount of each separate asset and liability of the Transferring Assets and Liabilities as at the Transfer Date.
- 2.3 The Net Asset Statement shall be:
- (a) drawn up in the manner described in the Schedule;
  - (b) prepared on such basis as would enable the Transferee's auditors, if so requested, to give an unqualified audit report thereon to the effect that it had been drawn up in accordance with the Schedule; and
  - (c) presented, initially as a draft, to the Transferor immediately following its preparation for review in conjunction with its auditors.
- 2.4 If the Transferor and the Transferee have failed to agree the Net Asset Statement within four weeks following such presentation, the matter shall be referred to the Reporting Accountants who shall settle and complete the Net Asset Statement as soon as practicable and shall determine the amount of the Net Asset Value as shown by the Net Asset Statement.

### **Adjustment of Price**

- 2.5 If the Purchase Price exceeds or is less than the Estimated Completion Payment, the Transferee shall pay to the Transferor or, as the case may be, the Transferor shall pay to the Transferee, in either case within 14 days of the agreement or determination of the Net Asset Value, an amount equal to such excess or deficiency together in either case with interest thereon calculated from the Transfer Date at the Interest Rate.

### **3. References to the Reporting Accountants**

Whenever any matter is referred under this Agreement to the decision of the Reporting Accountants:

- (a) the Reporting Accountants shall be engaged jointly by the parties on the terms set out in this Agreement and otherwise on such terms as shall be agreed, provided that neither party shall unreasonably (having regard, amongst other things, to the provisions of this Agreement) refuse its agreement to terms proposed by the Reporting Accountants or by the other party. If the terms of engagement of the Reporting Accountants have not been settled within 14 days of their appointment having been determined (or such longer period as the parties may agree) then, unless one party is unreasonably refusing its



agreement to those terms, such accountants shall be deemed never to have been appointed as Reporting Accountants, save that the accountants shall be entitled to their reasonable expenses under clause 3(d), and new Reporting Accountants shall be selected in accordance with the provisions of this Agreement;

- (b) if Reporting Accountants acting or appointed to act under this Agreement resign, withdraw, refuse to act, or are disqualified for any reason from performing their duties then, except as may be agreed between the parties, the parties shall appoint a replacement in accordance with the definition of Reporting Accountants;
- (c) the Reporting Accountants shall be deemed to act as experts and not as arbitrators;
- (d) the Reporting Accountants shall have power to allocate their fees and expenses for payment in whole or in part by any party at their discretion. If not otherwise allocated they shall be paid as to half by the Transferor and as to half by the Transferee;
- (e) each of the parties shall promptly on request supply to the Reporting Accountants all such documents and information as they may require for the purpose of the reference;
- (f) the decision of the Reporting Accountants shall (in the absence of objection on the grounds of any manifest error discovered within 14 days of the issue of their decision) be conclusive and binding (and in accordance with clause 3(g) below) and shall not be the subject of any appeal by way of legal proceeding or arbitration or otherwise; and
- (g) without prejudice to clauses 3(a) to 3(f) above, either party may, prior to or during the course of the reference to the Reporting Accountants, seek a declaration from the court on a relevant point of law, including but not limited to a point of legal interpretation. Upon such application for a declaration being issued and served all applicable time limits relative to the reference to the Reporting Accountant shall be stayed pending the outcome of such application (including any appeal). The Reporting Accountants are bound to make their determination in a manner consistent with the findings of the Court.

#### 4. **WARRANTY**

The Transferor warrants and represents to the Transferee that the Relevant Contract Liabilities and the Relevant Franchise Assets are, to the extent they are property or rights, transferring to the Transferee free and clear of all Security Interests.

#### 5. **INTEREST**

If the Transferor or the Transferee defaults in the payment when due of any sum payable under this Agreement (whether determined by agreement or pursuant to an order of a court or otherwise) the liability of the Transferor or the Transferee (as the case may be) shall be increased to include interest on such sum from the date when such payment is due until the date of actual payment (after as well as before judgement) at a rate equal to the Interest Rate. Such interest shall accrue from day to day.

#### 6. **VALUE ADDED TAX**

- 6.1 All amounts under this Agreement are expressed as exclusive of Value Added Tax where Value Added Tax is applicable.
- 6.2 The Transferor and the Transferee shall use all reasonable endeavours to secure that the transfer of the Transferring Assets and Liabilities is treated for Value Added Tax purposes

as the transfer of a business as a going concern ("**TOGC**") and accordingly as neither a supply of goods nor a supply of services for the purposes of Value Added Tax.

- 6.3 If HM Revenue & Customs direct that the transfer of the Transferring Assets and Liabilities cannot be treated as a TOGC, the Transferor shall provide the Transferee with a copy of such direction within five days of receipt thereof by the Transferor.
- 6.4 The Transferee shall thereafter pay upon the receipt of a valid tax invoice the amount of any Value Added Tax which as a result of that direction may be chargeable on the transfer of the Transferring Assets and Liabilities. If the aforementioned direction was issued as a result of any action or inaction of the Transferee then the Transferee shall in addition to the Value Added Tax indemnify the Transferor for any penalties and interest that may be incurred upon receipt of such evidence from HM Revenue & Customs.
- 6.5 If the Transferee considers the direction issued by HM Revenue & Customs referred to in clause 6.3 to be incorrect then, without prejudice to the Transferee's obligation under clause 6.4 to pay to the Transferor the amount of any Value Added Tax which as a result such direction may be chargeable on the transfer of the Transferring Assets and Liabilities, the Transferee may, within 30 days of receipt of such direction by the Transferor, give notice to the Transferor that it requires the Transferor to appeal such direction. Upon requesting such an appeal the Transferee agrees to indemnify the Transferor for all reasonable costs that the Transferor may incur in taking such action upon receipt of evidence of those costs. If such an appeal is successful the Transferor agrees to reimburse the Transferee for such reasonable costs and penalties and interest to the extent that those costs have been reimbursed by HM Revenue & Customs.
- 6.6 If any amount paid by the Transferee to the Transferor in respect of Value Added Tax pursuant to this Agreement is subsequently found to have been paid in error the Transferor shall issue a valid tax credit note for the appropriate sum to the Transferee and promptly repay such amount to the Transferee.
- 6.7 If any amount is payable by the Transferor to the Transferee in respect of the transfer of the Relevant Franchise Assets, Relevant Contract Liabilities, Relevant Debits and Credits and Relevant Employee Liabilities pursuant to this Agreement, clauses 6.3 to 6.6 inclusive shall apply mutatis mutandis to such payment substituting Transferor for Transferee and vice versa.
- 6.8 Not used.
- 6.9 All of the records referred to in Section 49 of the Value Added Tax Act 1994 relating to the Business (being the purchase records) shall be retained by the Transferor and the Transferor shall undertake to the Transferee to:
- (a) preserve those records in such manner and for such periods as may be required by law; and
  - (b) give the Transferee as from the Transfer Date reasonable access during normal business hours to such records and to take copies of such records.

