

# ScotRail Franchise

## Invitation to Tender

**TENDER REFERENCE: TS/RD/SER/2013/04**

**B/4855286/45**

23 January 2014







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This document is issued by Transport Scotland pursuant to the functions of the Scottish Ministers under the Railways Act 1993 and the Railways Act 2005, as amended.

All references in this document to Transport Scotland, Network Rail or the Office of Rail Regulation ("**ORR**") include, where appropriate and unless the context otherwise requires, references to those bodies' predecessors and successor(s).

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The duties and responsibilities of the Scottish Ministers with respect to the Scottish transport network are embodied in various Acts of the United Kingdom and the Scottish Parliaments.

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Transport Scotland is responsible for helping to deliver the Scottish Government's capital transport investment programme, overseeing the safe and efficient running of Scotland's rail and trunk roads networks, and establishing and running a national scheme for concessionary travel in Scotland.

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The only information which will have any legal effect and the only information upon which any person may rely will be such information (if any) as has been specifically and expressly represented and/or warranted in writing to a successful Franchisee in the relevant Franchise Agreement or in any other relevant agreement entered into at the same time as the Franchise Agreement is entered into or becomes unconditional. Nothing in this document is intended to create a contract between the Scottish Ministers and any Bidder or prospective Bidder.

Transport Scotland reserves the right at any time to issue further supplementary instructions and updates and amendments to the instructions and information contained in this document as it thinks fit.

Atkins Limited, DWF LLP and Ernst & Young LLP are acting for Transport Scotland in relation to the award of the ScotRail franchise, and will not regard any other person as their client or be responsible to anyone other than Transport Scotland for providing the protections afforded to their clients nor for advising any other person on the contents of this document or any matter referred to in it.

Transport Scotland will not be responsible for the costs or expenses of any Bidder in relation to any matter referred to in this document howsoever incurred, including the evaluation of the ScotRail franchise opportunity, the award, or any Bid for the award of the ScotRail franchise, or negotiation of the Franchise Agreement. Transport Scotland reserves the right not to award the ScotRail franchise to any Bidder and/or to cancel or withdraw the competition.

This Invitation to Tender document should be read in conjunction with the draft Franchise Agreement supplied as Attachment A with this Invitation to Tender.

Unless the context otherwise requires, capitalised terms used in this document shall have the same meaning given to them as in the draft Definitions Agreement.

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# I. Introduction and Context

## I.1 Purpose of this Invitation to Tender

This Invitation to Tender ("ITT") sets out:-

- the ScotRail franchise proposition for which Transport Scotland is seeking Bids;
- how the competitive process will work;
- how Bidders should complete their Bids; and
- how the evaluation process will work.

Appendices and a number of documents are attached which set out the requirements for the completion of Bids and additional relevant information.

Transport Scotland's aim for the new ScotRail franchise is to commence operations with effect from 00:00 on 1 April 2015 save where the Scottish Ministers exercise their right to extend the existing Franchise Agreement by either (i) 2 hours to facilitate the transition between franchises in which case the new ScotRail franchise shall commence at 02:00 on 1 April 2015; or (ii) by up to 2 reporting periods in which case the new ScotRail franchise shall commence no later than 31 May 2015 either at 00:00 or 02:00 (if the 2 hour extension option is exercised in respect of an extension of the existing ScotRail franchise to a date later than 31 March 2015).

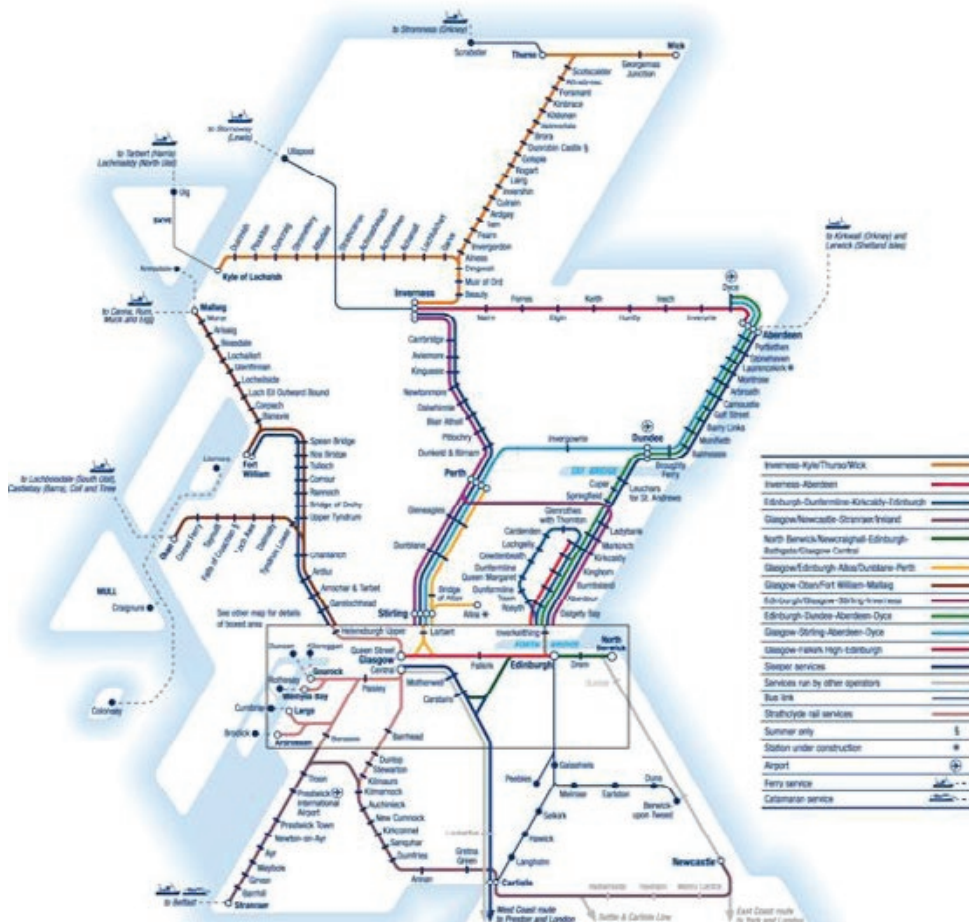
## I.2 Scope of the ScotRail Franchise

The ScotRail franchise is a large and complex transport system providing inter-city, regional and suburban rail services on the Scottish Rail Network.

The ScotRail franchise provides passenger train services throughout Scotland. It serves the cities of Glasgow, Edinburgh, Inverness, Aberdeen, Stirling, Dundee and Perth, along with the rest of the country. The ScotRail franchise operates over 2,400 train services per weekday, delivering over 83 million passenger journeys and 1.6 billion passenger miles per year. Around 4,700 staff are employed by ScotRail, with approximately 300 multiple units and 347 stations used to deliver the ScotRail services.

With around 2,800 kilometres of track (25% of which are electrified) the Scottish Rail Network is extensive and diverse. Services around Strathclyde form the busiest commuter network in the UK outside of London, whilst regional routes provide 'lifeline' connections to remote communities and promote tourism. It is a mixed-use railway with both rail passenger services and freight companies using the network. Figure 1 shows the current geographic scope of the Scottish Rail Network.

Figure 1: Current geographic scope of the Scottish Rail Network



Details of the ScotRail franchise, its services and resources can be found in the Transport Scotland Rail Franchise Replacement Data Site (details of which can be found in Section 2.6 (*Data Site*)) and in the Service Level Commitment in the Franchise Agreement (“**SLC**”) set out in Attachment B.

### I.3 Transport Scotland's Objectives for the ScotRail Franchise

The Scottish Ministers have set out the policy objectives for the ScotRail franchise as follows:-

- Ensure value for money.
- Secure industry alignment to increase effectiveness and reduce costs.
- Exploit utility and capacity of the network.
- Improve journey times and connectivity.
- Manage change effectively.
- Improve passenger satisfaction.
- Improve environmental performance.
- Improve accessibility to services and stations.