## 7. **EMPLOYEES**

### **Transfer Regulations**

- 7.1 The parties accept that, to the extent that the undertaking or part of the undertaking of the Transferor is continued by the Transferee after the Transfer Date, this Agreement and the transfer of the Business which is effected in connection with the Transfer Scheme are governed by the Transfer Regulations and the following provisions shall apply in connection therewith:
- (a) the contract of employment of each of the Relevant Employees (save, to the extent provided by the Transfer Regulations, insofar as such contract relates to any occupational pension scheme) shall be transferred to the Transferee with

effect from the Transfer Date which shall be the "time of transfer" under the Transfer Regulations and the Transferee shall employ each such Relevant Employee on the terms of those contracts of employment (save, to the extent provided by the Transfer Regulations, insofar as such contract relates to any occupational pension scheme) with effect from the Transfer Date;

- (b) the Transferor shall perform and discharge all its obligations in respect of all the Relevant Employees for its own account up to and including the Transfer Date including, without limitation, discharging all wages and salaries of the Relevant Employees, all employer's contributions to any relevant occupational pension scheme and all other costs and expenses related to their employment (including, without limitation, any Taxation, accrued holiday pay, accrued bonus, commission or other sums payable in respect of service prior to the close of business on the Transfer Date) and shall indemnify the Transferee and keep the Transferee indemnified against each and every action, proceeding, liability (including, without limitation, any Taxation), cost, claim, expense (including, without limitation, reasonable legal fees) or demand arising from the Transferor's failure so to discharge;
- (c) the Transferor shall indemnify the Transferee and keep the Transferee indemnified against each and every action, proceeding, cost, claim, liability (including, without limitation, any Taxation), expense (including, without limitation, reasonable legal fees) or demand which relates to or arises out of any act or omission by the Transferor or any other event or occurrence prior to the Transfer Date and which the Transferee may incur in relation to any contract of employment or collective agreement concerning one or more of the Relevant Employees pursuant to the provisions of the Transfer Regulations or otherwise including, without limitation, any such matter relating to or arising out of:
  - (i) the Transferor's rights, powers, duties and/or liabilities (including, without limitation, any Taxation) under or in connection with any such contract of employment or collective agreement, which rights, powers, duties and/or liabilities (as the case may be) are or will be transferred to the Transferee in accordance with the Transfer Regulations; or
  - (ii) anything done or omitted before the Transfer Date by or in relation to the Transferor in respect of any such contract of employment or collective agreement or any Relevant Employee, which is deemed by the Transfer Regulations to have been done or omitted by or in relation to the Transferee save where the thing done or omitted to be done before the Transfer Date relates to the Transferee's failure to comply with its obligations referred to in clause 7.4;
- (d) if any contract of employment or collective agreement which is neither disclosed in writing to the Transferee by the Transferor prior to the Transfer Date nor made available to the Secretary of State under Schedule 15.3 (Handover Package) of the Franchise Agreement prior to the Transfer Date shall have effect as if originally made between the Transferee and any employee (the "**Undisclosed Employee**") or a trade union or employee representatives as a result of the provisions of the Transfer Regulations (without prejudice to any other right or remedy which may be available to the Transferee):
  - (i) the Transferee may, upon becoming aware of the application of the Transfer Regulations to any such contract of employment or collective agreement terminate such contract or agreement forthwith;
  - (ii) the Transferor shall indemnify the Transferee against each and every action, proceeding, cost, claim, liability (including, without limitation, any Taxation), expense (including, without limitation, reasonable legal fees) or demand relating to or arising out of such

termination and reimburse the Transferee for all costs and expenses (including, without limitation, any Taxation) incurred in employing such employee in respect of his employment following the Transfer Date; and

- (iii) the Transferor shall indemnify the Transferee in respect of any Undisclosed Employee on the same terms mutatis mutandis as the Transferor has indemnified the Transferee in respect of a Relevant Employee pursuant to the terms of clauses 7.1(b) and 7.1(c); and
- (e) the Transferor shall indemnify the Transferee and keep the Transferee indemnified against each and every action, proceeding, cost, claim, liability (including without limitation, any Taxation) expense (including, without limitation, reasonable legal fees) or demand which relates to or arises out of any dismissal (including, without limitation, constructive dismissal) by the Transferor of any employee (not being a Relevant Employee) and which the Transferee may incur pursuant to the provisions of the Transfer Regulations.

### **Transferee's Indemnities**

- 7.2 The Transferee shall indemnify the Transferor and keep the Transferor indemnified against each and every action, proceeding, liability (including, without limitation, any Taxation), cost, claim, loss, expense (including reasonable legal fees) and demand arising out of or in connection with:
- (a) any substantial change in the working conditions of the Relevant Employees to his or her detriment or any of them occurring on or after the Transfer Date;
  - (b) the change of employer occurring by virtue of the Transfer Regulations and/or the Franchise Agreement being significant and detrimental to any of the Relevant Employees;
  - (c) the employment by the Transferee on or after the Transfer Date of any of the Relevant Employees other than on terms (including terms relating to any occupational pension scheme) at least as good as those enjoyed prior to the Transfer Date or the termination of the employment of any of them on or after the Transfer Date; or
  - (d) any claim by any Relevant Employee (whether in contract or in tort or under statute (including the Treaty of the European Community or European Union and any Directives made under the Secretary of State of any such Treaty or any successor thereof)) for any remedy (including, without limitation, for unfair dismissal, redundancy, statutory redundancy, equal pay, sex or race discrimination) as a result of any act or omission by the Transferee after the Transfer Date.
- 7.3 The Transferee shall indemnify the Transferor and keep the Transferor indemnified against each and every action, proceeding, liability, cost, claim, loss, expense (including reasonable legal fees) and demand which arises as a result of it not providing or not having provided, in accordance with its obligations under the Transfer Regulations, the Transferor in writing with such information and at such time as will enable the Transferor to carry out its duties under Regulation 13(2)(d) and 13(6) of the Transfer Regulations concerning measures envisaged by the Transferee in relation to the Relevant Employees.

### **Details of Relevant Employees**

- 7.4 Without prejudice to the Transferor's duties under the Transfer Regulations, the Transferor warrants to the Transferee that it has (to the extent not made available to the Secretary of State under Schedule 15.4 (Provisions Applying on and after Termination) of the Franchise Agreement prior to the Transfer Date) provided the Transferee prior to the Transfer Date with full particulars of:

- (a) each Relevant Employee, including name, sex, and the date on which continuity of employment began for each Relevant Employee for statutory purposes;
- (b) terms and conditions of employment of each such person;
- (c) all payments, benefits or changes to terms and conditions of employment promised to any such person;
- (d) dismissals of Relevant Employees or termination of employment effected within 12 months prior to the Transfer Date including the Transfer Date;
- (e) all agreements or arrangements entered into in relation to the Relevant Employees between the Transferor, any Affiliate of the Transferor or any other relevant employer and any trade union or association of trade unions or organisation or body of employees including employee representatives and elected representatives; and
- (f) all strikes or other Industrial Action taken by any Relevant Employee within 12 months prior to the Transfer Date including the Transfer Date.

7.5 The Transferor and Transferee shall deliver to each of the Relevant Employees letters in an agreed form from the Transferor and Transferee as soon as is practicable after the execution of this Agreement (to the extent not already delivered prior to the Transfer Date).

## 8. MISCELLANEOUS PROVISIONS

### Variations in Writing

8.1 No variation of this Agreement shall be effective unless in writing and signed by duly authorised representatives of the parties.

### Partial Invalidity

8.2 If any provision in this Agreement shall be held to be void, illegal, invalid or unenforceable, in whole or in part, under any enactment or rule of law, such provision or part shall to that extent be deemed not to form part of this Agreement but the legality, validity and enforceability of the remainder of this Agreement shall not be affected.

### Further Assurance

8.3 Each of the parties agrees to execute and deliver all such further instruments and do and perform all such further acts and things as shall be necessary or expedient for the carrying out of the provisions of this Agreement.

### Notices

8.4 Any notice or other communication requiring to be given or served under or in connection with this Agreement shall be in writing and shall be sufficiently given or served if delivered or sent to the registered office of the recipient or:

- (a) in the case of the Transferor to [name of Transferor] at:

[address]

[fax]

Attention: [name]

- (b) in the case of the Transferee to [name of Transferee] at:

[address]

[fax]

Attention: [name]

8.5 Any such notice or other communication shall be delivered by hand or sent by courier, fax or prepaid first class post. If sent by courier or fax such notice or communication shall conclusively be deemed to have been given or served at the time of despatch. If sent by post such notice or communication shall conclusively be deemed to have been received two Weekdays from the time of posting.

**Counterparts**

8.6 This Agreement may be executed in any number of counterparts each of which shall be deemed an original, but all the counterparts shall together constitute one and the same instrument.

**Third Parties**

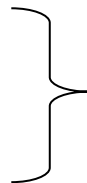
8.7 This Agreement does not create any rights under the Contracts (Rights of Third Parties) Act 1999 which is enforceable by any person who is not a party to it.

**Governing Law**

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

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

SIGNED FOR AND ON  
BEHALF OF THE  
[TRANSFEROR]



DIRECTOR:

DIRECTOR/SECRETARY:

SIGNED FOR AND ON  
BEHALF OF THE  
[TRANSFeree]



DIRECTOR:

DIRECTOR/SECRETARY:

## SCHEDULE TO THE SUPPLEMENTAL AGREEMENT

### Net Asset Statement

The Net Asset Statement shall be drawn up (except to the extent otherwise agreed by the Transferor and the Transferee) in accordance with accounting principles generally accepted in the United Kingdom and such that the Transferring Assets and Liabilities are valued on the following basis:

1. Rights and liabilities relating to an obligation of carriage under the terms of any Fare shall be valued in accordance with the following formula:

$$(C - D) \times \frac{A}{B} + E$$

where:

C equals the Credit (exclusive of any Valued Added Tax) received by the Transferor in respect of the Fare provided that:

- (a) such Credit shall be deemed not to include any reduction in respect of a discount allowed to the purchaser of the Fare pursuant to the Passenger's Charter or any other passenger's charter of the Transferor;
- (b) if the Fare is a Season Ticket Fare, such Credit shall be the New Credit (as defined in the Ticketing and Settlement Agreement) relating to that Season Ticket Fare on the Transfer Date if different to the Credit that was in fact received by the Transferor in respect of such Season Ticket Fare;
- (c) such Credit shall be net of any Private Settlement Credit (as defined in the Ticketing and Settlement Agreement) arising in respect of that Fare; and
- (d) such Credit shall be deemed to exclude any Credit received by the Transferor in respect of any commission due to it in respect of the sale of such Fare (provided that for these purposes the amount of such commission shall not exceed the National Standard Rate of Commission (as defined in the Ticketing and Settlement Agreement) in respect of the Fare);

D equals the Debit (exclusive of any Value Added Tax) received by the Transferor in respect of the commission due in respect of the sale of the Fare (provided that for these purposes the amount of such commission shall not exceed the National Standard Rate of Commission (as defined in the Ticketing and Settlement Agreement) in respect of the Fare);

$\frac{A}{B}$  equals

- (a) in the case of a Season Ticket Fare, the number of journeys which the purchaser of the Fare is estimated to make from (and including) the Transfer Date to (and including) the last day on which the Fare is valid (including any extensions to its original period of validity) divided by the total number of journeys which the purchaser of the Fare is estimated to make with that Fare (as determined in each case in accordance with Schedule 28 of the Ticketing and Settlement Agreement);
- (b) in the case of any other Fare which entitles the holder thereof to make more than two journeys, the number of days for which the Fare continues to be valid after the Transfer Date (including any extensions to its original period of validity) divided by the total number of days for which such Fare is valid on issue (except to the extent that it can reasonably be estimated what proportion of the journeys which could be made on issue of the Fare have not been made prior to the Transfer Date); or

(c) in the case of any other Fare, zero; and

E equals, if  $\frac{A}{B}$  is greater than zero:

the amount of any discount to which it can be reasonably estimated that the purchaser of the Fare would be entitled pursuant to the Passenger's Charter or any other passenger's charter of the Transferor on purchasing an equivalent Fare on the expiry of the relevant Fare,

and for these purposes a Credit or Debit shall be deemed to be received when the relevant Fare is Accepted for Clearing (as defined in the Ticketing and Settlement Agreement).

2. Rights and liabilities relating to an Excess Fare, Reservation or Upgrade (as such terms are defined in the Ticketing and Settlement Agreement) shall be valued at zero unless such Excess Fare, Reservation or Upgrade involves more than two journeys, in which case they shall be valued in accordance with paragraph 1 and references to Fare in paragraph 1 shall be construed accordingly.
3. Rights and liabilities under a Discount Card shall be valued in accordance with the following formula:

$$(C - D) \times \frac{A}{B}$$

where:

C equals the Credit (exclusive of any Value Added Tax) received by the Transferor in respect of the Discount Card;

D equals the Debit (exclusive of any Value Added Tax) received by the Transferor in respect of the commission due in respect of the sale of the Discount Card (provided that for these purposes the amount of such commission shall not exceed the National Standard Rate of Commission (as defined in the Ticketing and Settlement Agreement) in respect of the Discount Card); and

$\frac{A}{B}$  equals the number of days for which the Discount Card continues to be valid after the Transfer Date (including any extensions to its original period of validity) divided by the total number of days for which such Discount Card is valid on issue, or in the case of any Discount Card listed in Schedules 12 or 39 of the Ticketing and Settlement Agreement on the Start Date, zero,

and for these purposes a Credit or Debit shall be deemed to be received when the relevant Discount Card is Accepted for Clearing (as defined in the Ticketing and Settlement Agreement).

4. Relevant Debits and Credits shall be valued at the full amount of such Debits and Credits (inclusive of any Value Added Tax) but excluding any Debits and Credits arising in respect of Adjustment Amounts (as defined in the Ticketing and Settlement Agreement) which are received by the Transferee in respect of a change to the Credit which is used to value any relevant Season Ticket Fare under paragraph 1 of this Schedule to the extent such Adjustment Amounts (as defined in the Ticketing and Settlement Agreement) relate to a period after the Transfer Date.
5. Rights and liabilities in respect of any contract, lease, licence or other equivalent arrangement (excluding rights and liabilities valued under paragraphs 1 to 4) shall be valued at nil except to the extent that the relevant rights and liabilities include matters specified in the left hand column of the following table, which shall be valued on the basis specified in the right hand column of the following table:



<b>RIGHTS AND LIABILITIES</b>	<b>VALUE</b>
Any accrued rights to receive payment	Monetary amounts so accrued, subject to any provision being made for payment not being received from any other person
Any right to receive payment in respect of goods and/or services provided by the Transferor prior to the Transfer Date where the due date for such payment is after the Transfer Date	Amount payable under such contract, lease, licence or other equivalent arrangement for the goods and/or services so provided by the Transferor, subject to any provision being made for payment not being received from any other person
Any accrued liabilities to make payment	Monetary amounts so accrued
Any liability to make payment in respect of goods and/or services provided to the Transferor prior to the Transfer Date where the due date for such payment is after the Transfer Date	Amount payable under such contract, lease, licence or other equivalent arrangement for the goods and/or services provided to the Transferor
Any rights in respect of which payment has already been made by the Transferor	Monetary amounts so paid, subject to any provision being made for such rights not being exercisable against any other person
Any liabilities in respect of which payment has already been received by the Transferor	Monetary amounts so received
Any liability resulting from any breach of or failure by the Transferor to comply with the terms of any such contract, lease, licence or other equivalent arrangement	Amount of such liability or, to the extent that such amount is not ascertained, the parties reasonable estimate of the amount of such liability
6. CRM Data, Yield Management Data and Actual Passenger Demand information (and all Intellectual Property Rights in respect of the same), shall be valued at nil.	
7. The Stored Credit Balance held by the Franchisee at the Transfer Date shall be valued at the monetary amount so held.	
8. Any asset arising as a result of an Approved CCIF Scheme shall be valued at nil.	
9. Any ITSO equipment (including smartcard and ITSO Certified Smartmedia readers and ITSO database) and any Intellectual Property Rights associated with that ITSO equipment transferred from the Transferor to the Transferee pursuant to the Transfer Scheme shall be valued at nil.	
10. Any RV Asset shall be valued at an amount that is equivalent to the RV Asset Transfer Value of such RV Asset as specified in Column 2 of the table in Part 2 of the Appendix to Schedule 14.4 (Designation of Franchise Assets) of the Franchise Agreement, as such RV Asset Transfer Value may be adjusted or deemed to have been adjusted pursuant to paragraphs 13.4 or 13.6 of Schedule 14.4 of the Franchise Agreement.	
11. Any other property, rights or liabilities shall be valued on the basis of a willing vendor and purchaser and ongoing usage within the railway industry.	

## SCHEDULE 16

### Pensions

#### 1. Franchise Section

The Franchisee shall participate in and become the Designated Employer in relation to the following Shared Cost Sections of the Railway Pension Scheme:

- 1.1 the TransPennine Express (former ATN) Section; and
- 1.2 the TransPennine Express (former NWT) Section

together the "**Franchise Sections**") in respect of the Franchise Services. Subject to paragraphs 2 and 3.2(d) membership of a Franchise Section will be offered to each employee of a Franchisee only.

#### 2. Closed Schemes

- 2.1 Subject to any requirements of Her Majesty's Revenue and Customs, the Franchisee shall take any necessary steps (including entering into any relevant deed of participation) to allow Closed Scheme Employees to continue in membership of the British Railways Superannuation Fund or the BR (1974) Pension Fund in accordance with their terms during the Franchise Period.
- 2.2 For the purposes of this paragraph 2, Closed Scheme Employees means such of the employees of the Franchisee who were, immediately prior to the commencement of their employment with the Franchisee, members of either of the British Railways Superannuation Fund or the BR (1974) Pension Fund.

#### 3. Variations in benefits, contributions and investment

- 3.1 If a Franchisee is considering making a proposal that falls within the scope of paragraphs 3.2(a) to (g) inclusive, it shall promptly consult with the Secretary of State in relation to that proposal prior to putting such a proposal to the Pensions Committee of any Franchise Section, the Trustee of the Railways Pension Scheme (the "**Trustee**"), or to any trade union. The Franchisee must otherwise consult in good time with the Secretary of State in relation to any proposal falling within the scope of paragraphs 3.2(a) to (g) inclusive.
- 3.2 Separately and in addition to complying with its obligations under paragraph 3.1, the Franchisee shall not, without the prior written consent of the Secretary of State (which may be given on such terms and subject to such conditions as the Secretary of State thinks fit):
  - (a) restructure or change the composition of the earnings of employees of the Franchisee in such a way as to increase the part of those earnings which qualifies as pensionable earnings under the rules of the Railways Pension Scheme applicable to any Franchise Section (the "**Franchise Section Rules**") or take any action (or consent to the taking of any action) which could detrimentally affect the funding of any Franchise Section, including varying or providing different or additional benefits under that Franchise Section or promising to do so, unless this change:
    - (i) is required by Law; or
    - (ii) only affects benefits payable in respect of past service of members of that Franchise Section and on or prior to the effective date of the change the Franchisee pays an additional cash payment to the Trustee which, in the opinion of the Actuary, meets in full the additional funding cost imposed on that Franchise Section; or

- (iii) would not lead to substantial changes in the funding of any Franchise Section and is the result of the normal application of the Franchise Section Rules in the ordinary day to day running of the business of the Franchise, for example, where individual employees are, from time to time promoted or transferred to higher paid or different employment which has a different composition of earnings;
  - (b) make or consent to any proposal to change any of the provisions of the Pension Trust in respect of the Franchise Sections unless the change is required by Law;
  - (c) provide retirement, death or life assurance benefits in respect of any of its employees other than under any Franchise Section or as provided in paragraph 2;
  - (d) omit to provide the above-mentioned benefits in respect of its employees save that, without prejudice to any rights which any such employee may otherwise have, the Franchisee shall not under this Schedule 16 be obliged for the purposes of the Franchise Agreement to offer such benefits to any employee employed on a fixed term contract of 12 months or less;
  - (e) take any action (or consent to the taking of any action) which could affect the contributions payable by Participating Employers under any Franchise Section, including exercising any discretion allowed to the Franchisee as Designated Employer arising out of any actuarial valuation of a Franchise Section, and varying or providing different or additional benefits under the Franchise Sections in respect of future service, unless such action is required by Law;
  - (f) close a Franchise Section to new members; or
  - (g) take (or omit to take) any action which could result in any Franchise Section being wound up, in whole or in part.
- 3.3 The Franchisee shall consult with the Secretary of State on:
- (a) any proposal made by the Trustee to change the statement of investment principles applicable to any Franchise Section; and
  - (b) any proposal to alter the rate of contributions payable by the Franchisee or its employees under a new schedule of contributions for the Franchise Section.
- 3.4 With respect to any proposal falling within the scope of paragraph 3.3(a) or (b), the Franchisee shall also consult with the Trustee on the basis of any response it receives from the Secretary of State in relation to any such proposal.

#### 4. **Funding liabilities**

- 4.1 The Franchisee shall pay the employer contributions required under the schedule of contributions applicable to each Franchise Section (or either of the British Railways Superannuation Fund or the BR (1974) Pension Fund in which it participates) in respect of the Franchise Term subject to the provisions of paragraph 4.2 below.
- 4.2 Where, during the Franchise Term, Franchise Services are aggregated or disaggregated by the Secretary of State (for example, as a result of remapping) and, as a consequence, a Franchise Section of which the Franchisee is the Designated Employer is required to accept a transfer in or to make a transfer out of members, the Secretary of State shall ensure that the Franchisee has no liability for any resulting deterioration immediately arising in the funding level of the Franchise Section measured in accordance with the Franchise Sections' technical provisions in Part 3 of the Pensions Act 2004, or for any amount arising under article 7(4) of the Railway Pensions (Protection and Designation of Schemes) Order 1994. Notwithstanding the above the Secretary of State shall have no liability for any future

deterioration in the funding levels of the Franchise Section linked to such transfer in or out of members.