(together the "**Franchise Objectives**").

The ScotRail franchise is being let for 10 years with a break option exercisable before the fifth anniversary of the Franchise Commencement Date which, if exercised, will bring the ScotRail franchise to an end at the expiry of its seventh year unless the parties agree to an earlier termination.

Where both parties do not expect to exercise the option to break before the fifth anniversary of the Franchise Commencement Date, the rebasing exercise set out in Section 2.17 (*Rebasing*) and Schedule 8.5 (*Rebasing*) of the Franchise Agreement will commence. If the Parties fail to agree to the outcome of the rebasing exercise, the ScotRail franchise will terminate on the expiry of its seventh year (unless (i) the parties agree to an earlier termination date or (ii) the Scottish Ministers request, and the Franchisee accepts, to continue to operate the ScotRail franchise until such date beyond the seventh year and prior to the tenth year of the ScotRail franchise as the Scottish Ministers determine).

Where the ScotRail franchise runs for 7 years, it may be extended following the expiry of the seventh year of the Franchise Agreement by up to 7 reporting periods. Where the ScotRail franchise runs for 10 years, it may be extended following the expiry of the tenth year of the Franchise Agreement by up to 26 reporting periods. The exercise of either the 7 or 26 reporting period extension will be solely at the Scottish Ministers' discretion.

In meeting the objectives, the Franchisee is expected to operate a quality, efficient rail passenger service which is also considered by the industry to be at the leading edge of innovation in the provision of its service throughout the life of the ScotRail franchise, for example, in the delivery of increasing customer service expectations and by ensuring that the Franchisee takes an innovative approach to overcoming barriers to Wi-Fi for passengers in an era of increasingly swift technological change.

### I.4 Closing date for Bids

**Bids must be received by Transport Scotland by 12pm on 17 April 2014.**





## 2. Tendering Procedure: Information and Instructions to Bidders

### 2.1 Franchising Timetable and Process

An overview of Transport Scotland's management process for the letting of a franchise is documented in the Process Document provided to Bidders with the Pre-Qualification Questionnaire ("PQQ"). The remaining stages of the process for appointing the Franchisee: Bid Preparation; Bid Evaluation and Negotiation; and Mobilisation, together with their indicative timings, are set out below.

**Table 2-1: Franchising Timetable**

Stage	Description	Party Responsible	Planned Date
<b>Data Site Open</b>	Draft ITT available Clarification available	Transport Scotland	11 November 2013
<b>Bid Preparation</b>	Issue of ITT in preparation of Bids	Bidders	24 January 2014 to 17 April 2014
	End of Clarification Period	Bidders	27 March 2014 (except in respect of clarifications relating to:  Derogations pursuant to Section 6.7 ( <i>Derogations</i> ) which must be submitted by 20 March 2014;  Staff uniform proposals pursuant to Section 2.3.2.5 ( <i>Staff Uniforms</i> ) of Delivery Plan 3 which must be submitted by 20 February 2014; departures pursuant to Section 2.1.2.1 ( <i>EGIP Rolling Stock</i> ) of Delivery Plan 6 which must be submitted by 20 February 2014; and proposals for Section 54 undertaking pursuant to Section 2.2.2 ( <i>Inter-city Initiatives: Transport Scotland's requirements</i> ) of Delivery Plan 6 which must be submitted by 20 February 2014.)
	Submission of Bids	Bidders	April 2014
<b>Bid Evaluation &amp; Negotiation of Bids</b>	Evaluation of Bids, clarification, negotiation and agreement to terms of the Franchise Agreement and related documentation.	Transport Scotland and Bidder(s)	April 2014 to September 2014
	The Scottish Ministers consent to the ScotRail franchise award.		September 2014 to October 2014
<b>Mobilisation</b>	Prepare for transfer of operations	Franchisee	October 2014 to March 2015

Transport Scotland reserves the right to alter the timetable or the process, or to terminate this process at its sole discretion. Bidders will be informed of any such changes.

## 2.2 Restriction on Communication/Press Releases etc. during Franchise Competition

The outcome of a rail franchise competition is of national significance and therefore generates a high level of public interest and media speculation. Bidders should not use media or communication channels in a way that might reflect adversely and unfairly on the industry, its participants or the integrity or outcome of the competition.

Therefore until the award of the ScotRail franchise, Transport Scotland requires that Bidders confine any communications about the competition to that which is necessary in order to develop their proposals. Save as provided for below, until the award of the ScotRail franchise, Bidders are required to refrain from commenting on or disclosing the contents of this ITT to national, local and industry media, Passenger Focus, Local Authorities, Strathclyde Partnership for Transport (SPT), South East of Scotland Transport Partnership (SESTrans), South-West of Scotland Transport Partnership (SWESTrans), Highland and Islands Transport Partnership (HITrans), North-East Scotland Transport Partnership (NESTrans), Tayside and Central Scotland Transport Partnership (TACTrans), HS1 Ltd, HS2 Ltd, all Cross-border franchisees, Members of Parliament, Members of the Scottish Parliament, Members of the European Parliament, Visit Scotland, Scottish Trades Union Congress, Scottish Chamber of Commerce, Scottish Council for Development and Industry, Confederation of British Industry (Scotland) and any other stakeholders. The foregoing requirement shall not apply to any communication otherwise permitted or required in terms of this ITT. If there are compelling reasons to make a public statement or comment then Transport Scotland requires Bidders in each and every instance to discuss and agree the content of such statements or comments with Transport Scotland in advance.

## 2.3 Changes in Circumstances

Bidders (including for this purpose each participant in any joint venture or consortium arrangements) shall notify Transport Scotland of the occurrence of any of the events listed below (for the purposes of this Section 2.3, a **"change in circumstances"**) promptly, and in any case no later than 21 days after such change in circumstances occurs. A change in circumstances means the occurrence of any of the following:

- any change to their corporate structure or the structure of the Bid vehicle from that set out in their application to be accredited to receive this ITT. This includes the grant of any options to acquire shares, any agreement relating to the exercise of rights attaching to such shares, and any amendments to a shareholders' agreement, articles of association or similar constitutional documents;
- any changes to the information provided to Transport Scotland as part of the pre-qualification process; or
- any other changes to their circumstances, or the basis of their Bids, which may be expected to influence Transport Scotland's decision on the suitability of the Bid vehicle to be the Franchisee for the ScotRail franchise.

Any such notification shall provide full details of the change or proposed change, including final form copies of the documentation required to put such a change or proposed change into effect.

Bidders shall provide Transport Scotland with their interim and annual financial statements within 21 days of their publication and details of any other events or movements in financial position that have a bearing on their financial standing.

Transport Scotland reserves the right to approve or reject such changes or proposed changes (including any changes to the basis on which the Bidder was accredited to receive this ITT) or to impose such conditions as it considers appropriate in order for the Bidder to continue to participate in the competition. Transport Scotland further reserves the right to exclude a Bidder from further participation in the competition where it rejects any such changes.



## 2.4 Cost of Bidding and Model Audits

Each Bidder shall be responsible for all costs, expenses and liabilities incurred by them in connection with the ScotRail franchise letting process, whether or not their Bid and/or associated negotiations are ultimately successful or the process is subsequently varied in any way or terminated. Bidders shall be responsible for all costs associated with the Modelling Best Practice Confirmation and Model Audit (each as defined in Section 6.8 (*Model Sign-off – Terms of Reference*)).