## 5. **Discharge of obligations**

- 5.1 The Secretary of State may at any time during the Franchise Term seek information from the Trustee with a view to satisfying himself that the Franchisee and the other Participating Employers (if any) have fully discharged their respective obligations under the Railways Pension Scheme, including their obligations in respect of the payment of contributions to any Franchise Section.
- 5.2 The Franchisee shall, at its expense, promptly provide such information in relation to any Franchise Section, including actuarial advice and information, as the Secretary of State may from time to time request and shall authorise and consent to the Trustee doing so.
- 5.3 The Franchisee shall, in respect of the Franchise Term, use all reasonable endeavours to provide to the Secretary of State:
- (a) within one month of the expiry of each Franchisee Year; and
  - (b) at other times as soon as practicable following a request by the Secretary of State,

a certificate signed by the Trustee in relation to the Franchise Sections stating either that the Franchisee has fully complied with its obligations under the Railways Pensions Scheme, including its obligation to contribute to the Franchise Sections or, if it has not so complied, stating the extent to which it has not done so. Where the certificate is given pursuant to paragraph 5.3(a), it shall cover the relevant Franchisee Year. Where the certificate has been given pursuant to paragraph 5.3(b), it shall cover such period as the Secretary of State shall specify.

- 5.4 If the Trustee does not certify under paragraph 5.3 in relation to the Franchise Sections that the Franchisee has fully complied with its obligations under the Railways Pension Scheme or if the Secretary of State otherwise reasonably considers that the Franchisee has not complied with such obligations, the Secretary of State may adjust Franchise Payments payable under Schedule 8 (Payments) by an amount which is, in his opinion, no greater than the amount of any contribution that the Franchisee has thereby failed to make or avoided making.
- 5.5 The Secretary of State may, under paragraph 5.4, continue to make such adjustments to Franchise Payments payable under Schedule 8 (Payments) until such time as he reasonably determines that the relevant contributions have been made in full by the Franchisee. Following that determination, any amounts so withheld by the Secretary of State shall become payable (without interest) on the next day on which a Franchise Payment becomes payable under Schedule 8 (Payments), being a day which falls no less than seven days after such determination or, if there is no such day, 14 days after the date of such determination. To the extent that the Secretary of State has not so determined within four weeks after the expiry of the Franchise Period, the Franchisee's right to receive the amount so withheld under the Franchise Agreement shall lapse and the Secretary of State shall not be obliged to pay such amount.

## 6. **Termination of Franchise**

The Secretary of State shall at the end of the Franchise Period ensure that the Franchisee has no liability for any deficit in the Franchise Sections (other than for contributions due and payable by the Franchisee to the Franchise Sections for any period prior to the end of the Franchise Term) and shall have no right to benefit from any surplus which may exist in the Franchise Sections. For the avoidance of doubt, this paragraph 6 shall apply where the Franchise Services are either aggregated or disaggregated (for example, as a result of remapping).

7. **Definitions**

Unless otherwise defined in the Franchise Agreement, terms used in this Schedule 16 shall have the meanings given to them in the Railways Pension Scheme.

**SCHEDULE 17****Confidentiality and Freedom of Information****1. Confidentiality**

Subject to the provisions of the Act, the Transport Act, the Railways Act 2005, the Environmental Information Regulations, the Freedom of Information Act (and any code of practice or other guidance related to the same) and paragraphs 2 to 8 of this Schedule 17 inclusive, each party shall hold in confidence all documents, materials and other information, whether technical or commercial, supplied by or on behalf of the other party (including all documents and information supplied in the course of proceedings under the Dispute Resolution Rules or the rules of any other dispute resolution procedures to which a dispute is referred in accordance with the Franchise Agreement) (all together the "**Confidential Information**") and shall not, except with the other party's prior written authority, publish or otherwise disclose any Confidential Information otherwise than as expressly provided for in the Franchise Agreement unless or until the recipient party can demonstrate that any such document, material or information is in the public domain through no fault of its own and through no contravention of the Franchise Agreement, whereupon to the extent that it is in the public domain this obligation shall cease.

**2. Disclosure of Confidential Information**

2.1 Each party may disclose any data or information acquired by it under or pursuant to the Franchise Agreement or information relating to a dispute arising under the Franchise Agreement without the prior written consent of the other party if such disclosure is made in good faith:

- (a) to any Affiliate of such party or outside consultants or advisers of such Affiliate, upon obtaining from such Affiliate and/or such outside consultants or advisers of such Affiliate an undertaking of confidentiality equivalent to that contained in paragraph 1;
- (b) to any outside consultants or advisers engaged by or on behalf of such party and acting in that capacity, upon obtaining from such consultants or advisers an undertaking of confidentiality equivalent to that contained in paragraph 1;
- (c) to any lenders, security trustee, bank or other financial institution (and its or their advisers) from which such party is seeking or obtaining finance, upon obtaining from any such person an undertaking of confidentiality equivalent to that contained in paragraph 1;
- (d) to the extent required by Law or pursuant to an order of any court of competent jurisdiction or under the Dispute Resolution Rules or the rules of any other dispute resolution procedures to which a dispute is referred in accordance with the Franchise Agreement or the rules of a recognised stock exchange or a formal or informal request of any taxation authority;
- (e) to any insurer, upon obtaining from such insurer an undertaking of confidentiality equivalent to that contained in paragraph 1;
- (f) to any director, employee or officer of such party, to the extent necessary to enable such party to perform its obligations under the Franchise Agreement or to protect or enforce its rights under the Franchise Agreement;
- (g) by the Franchisee, to the ORR, the Passengers' Council or a Local Authority; or
- (h) by the Secretary of State (with the consent of the Franchisee (such consent not to be unreasonably withheld or delayed)) to Rail North and its consultants and advisors, upon obtaining from Rail North or its relevant consultant or advisor (as

the case may be) an undertaking of confidentiality equivalent to that contained in paragraph 1.

2.2 The Secretary of State may disclose the Confidential Information of the Franchisee:

- (a) on a confidential basis to any Central Government Body for any proper purpose of the Secretary of State or of the relevant Central Government Body;
- (b) to Parliament and Parliamentary Committees or if required by any Parliamentary reporting requirement;
- (c) to the extent that the Secretary of State (acting reasonably) deems disclosure necessary or appropriate in the course of carrying out its public functions;
- (d) on a confidential basis to a professional adviser, consultant, supplier or other person engaged by any of the entities described in paragraph 2.2(a) of this Schedule 17 (Confidentiality and Freedom of Information) (including any benchmarking organisation) for any purpose relating to or connected with the Franchise;
- (e) on a confidential basis for the purpose of the exercise of its rights under this Agreement, including but not limited to its right of audit, assessment or inspection pursuant to paragraph 5 of Schedule 11 (Agreement Management Provisions) and its rights pursuant to Schedule 15.1 (Reletting Provisions);
- (f) on a confidential basis to a Local Authority or other relevant Stakeholder to the extent that the Secretary of State (acting reasonably) deems such disclosure necessary or appropriate for the purposes of the development and/or implementation of any proposal promoted by (or on behalf of) such Local Authority or other relevant Stakeholder in relation to the provision of additional, varied and/or extended Passenger Services, introduction of new stations or enhancements to Stations or other infrastructure schemes which impact on the Franchise; or
- (g) on a confidential basis to a proposed successor, transferee or assignee of the Secretary of State in connection with any assignment, novation or disposal of any of its rights, obligations or liabilities under this Agreement

and for the purposes of the foregoing, references to disclosure on a confidential basis shall mean disclosure subject to a confidentiality agreement or arrangement containing terms no less stringent than those placed on the Secretary of State under this paragraph 2.2 of Schedule 17.

2.3 For the purposes of paragraph 2.2, the following defined terms shall have the following meanings:

**“Central Government Body”** means a body listed in one of the following sub-categories of the Central Government classification of the Public Sector Classification Guide, as published and amended from time to time by the Office for National Statistics

- (a) Government Department;
- (b) Non-Departmental Public Body or Assembly Sponsored Public Body (advisory, executive, or tribunal);
- (c) Non-Ministerial Department; or
- (d) Executive Agency.

### 3. **Publication of Certain Information**

- 3.1 Notwithstanding the provisions of paragraph 1, the Secretary of State may publish (whether to the press, the public or to one or more individuals, companies or other bodies, including to any prospective Successor Operator) in such form and at such times as he sees fit, the following (irrespective of whether the same was provided to the Secretary of State by the Franchisee or a third party):
- (a) any or all of the Franchise Documents provided that the Secretary of State will, prior to publishing the same, redact from any Franchise Document any information contained therein which the Secretary of State and the Franchisee agree or failing which the Secretary of State determines, in his absolute discretion, is exempt from disclosure in accordance with the provisions of the Freedom of Information Act and/or the Environmental Information Regulations;
  - (b) the amount of any Franchise Payments payable under the Franchise Agreement and the aggregate amount of Franchise Payments paid in each year under the Franchise Agreement;
  - (c) such information as the Secretary of State may consider reasonably necessary to publish in connection with the performance of his functions in relation to any Closure or proposed Closure;
  - (d) the amount of any payments by the Franchisee under the Passenger's Charter;
  - (e) such information (including CRM Data and Yield Management Data) as may reasonably be required in connection with any Tendering/Reletting Process or the retendering or reletting of any other railway passenger services, provided that such information may only be published during the period of, or during the period leading up to, such retendering or reletting;
  - (f) any reports and accounts delivered to him under Schedule 13 (Information and Industry Initiatives) including any analyses, statistics and other information derived from such reports and accounts;
  - (g) the results of any monitoring or measurement of the performance of the Franchisee in the provision of the Franchise Services (including any information provided under Schedule 11 (Agreement Management Provisions));
  - (h) the results, on a Service Group, Route, station or other comparable basis, of any calculation of passenger numbers under Schedule 1.5 (Information about Passengers);
  - (i) the results of any survey under Schedule 7.2 (National Rail Passenger Surveys and Customer and Communities Improvement Fund);
  - (j) the results of any assessment or inspection under Schedule 11 (Agreement Management Provisions);
  - (k) details of the Franchisee's plans and performance in respect of safety;
  - (l) such information as the Secretary of State may reasonably require to include in his annual report in respect of the Franchisee provided that, in preparing that report, the Secretary of State shall have regard to the need for excluding, so far as is practicable, the matters specified in paragraphs (a) and (b) of Section 71(2) of the Act for this purpose, taking references in those paragraphs to the ORR as references to the Secretary of State; and
  - (m) such information as the Secretary of State may reasonably require to publish at or around the expiry or possible termination of the Franchise Period in order to secure continuity of the provision and operation of the Franchise Services.



- 3.2 Without prejudice to any other provision of this Schedule 17, the Secretary of State may publish any other information relating to the Franchisee if he has previously notified the Franchisee and the Franchisee does not demonstrate to the reasonable satisfaction of the Secretary of State within 14 days of such notification that the publication of such information would, in the reasonable opinion of the Franchisee, be materially detrimental to its business. If the Franchisee attempts so to demonstrate to the Secretary of State but he is not so satisfied, the Secretary of State shall allow seven more days before publishing the relevant information.

4. **Service Development Information**

Nothing in this Schedule 17 shall be deemed to prohibit, prevent or hinder, or render either party liable for, the disclosure by either party to Network Rail, the ORR, other Train Operators, any operators of services for the carriage of goods by rail, the Passengers' Council and/or any Local Authority of any information relating to the development of the Train Service Requirement in accordance with Schedule 1.1 (Service Development).

5. **Publication by Secretary Of State**

Nothing in this Schedule 17 shall be deemed to prohibit, prevent or hinder, or render the Secretary of State liable for, the disclosure of any information by the Secretary of State to the ORR, the Parliamentary Commissioner for Administration, a Minister of the Crown, any department of the government of the United Kingdom, the Scottish Parliament, the National Assembly of Wales, the Mayor of London, the Greater London Authority or any department or officer of any of them or of information which is otherwise disclosed for the purpose of facilitating the carrying out of his functions.

6. **Provision of Information to the ORR**

The Franchisee hereby authorises the Secretary of State to provide to the ORR, to the extent so requested by the ORR, such information as may be provided to the Secretary of State in relation to the Franchisee under the Franchise Agreement.

7. **Disclosure by Comptroller and Auditor General**

The parties recognise that the Comptroller and Auditor General may, in pursuance of his functions under the Exchequer and Audit Department Act 1921, the National Audit Act 1983 and the Government Resources and Accounts Act 2000, disclose information which he has obtained pursuant to those Acts and which a party to the Franchise Agreement would not be able to disclose otherwise than under this Schedule 17.

8. **Continuing Obligation**

This Schedule 17 (and any other provisions necessary to give effect hereto) shall survive the termination of the Franchise Agreement, irrespective of the reason for termination.

9. **Freedom of Information - General Provisions**

- 9.1 The Franchisee acknowledges and shall procure that its agents and subcontractors acknowledge that the Secretary of State is subject to the requirements of the Freedom of Information Act and the Environmental Information Regulations and accordingly the Franchisee shall and shall procure that its agents and subcontractors shall assist and co-operate with the Secretary of State to enable the Secretary of State to comply with his information disclosure obligations under the Freedom of Information Act and/or the Environmental Information Regulations.

- 9.2 Notwithstanding paragraph 10, the Franchisee shall and shall procure that its agents and subcontractors shall:

- (a) transfer to the Secretary of State any Requests for Information received by the Franchisee (or its agents or subcontractors) as soon as practicable and in any event within two Weekdays of receiving any such Request for Information;

- (b) provide the Secretary of State with a copy of all information in its (or their) possession or power in the form that the Secretary of State requires within five Weekdays of the Secretary of State's request (or within such other period as he may specify); and
  - (c) provide all necessary assistance as reasonably requested by the Secretary of State to enable him to respond to any Request for Information within the time for compliance set out in section 10 of the Freedom of Information Act or regulation 5 of the Environmental Information Regulations as applicable.
- 9.3 The Secretary of State shall be responsible for determining in his absolute discretion, and notwithstanding any other provision in the Franchise Agreement or any other agreement, whether Confidential Information (as such term is defined in paragraph 1 of this Schedule 17) and/or any other information is exempt from disclosure in accordance with the provisions of the Freedom of Information Act and/or the Environmental Information Regulations.
- 9.4 The Franchisee shall not and shall procure that its agents and subcontractors shall not respond directly to any Request for Information unless expressly authorised to do so by the Secretary of State.
- 9.5 The Franchisee acknowledges and shall procure that its agents and subcontractors acknowledge that notwithstanding any provision to the contrary in the Franchise Agreement the Secretary of State may be obliged under the Freedom of Information Act and/or the Environmental Information Regulations and any related Code of Practice or other guidance to disclose information concerning the Franchisee and/or its agents and subcontractors:
- (a) in certain circumstances without consulting the Franchisee (or its agents and/or subcontractors where applicable); or
  - (b) following consultation with the Franchisee and having taken its views into account (and the views of its agents and/or subcontractors where applicable),
- provided always that where applicable the Secretary of State shall in accordance with the provisions of the Freedom of Information Act and/or the Environmental Information Regulations take reasonable steps where appropriate to give the Franchisee advance notice or failing that to draw the disclosure to the Franchisee's attention after any such disclosure.