## 2.5 Preparation of Bids

Transport Scotland expects to receive Bids that contain few or no qualifications. Bidders should make full use of all the information provided with this ITT, in the Data Site as defined in Section 2.6 (*Data Site*) and, thereafter, the Query Process described in Section 2.7 (*Query Process*). Any Bids which contain qualifications may be treated as non-compliant (and Bidders are referred to Section 2.12 (*Non-Compliant Bids, Statements, Changes in Circumstance and SMRAs*)) for the possible consequences of a Bid being treated as non-compliant).

## 2.6 Data Site

Transport Scotland has established virtual data rooms for its rail franchise replacement programme (the “**Data Site**”), containing, in electronic form, documents and information specifically relating to the ScotRail franchise and the incumbent Franchisee, including the Long Form Report.

Bidders will be required to comply with the Data Site Rules provided during the PQQ stage (as may be amended by Transport Scotland from time to time).

## 2.7 Query Process

All requests for information/clarifications shall be submitted by Bidders on or before 27 March 2014 using the Clarification Question template within the “Queries” section of the Data Site which shall be made available to the Bidder’s Bid Coordinator and Bid Deputy Coordinator as defined in the Data Site Rules.

Any request for clarification or additional information must meet the requirements stated below. Failure to satisfy Transport Scotland of the value of the information sought may result in the request not being accorded priority attention and/or it being viewed as an unreasonable request for information.

A Bidder may request that Transport Scotland treats a clarification request and its response as confidential. Any such requests must be made at the time of submission of the clarification request. Transport Scotland will advise the Bidder if it considers that the clarification request cannot be treated as confidential, at which time the Bidder may either withdraw the clarification request or accept that the response may (at Transport Scotland’s discretion) be transmitted to the other Bidders. If the Bidder does not withdraw the clarification request then the Bidder will be required to re-submit the request as a non-confidential clarification request.

Bidders shall ensure clarity as to the expected source, scope and format of the material required (e.g. passenger count details by period, by service group for the last year).

Clarification requests from Bidders will be responded to expeditiously having regard to the nature, extent and availability of the information requested. Transport Scotland will endeavour to respond to all clarification requests before Bids need to be submitted, but Bidders should note that Transport Scotland cannot guarantee this, especially if it has not been possible to collate the necessary data for a response.

Transport Scotland reserves the right to transmit to other Bidders (without reference to the identity of the author of the clarification request) the questions (other than those agreed as confidential) asked by, and the answers provided to, any Bidder. This will be done by means of bulletins (“**Bidder Bulletins**”) published periodically on the ScotRail franchise Data Site.

Transport Scotland may, at its discretion, hold bi-lateral meetings with Bidders during the Bid preparation phase and the clarification phase. Notes from bi-lateral meetings will not be provided to Bidders as part of the formal clarification process; however where Transport Scotland makes a clarification in relation to non-confidential matters during such bi-lateral meetings, such clarification will be made available to all Bidders through the Bidder Bulletins. Bidders shall therefore only rely on the ITT, Bidder Bulletins and the formal Query Process.

Where a Bidder believes that there is any inconsistency between any documents or information provided by Transport Scotland to Bidders as part of the ScotRail franchise letting process, Bidders should seek to clarify the point through the Query Process rather than make an assumption in their Bid in relation to such matter.

## 2.8 Structure and Format of Bids

**Bidders should note that Transport Scotland will evaluate the compliance of Bids with the structure set out in Table 2-2 (Structure and Format of Bids) and, following any appropriate clarification, may (without limitation) disqualify any Bid that does not conform.**

**Table 2-2 Structure and Format of Bids**

Part		Hard Copy	Electronic	Size Limit
<b>1.</b>	<b>Main text</b>			
	Executive Summary Delivery Plans (Section 4)	4 copies	4 copies + 1 unpriced copy	Up to 450 pages for Part A Delivery Plans and up to 650 pages for Part B Delivery Plans with a maximum size limit of no more than 1000 pages overall including annexes/appendices, under exception of the Bidder's Technical Specification for EGIP Rolling Stock required for Delivery Plan 6
	Delivery Plans for Priced Options	4 copies	4 copies + 1 unpriced copy	None
	Delivery Plans for Bidder Incremental Options	4 copies	4 copies + 1 unpriced copy	None
<b>2.</b>	<b>Financial</b>			
	Operational Models and Financial Model (Section 6) including revisions in respect of Priced Options and Bidder Incremental Options  PDF of Templates & worksheets of Tier 1 Operational Models that directly interface with Financial Model or other Tier 1 Operational Models	None	4 copies	75MB maximum size per workbook (see Section 5)

	Record of Assumptions, Operating Manual, Modelling Best Practice confirmation, Financial Adviser's letter; Confirmation of Bond availability, ROSCO term sheets	4 copies	4 copies	4 copies
<b>3</b>	<b>Technical Data</b>			
	<p>Where revised timetables are proposed the following details should be submitted in support of the Delivery Plans for the Franchise Specification, Priced Options and the Bidder Incremental Options:</p> <ul style="list-style-type: none"> <li>proposed working timetables;</li> <li>rolling stock and crew diagrams; and</li> <li>platform workings;</li> </ul> <p>Bidders will need to show how these timetables comply with the SLC</p> <p>The Bidder's Technical Specification for any new-build Rolling Stock.</p>	4 copies	4 copies	None.
<b>4.</b>	<b>Legal and compliance</b>			
	<p>"Deltaview"/comparison or mark-up and clean copy of the Franchise Agreement, including for the avoidance of doubt the SLC, the Conditions Precedent Agreement, Definitions Agreement and the SQUIRE Service Schedules Agreement, the Inter Company Loan Facility Agreement, the Power of Attorney (together the "<b>Franchise Signature Documents</b>") including completion of those parts marked "Bidders to populate". Bidders should note that this includes fully drafted Committed Obligations to be included in Schedule 1.6 (<i>Committed Obligations</i>) of the Franchise Agreement</p> <p>Non-compliance statements, changes in circumstances and competition matters, confirmation of compliance with all laws, requirements, guidance and policy, Declaration of Conformity and confirmation that the Bid will be held valid for 275 days from Bid return date as specified in Section 2.14 (<i>Validity of Bids</i>)</p> <p>Draft Alliance Agreement (where the Bidder proposes to enter into such an agreement with Network Rail)</p>	1 copy	4 copies	None.



The size of the main text of the Bid including the Executive Summary and proposed means of delivery of the Franchise Specification including all annexes/appendices and any glossary of terms proposed will be limited to 1000 pages. Bidders should note the size limit for the Part A Delivery Plans is up to 450 pages and the Part B Delivery Plans is up to 650 pages with a maximum size limit of no more than 1000 pages overall. Bidder-generated Incremental Options and Priced Options will not be part of this limit. This requirement is summarised in Table 2-2 (*Structure and Format of Bids*).

The following elements of the Bid will be outside the page limit:

- the contents of the financial part as described in Table 2-2 (*Structure and Format of Bids*);
- the contents of the technical data part as described in Table 2-2 (*Structure and Format of Bids*);
- the contents of the legal and compliance part as described in Table 2-2 (*Structure and Format of Bids*); and
- covers, section dividers and indices.

One page constitutes one printed side of A4 with 2cm clear margins all round. For main text the minimum font size is 11 pt, font type is standard (i.e. not "narrow") and minimum line spacing is 13 pt. Double sided printing is required where this is practicable. Bidders will be encouraged to use a simple presentation style, avoiding expensive bindings and other high cost elements of production that do not directly add value to the substance of the Bid. Minimum font size for any text in tables should be 10 pt. Minimum font size for charts and diagrams should be 8 pt.

Bidders may include pictorial representations in Delivery Plans where they significantly add to and illustrate concepts and configurations.

Transport Scotland reserves the right to advise any Bidder exceeding the page size limits that their Bid is non-compliant and not to evaluate that Bid unless/until the Bidder informs Transport Scotland, within a timetable stipulated by Transport Scotland, which pages they wish to withdraw in order to become compliant.

### 2.8.1 Annexes and Appendices

Bidders may include annexes and appendices to their response that should be clearly referenced in the main text. Any annexes or appendices, when taken together with the Bid where appropriate, are subject to the size limits described in this Section 2.8 (*Structure and Format of Bids*).

### 2.8.2 Cross Referencing

Delivery Plans are expected to be developed in an integrated fashion but repetition between the Delivery Plans should be avoided, where possible, by using cross references.

Transport Scotland's evaluators will follow cross-references to specific identified components of the response in relation to other Delivery Plans. No credit will be given for unspecific general references e.g. "further evidence on this issue is provided in Delivery Plan 1" or "this is also supported by our approach to Employee Management".

### 2.8.3 Format of Bids

Bidders should submit numbered copies of their Bid, in accordance with the requirements listed in Table 2-2 (*Structure and Format of Bids*). Bidders are encouraged to structure Bids in accordance with the format set out in Section 4 (*The Franchise Specification and Delivery Plans*).

### 2.8.4 Hard Copies

Hard copies should be contained in ring binders suitably segregated into the number of sets required. Bidders should clearly identify the part and copy number (e.g. Part 1, Copy 1, Copy 2, Copy 3) and each ring binder must be labelled clearly with the volume name, copy number, the Bidder's name and an index of the contents of the binder.

### 2.8.5 Electronic Copies

Electronic copies should be in CD format. Each CD must be labelled clearly with the part, copy number, the Bidder's name and the contents of the CD. Information is required to be stored in Microsoft Word (any version) or PDF format provided they are searchable. Spreadsheets must be in Excel 2007 format. Documents may be submitted in PDF provided they are searchable. All electronic copies should be packaged separately from the hard copy sets and identified as "Additional CDs".

### 2.8.6 Index

Transport Scotland requires that an index is provided for the electronic information and that the file structure of the electronic information matches the sequence of the hard copy documentation.

### 2.8.7 Additional Electronic Copies

One electronic un-priced copy of Part 1 of the Main Text is required in CD format, labelled clearly with the copy number, the Bidder's name and the contents of the CD. Information is required to be stored in Microsoft Word (any version) and, for spreadsheets in Excel 2007 format. Transport Scotland will send this copy, together with one of the Part 3 copies referred to in Table 2-2 (*Structure and Format of Bids*) to both Network Rail and the ORR. Documents may be submitted in PDF provided they are searchable.

### 2.8.8 Submission of Bids

Bids are to be submitted to:

Contracts Branch  
Transport Scotland  
Buchanan House  
58 Port Dundas Street  
Glasgow  
G4 0HF

**by 12:00 pm on 17 April 2014.**

**Bidders should ensure that they complete and include the Declaration of Conformity Statement at Attachment H, in their Part 4 Legal and Compliance responses.**

No other documents or information shall be submitted with the Bid. The Bid must be submitted in boxes marked "**CONFIDENTIAL – ScotRail Franchise Bid submitted in response to ITT**". The boxes should not be marked in any way that would indicate the identity of the Bidder. Bidders should obtain a formal receipt from Transport Scotland at the time of the submission of their Bid.

Bids received after Transport Scotland's stated time and date for submissions, or which are not duly completed and signed, may be disregarded by Transport Scotland. Nevertheless, Transport Scotland expressly reserves the right in its absolute discretion, to treat any Bid as valid and to proceed with the inclusion of any Bid notwithstanding any procedural defect in relation to the submission of the Bid.

All Bids should be in English and amounts denominated in pounds sterling.

Bidders may be required to present up to 1 hour on the key elements of their submissions to Transport Scotland on a working day specified by Transport Scotland within 10 working days following Bid submission. This presentation should include no financial information.

Bidders shall provide the material set out in Table 2-2 (*Structure and Format of Bids*) when submitting their Bids.

## 2.9 Executive Summary & Delivery Plans

Part I of the Bid should also include an Executive Summary that describes the Bidder's vision for the ScotRail franchise and how Scottish Ministers' objectives for the ScotRail franchise will be met. This Executive Summary is included within the overall page limit specified in Section 2.8 (*Structure and Format of Bids*) above. Bidders should note that this Executive Summary is for information only and will not be scored in the quality / deliverability assessment.

Bids shall additionally include individual Executive Summaries for each of the sub-plans proposed within the relevant Delivery Plan. These Executive Summaries are included within the page limits specified in Section 2.8 (*Structure and Format of Bids*) above and will be scored as part of the quality/deliverability assessment of each sub-plan.

Bidders shall explain in the Delivery Plans how the requirements of the Franchise Specification will be delivered or exceeded. Full details of the requirements are set out in Section 4 (*The Franchise Specification and Delivery Plans*).

### 2.10 Transport Scotland Priced Options

Transport Scotland requests proposals that enable the delivery of specific Priced Options detailed in Section 5 (*Priced Options*). Such Priced Options must be presented, fully specified and priced separately from the Franchise Specification and should be self-contained, i.e. not dependent on any other Priced Option which may be required to be included in the Bidder's submission.

Each Priced Option shall be expressed as a clearly defined commitment with clear time plans for implementation that fully describe the circumstances and conditions under which the requested Priced Option may be delivered, including the benefits that will be achieved and how Bidders have, and will, engage with stakeholders in implementing these Priced Options. Bidders should clearly identify any risks, constraints or other factors that may affect deliverability and set out how they might be mitigated or removed. Bidders should mark up the relevant section of the Franchise Agreement as appropriate in relation to each Priced Option.

The Scottish Ministers reserve the right to require from Bidders a further Priced Option in respect of the Caledonian Sleeper service. Such Priced Option will only be required if the Scottish Ministers judge that they are, or will be, unable to procure such services and associated rolling stock works on terms acceptable to them from the bidders in the competition for the Caledonian Sleeper franchise. In such circumstances the SLC for the ScotRail Franchise will be updated to include the provision of the Caledonian Sleeper service and Bidders will be required to provide a further Priced Option detailing how it will use the Scottish Minister's proposed capital contribution to the procure and deliver the upgraded rolling stock required to deliver the Caledonian Sleeper service in an open, transparent and non-discriminatory way. Bidders should note that the Scottish Ministers are currently in receipt of bids in respect of their Caledonian Sleeper franchise competition and do not currently expect to require this further Priced Option from the ScotRail franchise competition Bidders.

Priced Options form no part of the evaluation of the Bid submission and therefore will not affect the outcome of the competition.



## 2.1.1 Bidder Incremental Options

Transport Scotland is aware that Bidders are likely to assess a range of potential initiatives for the ScotRail franchise whilst preparing their Bids beyond those initiatives required to meet the Franchise Specification. Bidders may choose to include additional initiatives within their base case bid where these either support their financial submission or where these improve on the base Franchise Specification by way of additional outcomes in support of the Franchise Objectives, particularly in the Part B sub-plans, where these may improve the quality evaluation of the bid (See Chapters 3 and 4 of this ITT). For the avoidance of doubt, Bidders will be required to provide Committed Obligations in relation to such initiatives included in the base case bid.

Bidders may, however, identify initiatives which they consider to be of merit and of interest to Transport Scotland, but which have failed to achieve the Bidder's criteria for inclusion in the base case Bid, either in support of the financial or quality evaluation. In these circumstances, Bidders are encouraged to submit the initiatives as Bidder Incremental Options but for the avoidance of doubt Bidder Incremental Options must not either in part or as a whole be necessary to deliver the Franchise Specification as described in this ITT and as specified in the Franchise Agreement. Transport Scotland may consider purchasing the Bidder Incremental Options offered by the winning Bidder subject to legal and affordability constraints and Scottish Transport Appraisal Guidance ("**STAG**"). Such Bidder Incremental Options will be contractualised in Schedule 1.6 (*Committed Obligations*) of the Franchise Agreement in a separate section headed Incremental Options to distinguish them from Committed Obligations necessary for supporting the Bidders' methods of delivering the Franchise Specification.