## 10. **Redactions**

- 10.1 Subject to paragraph 9, by no later than the date which is:
- (a) 4 weeks after the date of this Agreement (in respect of the Franchise Documents referred to in paragraph (a) of the definition thereof);
  - (b) 30 days after the date of notification by the Secretary of State to the Franchisee of another agreement that is required for publication (in respect of the Franchise Documents referred to in paragraph (b) of the definition thereof); and
  - (c) 30 days after the date of any document varying the terms of any Franchise Document,
- the Franchisee will provide to the Secretary of State details of any provisions of the Franchise Documents or any such variation which the Franchisee believes are exempt from disclosure in accordance with the provisions of the Freedom of Information Act, the Environmental Information Regulations and/or Section 73(3) of the Act (the "**Redactions**").
- 10.2 For each such Redaction the Franchisee should specify:
- (a) the exact text of the Franchise Document or variation that the Franchisee proposes is redacted;

- (b) whether the Franchisee proposes that the Redaction applies in relation to the publication of the relevant Franchise Document or variation on the website of the Department for Transport, on the register required to be maintained by the Secretary of State pursuant to Section 73 of the Act or on both such website and such register; and
- (c) the reasons why the Franchisee believes that the proposed Redaction is justified in accordance with the Freedom of Information Act, the Environmental Information Regulations and/or Section 73(3) of the Act.

10.3 The Secretary of State shall consult with the Franchisee in relation to the Franchisee's proposed Redactions (provided that the same are provided to the Secretary of State in accordance with paragraph 10.1). If the Secretary of State and the Franchisee are unable to agree upon any proposed Redaction, the Secretary of State shall be entitled to determine, in his absolute discretion, whether or not to make such proposed Redaction. If the Franchisee does not provide its proposed Redactions to the Secretary of State in accordance with paragraph 10.1, the Franchisee shall be deemed to have consented to publication of the relevant document without any Redactions.

**SCHEDULE 18****Additional Reporting Periods****1. Additional Reporting Periods**

1.1 Subject to paragraph 1.2, the Franchise Agreement shall expire at 0159 on 1 April 2023.

1.2

(a) If the Secretary of State gives notice to the Franchisee not less than three months before the date on which the Franchise Agreement is due to expire in accordance with paragraph 1.1, the Franchise Agreement shall continue after such date on the terms set out in the Franchise Agreement for not less than one and (subject to sub paragraph (b) below) not more than 26 Reporting Periods, as the Secretary of State may stipulate.

(b) Where the Secretary of State exercises his rights in accordance with paragraph 1.10 of Schedule 9.5 (Variations to the Franchise Agreement and Incentivising Beneficial Change) to extend the Expiry Date by a specified number of Reporting Periods then the maximum number of Reporting Periods by which the Franchise Term can be extended pursuant to paragraph 1.2(a) shall be reduced by the same number of Reporting Periods.

**Key Contracts**

1.3 The Franchisee shall enter into any and all Key Contracts which are necessary for the Franchise Agreement to continue in accordance with paragraph 1.2 of this Schedule 18.

**SCHEDULE 19****Other Provisions****1. Rights Cumulative**

The rights of the Secretary of State under the Franchise Agreement are cumulative, may be exercised as often as he considers appropriate and are in addition to his rights under the general Law. The exercise of such rights shall not limit the Secretary of State's right to make payment adjustments, claim damages in respect of contraventions of the Franchise Agreement or pursue any available remedies under general Law.

**2. Disputes****Disputes under the Franchise Agreement**

- 2.1 Wherever the Franchise Agreement provides that the Secretary of State may reasonably determine any matter, the Franchisee may, unless the Franchise Agreement expressly provides otherwise, dispute whether a determination made by the Secretary of State is reasonable, but the Secretary of State's determination shall prevail unless and until it is agreed or found to have been unreasonable.
- 2.2 Where either party is entitled, pursuant to the terms of the Franchise Agreement, to refer a dispute arising out of or in connection with the Franchise Agreement for resolution or determination in accordance with the Dispute Resolution Rules, then such dispute shall, unless the parties otherwise agree and subject to any duty of the Secretary of State under Section 55 of the Act, be resolved or determined by arbitration pursuant to the Dispute Resolution Rules.
- 2.3 Where, in the absence of an express provision in the Franchise Agreement entitling it to do so, either party wishes to refer a dispute arising out of or in connection with the Franchise Agreement to arbitration pursuant to the Dispute Resolution Rules, the following process shall apply
- (a) the party seeking to refer to arbitration shall serve a written notice upon the other party stating (i) the nature and circumstances of the dispute, (ii) the relief sought including, to the extent possible, an indication of any amount(s) claimed, and (iii) why it is considered that the dispute should be resolved by way of arbitration rather than litigation;
  - (b) the other party shall respond within 20 Weekdays of service of the notice confirming whether or not referral of the dispute to arbitration is agreed. In the absence of any response, the referral to arbitration shall be deemed not to have been agreed;
  - (c) in the event that the parties agree to refer the dispute to arbitration then it shall be resolved or determined in accordance with the Dispute Resolution Rules;
  - (d) in the event that the parties do not agree to refer the dispute to arbitration then it shall be resolved or determined in accordance with Clause 8 of the Franchise Agreement; and
  - (e) nothing in this paragraph 2.3 shall preclude either party from commencing, continuing or otherwise taking any step by way of litigation in pursuit of the resolution or determination of the dispute unless an agreement is reached to refer the dispute to arbitration.
- 2.4 The arbitrator in any dispute referred for resolution or determination under the Dispute Resolution Rules shall be a suitably qualified person chosen by agreement between the parties or, in default of agreement, chosen by the Disputes Secretary from a panel of persons agreed from time to time for such purposes between the Secretary of State and

the Franchisee or, in default of agreement as to the arbitrator or as to such panel, selected on the application of any party by the President of the Law Society or the President of the Institute of Chartered Accountants in England and Wales from time to time (or such other person to whom they may delegate such selection).

### **Disputes under Other Agreements**

- 2.5 The Franchisee shall notify the Secretary of State of any disputes to which it is a party under any Inter-Operator Scheme, Access Agreement, Property Lease or Rolling Stock Related Contract, or under any other agreement in circumstances where the relevant dispute could have an adverse effect on the Franchisee's ability to comply with its obligations under the Franchise Agreement or on the provision of the Franchise Services and which have been submitted for resolution either to the courts or to any other procedure for dispute resolution provided for under such agreements.
- 2.6 Such notification shall be made both:
- (a) at the time of such submission (and such notification shall include reasonable details of the nature of the dispute); and
  - (b) at the time of the resolution of the dispute (whether or not subject to appeal) (and such notification shall include reasonable details of the result of the dispute, any associated award and whether it is subject to appeal).
- 2.7 The Franchisee shall provide such further details of any dispute referred to in paragraph 2.4 as the Secretary of State may reasonably request from time to time.