Bidders are strongly advised to consult confidentially with Transport Scotland about their possible Bidder Incremental Options, so as to avoid the possibility of abortive effort being expended on options that Transport Scotland is unlikely to procure.

Such Bidder Incremental Options must be presented, fully specified and priced incrementally from the Franchise Specification, and should be self-contained, i.e. not be dependent on any other Bidder Incremental Option which may be included in the submission.

Transport Scotland requires each Bidder Incremental Option to be expressed as a clearly defined commitment, with clear timed plans for implementation that describe the circumstances and conditions under which the Bidder Incremental Option can be delivered, the benefits which will be achieved, and (if appropriate) how Bidders will engage with stakeholders in implementing proposals. Bidders will be expected to identify clearly the risks, constraints or other factors that may affect deliverability of any Bidder Incremental Option and any ways in which these might be mitigated or overcome.

Bidder Incremental Options form no part of the evaluation of the Bid submission and therefore will not affect the outcome of the competition.

The financial modelling requirements for any submitted Bidder Incremental Options are laid out in Section 6 (*Financial Elements*).

## 2.12 Non-Compliant Bids, Statements, Changes in Circumstance and SMRAs

### 2.12.1 Non Compliant Bids and right to remove Bidders from the process

Bids which are in the opinion of Transport Scotland considered to be non-compliant will be treated in accordance with Section 2.12.3 (*Impact of Non-Compliance*). A Bid may be considered to be non-compliant if:

- it is submitted late;
- it is incomplete or incorrectly completed; and/or
- it fails to meet Transport Scotland's requirements as specified in Table 2-2 (*Structure and Format of Bids*).

In addition, Transport Scotland reserves the right to remove a Bidder from the process where, in the reasonable opinion of Transport Scotland, that Bidder has acted or failed to act in such a way that is consistent with the requirements of the Bidding process and this ITT, including but not limited to:

- material or serious misrepresentation by the Bidder in relation to the Bid process or its application;
- contravention by the Bidder of the terms and conditions of this ITT; and/or
- breach of confidentiality or probity.

### 2.12.2 Non-Compliance Statements

Bidders are required, when submitting their Bids, to list in the format set out in the following Table 2-3 (*Format of Non-Compliance Statement*) all requirements of this ITT with which they are not able to confirm compliance in full. Full details of the reasons for the non-compliance should be given. Any provision not so listed and detailed will be regarded as having been accepted unconditionally.

Bidders are also required when submitting their Bids to list in the format set out in Table 2-3 (*Format of Non-Compliance Statement*) all clauses, sections and schedules of the Franchise Signature Documents with which they are not able to confirm compliance in full. Full details of the reasons for non-compliance should be given. Any provision not so listed and detailed will be regarded as having been accepted unconditionally.

**Table 2-3: Format of Non-Compliance Statement**

Document	ITT Sections/Paragraph of the draft Franchise Agreement which have NOT been complied with	Details
ITT		
Franchise Agreement		
Conditions Precedent Agreement		
Definitions Agreement		
SQUIRE Service Schedules Agreement		
Inter Company Loan Facility Agreement		

### 2.12.3 Impact of Non-Compliance

Where a Bid is found to be non-compliant as set out in Section 2.12.1 (*Non-Compliant Bids and right to remove Bidders from the process*) (including whether or not such non-compliance is specified in this Section 2.12 (*Non-Compliant Bids, Statements, Changes in Circumstances and SMRAs*) or any Non-Compliance Statement), or to lack any information required by this ITT to enable evaluation, Transport Scotland may:

- evaluate the Bid;
- seek additional information or clarification from the Bidder; and/or
- reject the Bid.

Where Transport Scotland (whether after seeking additional information or clarification or not) elects to evaluate any such Bid, then Transport Scotland may take account of the effect of the non-compliances in all relevant aspects of its evaluation (including, without limitation, the scoring of Delivery Plans and the adjustment of cost and revenue forecasts for the purpose of evaluating the financial robustness of the Bid). Transport Scotland may additionally ask the Bidder to specify the financial (subsidy/premium) impact on their Bid of the removal of the non-compliance (confirming that the Bid may be accepted as amended by such removal) and be entitled to take account of that impact in the evaluation. Ultimately Transport Scotland reserves the right to consider the Bid non-compliant.

### 2.12.4 Changes in Circumstances and Competition Matters

Similarly, Bidders shall include in their Bids in the format set out in the following Table 2-4 (*Format of Statement of Changes in Circumstances and Competition Matters*), details of any change in circumstances or competition matters that affect their Bidding position.

**Table 2-4: Format of Statement of Changes in Circumstances and Competition Matters**

Change	Reporting Required
<b>Change in Circumstances</b>	Bidders should include details in response to the instructions contained in Section 2.3 ( <i>Changes in Circumstances</i> )
<b>Competition Matters</b>	Bidders should include details in response to the instructions contained in Section 2.22 ( <i>Competition Matters</i> )

### 2.12.5 Compliance with Law and Industry Practice

Bidders shall include in their Bids confirmation that they shall comply with all laws, requirements, guidance and policy relating to the rail industry with which rail operators are required to comply. Bidders should provide this confirmation in their Part 4 Legal and Compliance responses.

Bidders shall not be required to demonstrate evidence of such compliance unless requested as part of individual Delivery Plans. Where a Bidder is found to be non-compliant with laws, requirements, guidance and/or policy, Transport Scotland reserves the right to consider the Bid as non-compliant.

## 2.13 The Scottish Ministers' Risk Assumptions ("SMRAs")

Bidders are discouraged from proposing their own SMRAs, or any other contractual amendments which seek to transfer risk from the Franchisee to the Scottish Ministers and in the reasonable opinion of Transport Scotland have the same, or a substantially similar, effect to a SMRA. Where Bidders do propose their own SMRAs, or other relevant contractual amendments, they shall also include in the Bid a statement either:

- stating the impact on Franchise Payments (if any), if the Scottish Ministers refuse to accept the SMRA or other relevant contractual amendment supported in the Financial Model by the financial outputs for each SMRA being produced automatically by use of a switch that will update the financial outputs automatically; or
- stating that if the SMRA or other relevant contractual amendment was not accepted it is noted and agreed that the Scottish Ministers will have the right to reject the Bid as non-compliant.

Where a cost for removing the SMRA or other relevant contractual amendment is specified the Scottish Ministers shall have the right to:

- accept the Bid amended by deleting the relevant SMRA or other relevant contractual amendment; and
- reflect the specified cost for removing the SMRA or other relevant contractual amendment in the risk adjusted price of the Bidder's proposal.

As per Section 3.3.4 (*Inter Company Loan Facility*), in the event that Transport Scotland believe that a SMRA adjustment may be necessary it shall identify the relevant SMRA or other contractual amendments and seek further clarification from the Bidder.

## 2.14 Validity of Bids

Bidders shall confirm the validity of their Bids including the terms, Bid Price, and any subsequent changes agreed for a period of 275 days from the date of Bid submission. Bidders should note that they will be expected to provide a commitment to timely delivery of EGIP rolling stock pursuant to Delivery Plan 6 (*Service Development*) regardless of any reasonable variation of the date of Franchise contract signature from the timeline stated in this ITT. Bidders should state the latest date of Franchise contract signature for which they are able to hold this commitment open, which should be not earlier than 19 December 2014.

Bidders shall confirm in their Bids, for any proposed Bidder Incremental Option, (including but not limited to the terms, Bid Price, and any subsequent changes agreed) the duration of the period from the date of the ScotRail franchise award during which such Bidder Incremental Options may be exercised.

## 2.15 Industry Consultation and Disclosure of Information in Bids

Bidders should be aware that, following the submission of Bids, Transport Scotland will need to consult the ORR and Network Rail. Transport Scotland will also consult such other persons as it considers necessary or appropriate including, but not limited to, its advisers, SPT, SESTrans, SWESTrans, HITrans, NESTrans, TACTrans, HSI Ltd, HS2 Ltd, all Cross-border franchisees, the Department for Transport, bodies representing passenger interests (such as Passenger Focus or London Travelwatch), the Disabled Persons Transport Advisory Committee, Local Authorities, Members of Parliament, Members of the Scottish Parliament, Members of the European Parliament, Visit Scotland, Scottish Trades Union Congress, Scottish Chamber of Commerce, Scottish Council for Development and Industry, Confederation of British Industry (Scotland) (collectively referred to as "**Consultees**" and each, together with any successor body, separately referred to as a "**Consultee**").

Accordingly, the submission of Bids will constitute permission by the Bidders for Transport Scotland to disclose to any Consultee all or any of the information contained in, or supplied in connection with, such Bids, excluding any commercially sensitive material as appropriate and which is clearly marked by Bidders as such.

In addition, Bidders are reminded that Network Rail will need to consult with, amongst others, passenger and freight train operating companies in relation to Bidders' plans for service development and that this process may involve discussion of relevant aspects of the Bids. Bidders shall cooperate with these consultations. Transport Scotland may ask Network Rail to comment on such elements of the Bids and to address their comments to both the relevant Bidder and Transport Scotland.

In developing their Bids, Bidders can expect to be contacted by, and are encouraged to consult with, stakeholders relevant to the ScotRail franchise following the start of the Bid Preparation phase. It is each Bidder's responsibility to decide on the scope and extent of stakeholder consultation but they should note that Transport Scotland may seek views from stakeholders on the state of progress of consultation. Bidders should note that Network Rail will formally advise Transport Scotland of the level of contact and engagement that it has had with each Bidder.

The permitted disclosure to the ORR and Network Rail referred to above shall include any disclosure or discussion concerning proposals to form an alliance or other partnership.

## 2.16 Co-operation with Network Rail

Bidders will be required to consider in their Bids how they will interface with Network Rail in delivering the ScotRail franchise.

If Bidders propose to enter into an alliance with Network Rail, any efficiencies that they can commit to should be priced in their Bid. This should include both savings linked to specific incentives and any general savings from an alliance that Bidders can commit to.

Bidders should provide details of their proposed overall approach to alliancing in Delivery Plan 1 (*Mobilisation, Management and Organisation*). Any savings or revenues achieved through alliancing should be highlighted in the Delivery Plans where they occur but should be cross-referenced to Delivery Plan 1 (*Mobilisation, Management and Organisation*).

## 2.17 Rebasing

As set out in Section 1.3 (*Transport Scotland's Objectives for the ScotRail Franchise*) above, if both parties do not expect to exercise the option to break before the 5th anniversary of the Franchise Commencement Date, a rebasing exercise will commence in order to determine the subsidy payable for Years 6 to 10 and for the 26 reporting period extension option. Further details can be found in Schedule 8.5 (*Rebasing*) of the Franchise Agreement.

Bidders are required, in terms of Section 6 (*The Bid: Financial Elements*), to submit the Models for the full 10 year Franchise Term and for the 26 reporting period extension option, notwithstanding that the financial assessment will only take into account the first 7 years, as described in Section 3.4.5 (*Financial Assessment*). Years 8, 9 and 10 and the 26 reporting period extension option of the Models will be used in the rebasing for Years 8, 9 and 10 and for the 26 reporting period extension.

If the break option is not exercised, the rebasing procedure will commence. The rebasing procedure will adjust the Models for Years 6 to 10 and for the 26 reporting period extension option, in accordance with the Rebasing Parameters and Constraints set out below, to determine the Rebased Subsidy.



If the parties fail to agree or procure the determination of the Rebased Subsidy by the 5th anniversary of the Franchise Commencement Date, the Franchise Agreement shall be terminated at the end of the 7th year of the ScotRail franchise (subject to the parties agreeing to an earlier termination date or the Scottish Ministers requesting and the Franchisee accepting to continue to operate the ScotRail franchise until such date beyond the 7th year and prior to the 10th year of the ScotRail franchise as the Scottish Ministers determine). In certain defined circumstances, the re-basing exercise may be permitted to, or require to, run beyond the 5th anniversary of the Franchise Commencement Date. Bidders are referred to Schedule 8.5 (*Rebasing*) of the Franchise Agreement for further details.

The Rebased Subsidy once agreed or determined will be applied to the first Reporting Period of Year 6.

The following Model Requirements and Constraints will apply to the Models for Years 8, 9 and 10 and for the 26 reporting period extension option submitted as part of Bidders' tenders:

1. The forecasting approach for revenue growth for Years 8, 9 and 10 and the 26 reporting period extension option will be consistent with that used for forecasting growth in Years 1 to 7.
2. Price indexation (cost pricing) for Years 8, 9 and 10 and the 26 reporting period extension option will be consistent with that applied for year on year growth in Years 5, 6 and 7 i.e. annual indexation should be on the same basis.
3. Resource volumes for Years 8, 9 and 10 and the 26 reporting period extension option will remain constant with Years 5, 6 and 7 except where a clear rationale for change can be demonstrated.
4. The Profit Margin for Years 8, 9 and 10 and the 26 reporting period extension option will be fixed at an average of the Bidder's Profit Margin for Years 1, 2 and 3.
5. Savings from long term value initiatives set out in Delivery Plan 7 (*Long Term Value/Efficiency*) will be fully reflected in the Models.

If Transport Scotland is of the view that a Bidder has not complied with the Modelling Requirements and for Years 8, 9 and 10 and for the 26 reporting period extension option, the non-compliance will be clarified with the Bidder and amended as appropriate during the Bid Evaluation & Negotiation of Bids stage. Transport Scotland expects all non-compliances to be resolved prior to contract signature. However, Transport Scotland reserves the right to record any areas of non-compliance not resolved prior to contract signature and take these in account as a Revised Input in the rebasing process further detailed in Schedule 8.5 (*Rebasing*) of the Franchise Agreement.

The rebasing procedure will be conducted in accordance with the following principles, parameters and constraints:

#### **1. Revenue**

- An arithmetic adjustment will be made to the Target Revenue from Year 6 to reflect the outturn Revenue for the 13 reporting periods preceding the rebasing exercise.
- The revenue growth rate forecasted by Bidders as detailed in the Record of Assumptions for Revenue Modelling and Delivery Plans will continue to apply in and from Year 6, except where either party can demonstrate that an alternative revenue growth rate should apply.
- An alternative growth rate will apply where a party has provided:
  - new evidence since the date of tender submission of sensitivity to exogenous revenue drivers, published by the Passenger Demand Forecasting Council or similar body in remit and standing.
  - revised forecasts for exogenous revenue drivers utilised by Bidders in the Record of Assumptions for Revenue Modelling are produced by reputable economic forecasting bodies.