### **3. Notices**

#### **Notices**

##### **3.1**

- (a) Any notice, notification or other communication under or in connection with the matters specified in Schedule 10.2 (Termination and Expiry) or any dispute under or in connection with the Franchise Agreement shall be in writing and shall be delivered by hand or recorded delivery or sent by pre-paid first class post to the relevant party at the address for service set out below, or to such other address in the United Kingdom as each party may specify by notice in writing to the other party:

Name:	The Department for Transport
Address:	33 Horseferry Road, London SW1P 4DR
E-mail:	franchise.notices@dft.gsi.gov.uk
Attention:	The Manager – The TransPennine Express Franchise
Name:	First TransPennine Express Limited
Address:	50 Eastbourne Terrace, Paddington, London W2 6LG
E-mail:	robert.welch@firstgroup.com
Attention:	Company Secretary

- (b) Any other notice, notification or other communication under or in connection with the Franchise Agreement shall be in writing and shall be delivered:
  - (i) in accordance with paragraph 3.1(a); or
  - (ii) by electronic data transfer,
 except that it shall be marked for the attention of the Contract Manager or the Franchise Manager.

#### **Deemed Receipt**

- 3.2 Any such notice or other communication shall be deemed to have been received by the party to whom it is addressed as follows:
  - (a) if sent by hand or recorded delivery, when delivered;
  - (b) if sent by pre-paid first class post, from and to any place within the United Kingdom, three Weekdays after posting unless otherwise proven; and
  - (c) if sent by electronic data transfer, upon sending, subject to receipt by the sender of a "delivered" confirmation (provided that the sender shall not be required to produce a "read" confirmation).

#### **4. Assignment**

The Franchisee shall not without the prior written consent of the Secretary of State assign, hold in trust for any other person, or grant a Security Interest in or over, the Franchise Agreement or any part hereof or any benefit or interest or right herein or hereunder (other than any right of the Franchisee to receive monies under a Supplemental Agreement).

#### **5. Set Off**

- 5.1 Save as otherwise expressly provided under the Franchise Agreement or required by law, all sums payable under the Franchise Agreement shall be paid in full and without any set-off or any deduction or withholding including on account of any counter-claim.
- 5.2 Notwithstanding paragraph 5.1 the Secretary of State shall be entitled to set-off against any amounts payable by him under the Franchise Agreement:
  - (a) any amount or liability payable or due to him under or in relation to the Franchise Agreement (whether such amount or liability is present, contingent and/or future, liquidated or unliquidated); and
  - (b) any monetary penalty payable under the Act.

#### **6. Miscellaneous Provisions**

##### **Waivers**

- 6.1
  - (a) Any party may at any time waive any obligation of any other party owed to it under the Franchise Agreement and the obligations of the parties hereunder shall be construed accordingly.
  - (b) No waiver by any party of any default by any other party in the performance of such party's obligations under the Franchise Agreement shall operate or be construed as a waiver of any other or further such default, whether of a like or different character. A failure to exercise or delay in exercising a right or remedy under the Franchise Agreement shall not constitute a waiver of any right or remedy or a waiver of any other rights or remedies and no single or partial

exercise of any right or remedy under the Franchise Agreement shall prevent any further exercise of such right or remedy or the exercise of any other right or remedy.

### **Time Limits**

- 6.2 Where in the Franchise Agreement any obligation of a party is required to be performed within a specified time limit (including an obligation to use all reasonable endeavours or best endeavours to secure a particular result within such time limit) that obligation shall be deemed to continue after the expiry of such time limit if such party fails to comply with that obligation (or secure such result, as appropriate) within such time limit.

### **Partial Invalidity**

- 6.3 If any provision in the Franchise Agreement is held to be void, illegal, invalid or unenforceable, in whole or in part, under any enactment or rule of Law, such provision or part shall to that extent be deemed not to form part of the Franchise Agreement but the legality, validity and enforceability of the remainder of the Franchise Agreement shall not be affected.

### **Further Assurance**

- 6.4 Each party agrees to execute and deliver all such further instruments and do and perform all such further acts and things as shall be necessary or expedient for the carrying out of the provisions of the Franchise Agreement.

### **Rights of Third Parties**

6.5

- (a) A person who is not a party to the Franchise Agreement shall have no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of the Franchise Agreement except to the extent set out in this paragraph 6.5.
- (b) Any Successor Operator or potential Successor Operator nominated by the Secretary of State and notified to the Franchisee and the Franchisee for the purposes of this paragraph 6.5 may enforce and rely on the provisions of Schedule 15 (Obligations Associated with Termination) to the same extent as if it were a party but subject to paragraphs 6.5(c) and (d).
- (c) The Franchise Agreement may be terminated, and any term may be amended or waived, in each case in accordance with the terms of the Franchise Agreement, without the consent of any person nominated under paragraph 6.5(b).
- (d) The person nominated under paragraph 6.5(b) shall only be entitled to enforce and rely on Schedule 15 (Obligations Associated with Termination) to the extent determined by the Secretary of State (whether at the time of nomination or at any other time) and, to the extent that any such person is entitled to enforce and rely on Schedule 15 (Obligations Associated with Termination), any legal proceedings in relation thereto must be commenced within one year of the expiry of the Franchise Period and any such person shall not be entitled to enforce or rely on Schedule 15 (Obligations Associated with Termination) to the extent that it has consented to any particular act or omission of the Franchisee which may constitute a contravention of Schedule 15 (Obligations Associated with Termination) or has been afforded a reasonable opportunity to indicate to the Franchisee that it is not so consenting and has not so indicated (the extent of such reasonable opportunity to be determined by the Secretary of State unless otherwise agreed).



**Secretary of State's Consent or Approval**

6.6 Where any provision of the Franchise Agreement provides for any matter to be subject to the consent or approval of the Secretary of State, then (subject only to the express terms of that provision as to the basis on which that consent or approval may be given or withheld) the Secretary of State shall be entitled to give that consent or approval subject to any condition or conditions as he considers appropriate, which may include the adjustment of any of the terms of the Franchise Agreement.

**7. Enforcement Costs**

The Franchisee shall compensate the Secretary of State for all reasonable costs incurred by the Secretary of State as a result of such party failing to perform its obligations under the Franchise Agreement in accordance with their terms in the exercise of the Secretary of State's rights under Schedule 10 (Remedies, Termination and Expiry).

**8. Currency**

If at any time the Bank of England or other competent monetary authority of the United Kingdom or competent organ of H. M. Government of the United Kingdom recognises the Euro as lawful currency and tender of the United Kingdom, the Secretary of State may, by reasonable notice to the Franchisee and the Franchisee may by reasonable notice to the Secretary of State, elect that all payment obligations arising under the Franchise Agreement shall be denominated and/or constituted in Euros on the basis that all outstanding amounts and obligations previously denominated and/or constituted in pounds sterling shall be translated into Euros at the exchange rate applied or recognised by the United Kingdom authority or organ which granted recognition of the Euro for the purpose of such translation on the date on which it granted recognition of the Euro.

**9. Arm's Length Dealings**

The Franchisee shall ensure that every contract or other arrangement or transaction to which it may become party in connection with the Franchise Agreement with any person is on bona fide arm's length terms.

**10. Non discrimination**

10.1 The Franchisee will not discriminate in seeking offers in relation to, or in awarding, a contract for the purchase or hire of goods on the grounds:-

- (a) of nationality, against a person who is a national of and established in a relevant State; or
- (b) that the goods to be supplied under the contract originate in another relevant State.

10.2 For the purpose of this Clause, "**relevant State**" has the meaning given in the Public Contracts Regulations 2006.