## 2. Costs

- Staff volumes will not be rebased.
- Rolling stock volumes and costs will not be rebased. This implies a requirement to secure a break option in the lease on the basis of pricing that is flat throughout the full 10 year Franchise period. Where necessary, a lease rate that reduces in the continuation period will also be acceptable, for example in the event that rolling stock improvement is financed through lease costs over the first 7 years of the Franchise to avoid a residual value risk to the owner. (Bidders should note, however that Transport Scotland may consider providing a Section 54 agreement for rolling stock where substantial investment is being made in its improvement).
- Network Rail / Infrastructure costs will not be rebased except as otherwise provided in the Franchise Agreement.
- Other costs will be rebased as follows:
  - The appropriate level of marketing spend to be agreed by both Parties in conjunction with agreeing the onwards revenue growth, in the light of experience in the ScotRail franchise to date and the agreed approach to marketing.
  - Fuel and energy prices (but not consumption rates / volumes), in the light of outturn prices and future projections by reputable independent parties.
  - Any resource volumes (but not applicable prices) that are driven substantially and legitimately by the level of patronage or revenue in the Bidder's Financial Model to be reviewed in the light of the rebased forecasts of patronage/revenue. For example, those in relation to:
    - ticket sales commission;
    - catering costs;
    - ticketing consumables and printing;
    - other passenger related costs;
    - any other resource volumes substantively linked to patronage or revenue.
  - Changes to UK taxation or other UK statutory changes which the Parties agree have resulted in a change (either increase or decrease) to the net tax charge of the business of the franchise.
  - Any efficiency savings resulting from industry wide changes in practice(s).
  - Any costs associated with the adjusted targets for the overall satisfaction KPIs as updated by Transport Scotland pursuant to current National Passenger Survey results.

## 3. Non-Compliances

Any Revised Input necessary to address a non-compliance identified at contract signature and recorded by Transport Scotland as further detailed above.

## 2.18 Process Following Bid submission

Bids must be complete and submitted in accordance with the instructions to Bidders set out in this document. Bids must be compliant with the requirements of this ITT. The evaluation of Bids shall be conducted in accordance with this ITT, the Process Document and the Franchise Evaluation Process Chart at Appendix I (*Evaluation Process Chart*).

Transport Scotland is subject to obligations under EU and Scots law, including the obligations of equal treatment and non-discrimination. Subject to legal constraints, Transport Scotland reserves the right to seek clarification in any form from and/or to engage in any other way with any or all of the Bidders at any time during the process, including but not limited to assisting in their consideration of a Bid Submission. If amendments or clarifications are made concerning Bid Submissions, the evaluation will be on the amended / clarified version.

Transport Scotland reserves the right to:

- (1) down-select Bidders on the basis of the evaluation;
- (2) request all Bidders or the Bidders that have not been down-selected to clarify, or otherwise engage with Bidders or to re-submit, their Bids in accordance with this Section 2.18 (*Process Following Bid submission*) and Section 5.3 (*The ITT*) of the Process Document; and/or
- (3) cancel or withdraw the competition in accordance with the Important Notice and Section 5.4 (*Award of the Franchise*) of the Process Document.

Further details of the evaluation process are set out in Section 3.4 (*Evaluation Process*).

Transport Scotland reserves the right to negotiate with one, some, or all Bidders. Transport Scotland additionally reserves the right to request one, some or all Bidders to re-submit their Bids in compliance with new or revised instructions.

Transport Scotland reserves the right to clarify and engage with one or more Bidders to settle the wording of any Committed Obligation, Priced Option and/or Incremental Option proposed or not to include any proposed Committed Obligation, Priced Option and/or Incremental Option in the Franchise Agreement. Where Transport Scotland elects not to include any proposed Committed Obligation in the Franchise Agreement the evaluation of the relevant initiative shall be on the basis of the nature and extent of the Committed Obligation proposed by the Bidder.

## **2.19 Contract Award**

Even where Transport Scotland has decided after its evaluation and clarification process that one or more Bidders are in a leading position, no indication of this will be provided to Bidders, nor any public announcement made until actual contract award and signature.

Transport Scotland intends to run a voluntary standstill period of 10 calendar days. Prior to the date of commencement of the voluntary standstill period the Preferred Bidder would be required to procure valid execution of the Franchise Agreement, Inter Company Loan Facility Agreement (or equivalent funding agreement) and other relevant agreements by the intended Franchisee and/or Parent as applicable after the London Stock Exchange closes and the Scottish Ministers have been informed of the identity of the Preferred Bidder. An announcement will be made to the London Stock Exchange at 07.00 hours the following morning setting out Transport Scotland's intention to award the ScotRail franchise following a voluntary 10 day standstill period. The documents signed by the Preferred Bidder will be held safely by Transport Scotland until the Preferred Bidder is either notified:

- of the successful conclusion of the standstill period. Following such notification, the Franchise Agreement will be executed by the Scottish Ministers and the completion of the Franchise Agreement and other relevant documents shall occur and become legally binding on the parties from that date; or
- that Transport Scotland has received a legal challenge to the process during the standstill period. Transport Scotland will as soon as reasonably practicable after the date of such notification return all the documents as signed by the intended Franchisee and/or Parent as applicable to the Preferred Bidder (but subject always to the Bid validity period of 275 days).

## 2.20 Unsuccessful Bidders

On the day of announcing the intention to award the ScotRail franchise (i.e. at the commencement of the voluntary standstill period) Transport Scotland will e-mail to unsuccessful Bidders a letter setting out a summary of the characteristics and relative strengths of the winning Bid and the relative strengths and weaknesses of the unsuccessful Bidder's proposal.

## 2.21 Operator Company

It is anticipated that the winning Bidder will incorporate a special purpose vehicle for the purpose of delivering the ScotRail franchise. Such company should be incorporated and have its registered office within Scotland.

## 2.22 Competition Matters

Depending on the identity of the Bidder, the award of the ScotRail franchise may constitute a relevant merger under the Enterprise Act 2002 ("**EA02**") (i.e. one over which the Office of Fair Trading ("**OFT**") and its successor organisation, the Competition and Markets Authority ("**CMA**"), will have jurisdiction after 1 April 2014), or a concentration with a Community dimension under Council Regulation (EC) No.139/2004 ("**EUMR**"), which would be required to be notified to the European Commission ("**EC**").

If the award of the ScotRail franchise to a particular Bidder would give rise to a realistic prospect of a substantial lessening of competition (under EA02), or of a significant impediment to effective competition (under EUMR), such as would give the CMA cause to refer the award of the ScotRail franchise for further investigation or the EC cause to conduct a substantive (second phase) investigation, this might prejudice the timing of the ScotRail franchise process and /or the ability of the Bidder to operate the ScotRail franchise as Bid. Generally, a merger or concentration with a Community dimension may not be completed until clearance has been obtained under EUMR. In the context of a relevant merger under EA02 that has been completed, the CMA may require separate undertakings to be given pending conclusion of any investigation. It is therefore important for Transport Scotland to be able to assess the impact of any potential intervention by the OFT or EC in scrutinising the Bids of each Bidder under merger control rules.

Transport Scotland reserves the right to review whether the impact of a) a second phase investigation by the European Commission under the EUMR or (b) any reference by the CMA for further investigation under the Enterprise Act 2002 would prejudice the timing of the ScotRail franchise process or the ability of the Bidder to operate the ScotRail franchise as Bid, or would otherwise prejudice the ScotRail franchise or any other franchise. In such circumstances Transport Scotland reserves the right to review the ScotRail franchise process and take whatever action may be appropriate in the circumstances including, if necessary, disqualification of the Bidder or abandonment of the ScotRail franchise re-letting process.

Each Bidder is therefore required to confirm:

- 1) Whether award of the ScotRail franchise to it would require notification to the EC under EUMR;
- 2) What strategy it will adopt to minimise the delay in being able to operate the ScotRail franchise if an award is made to it. In particular:
  - if the award to it of the ScotRail franchise would require notification under EUMR, whether the Bidder would propose to request pursuant to Article 4(5) EUMR that the transaction is referred back to the CMA for consideration, and how it views the prospects of such a request being accepted and the basis for this view;
  - how the Bidder proposes to approach pre-notification discussions with the OFT/CMA or, as the case may be, the EC to ensure that the notification is complete and that all necessary supporting evidence is included; and
  - the Bidder's willingness to offer undertakings or commitments to the CMA or the EC in order to avoid a second phase investigation;
- 3) The form of any derogations the Bidder would seek to the CMA's standard form hold separate undertakings in the event that these are required in the context of a completed merger;
- 4) That they will commit to offer such undertakings or commitments as may be required by the CMA, or the EC to enable it to operate the ScotRail franchise as Bid, and that any such undertakings or commitments given would not impact on their ability to operate any other franchise.

## 2.23 Financial Transparency

The Franchisee must ensure that there is no cross-subsidisation between the ScotRail Services and any other service run by or activities of the Franchisee or between the Franchisee and any other associated company and that all transactions with any associated company are conducted on an arm's length basis and are so identified in all records and books of accounts.

The Franchisee must have clear, separate and transparent accounting systems for the financing and operating of the ScotRail Services (in accordance with Regulation (EC) 1370/2007) to ensure that the subsidy is only used for the ScotRail Services and not for any other activity of the Franchisee and shall deal with the Scottish Ministers on an open book basis.

Bidders are referred to Schedule 12 (Financial Obligations and Undertakings) of the Franchise Agreement and the information provisions of Schedule 13 (*Franchise Management and Information Obligations*) of the Franchise Agreement which provide more detail on this.



## 2.24 Transparency and the Freedom of Information (Scotland) Act 2002

The Freedom of Information (Scotland) Act 2002 ("**FOISA**") provides a general right of access to all information held by public authorities. Transport Scotland is a public authority. The general right of access to information is limited by a number of exemptions. When someone requests information under FOISA, Transport Scotland must normally release that information unless one of the exemptions in the FOISA applies. This is also the case if the data is environmental information covered by the Environmental Information (Scotland) Regulations 2004 ("**EISR**").

In submitting their Bids in response to this ITT, Bidders are invited to identify which parts, if any, of their Bid are provided to Transport Scotland in confidence or are commercially sensitive, such that they may be exempt from disclosure under FOISA and/or EISR. Bidders should provide reasons why such information should not be disclosed in response to any request and an estimate of the period of time during which the Bidders believe that such information will remain exempt from disclosure.

Bidders should note that, even where information is identified as commercially sensitive or confidential, Transport Scotland may be required to disclose such information in accordance with the FOISA and/or EISR. Transport Scotland is required to form an independent judgment concerning whether the information is exempt from disclosure under the FOISA and/or EISR at the time of request. In particular Bidders should be aware of the Scottish Ministers' Code of Practice on the Discharge of Functions issued under Section 60 of the FOISA which limits the circumstances under which a public authority should agree to hold information in confidence. It could be the case, therefore, notwithstanding notification by Bidders that parts of a Bid have been provided in confidence or are commercially sensitive, that Transport Scotland will be obliged to disclose those parts.

Bidders should note that Transport Scotland may place a copy of the ITT in the public domain at the same time as it is supplied to Bidders.

Bidders' attention is drawn to the relevant provisions of the FLPA, which permits in certain circumstances disclosure of information by Transport Scotland, as well as the provisions of Section 145(2) of the Railways Act 1993.

Bidders' attention is also drawn to the provisions of Schedule 17 (*Confidentiality, FOISA and Data Protection*) of the Franchise Agreement that state that Transport Scotland may make certain information available to ORR, and may publish it.

## 2.25 Redactions from the Franchise Signature Documents

Transport Scotland is committed to transparency in the procurement of its contracts. By responding to this ITT Bidders are agreeing to abide by these commitments.

Additionally, in accordance with Section 73 of the Railways Act 1993 (as amended), the Scottish Ministers are required to keep a register of franchise documents for the reference of the ORR and the Scottish Ministers (the "**Section 73 Register**").

Bidders shall acknowledge that, except for any information which is exempt from disclosure in accordance with the provisions of the FOISA and/or the EISR, the content of the Franchise Signature Documents is not Confidential Information. Transport Scotland shall be responsible for determining in its absolute discretion whether any of the content of the Franchise Signature Documents is exempt from disclosure in accordance with the provisions of the FOISA and/or the EISR. Notwithstanding any term of the Franchise Signature Documents, the Bidder hereby gives their consent, and as agent for the intended Franchisee and the Parent gives their consent, for Transport Scotland to publish the Franchise Signature Documents in their entirety (but with any information which is exempt from disclosure in accordance with the provisions of the FOISA and/or the EISR redacted) including from time to time agreed changes to the Franchise Signature Documents to the general public.

Transport Scotland may consult with the Bidder to inform its decision regarding any redactions but Transport Scotland shall have the final decision in its absolute discretion. The Franchisee shall assist and cooperate with Transport Scotland to enable Transport Scotland to publish the Franchise Agreement.

Within four weeks of signature of the Franchise Signature Documents, the Franchisee will be required to submit to Transport Scotland a list of proposed redactions from the Franchise Signature Documents.

The Franchisee may request that any such redaction is made in respect of publication on Transport Scotland's website, the Section 73 Register, or both. For each redaction, the Franchisee should specify the exact text it proposes should be redacted, and justify the redaction with reference to the criteria in Section 73(3) of the Act (as amended), and/or the exemptions in Part II of FOISA, and/or the exemptions in the EISR, as appropriate and having regard to the extent of material or information currently available through the Public Register for the current ScotRail franchise, the degree, extent and types of which the Scottish Ministers wish at least to preserve. Transport Scotland will then consult with the Franchisee to endeavour to agree a list of proposed redactions in advance of the Scottish Ministers publishing the Franchise Signature Documents on Transport Scotland's website and the Section 73 Register.

Prior to the commencement of the ScotRail franchise, the Franchisee is required to satisfy the conditions as set out in the Conditions Precedent Agreement. Satisfaction of those conditions may involve the entry into, or provision to Transport Scotland of, a number of other Agreed Form documents and other documents. Within thirty calendar days of the date on which the Certificate of Commencement is issued, the Franchisee will again be required to submit to Transport Scotland a list of proposed redactions from these further documents in the manner described above. Transport Scotland will again consult with the Franchisee to endeavour to agree a list of proposed redactions in advance of the Scottish Ministers publishing these further documents on the public section of Transport Scotland's website and the Section 73 Register.

Should agreement on a redacted version of any document not be reached, the Scottish Ministers may, at their sole discretion, nevertheless place that document on Transport Scotland's website and on the Section 73 Register subject to such redactions (if any), as they consider appropriate.

## 2.26 Variations to the Franchise Agreement

Bidders' attention is drawn to the variation provisions in paragraph 1 of Schedule 9 (Changes) of the Franchise Agreement and the ability of the Scottish Ministers to amend the contracted SLC. The Scottish Ministers reserve the right to require variations to the ScotRail Services and/or the manner in which ScotRail Services are required to be delivered, and any consequential changes to the Franchise Agreement.

The Scottish Ministers may also require variations to other contracted provisions or outputs. In particular, variations may result from changes to the specification or timing of committed projects affecting the ScotRail franchise.

Variations will not necessarily be restricted to the effects of committed projects. However, any changes required will be such as a reasonably competent and professional operator of the ScotRail franchise could, in all relevant circumstances, reasonably be expected to be able to deliver and will be generally consistent with the overall scope of the ScotRail franchise proposition taking into account the need to be able to vary the nature, quantity and manner of delivery of ScotRail Services in response to circumstances relating to the development of railway infrastructure and services and other relevant financial, economic and technical developments and the implementation of developing rail policy.

Given the length of this ScotRail franchise, and the strong likelihood of economic, social, budgetary and operational circumstances changing over the period of the ScotRail franchise, the Scottish Ministers believe they are likely to make variations to the contract during the Franchise Term. In order to provide an incentive for the Franchisee to develop and implement such changes, it may be appropriate for the Franchisee to receive a reasonable level of financial benefit, if any financial benefit arises from such changes to the contract. It may also be appropriate for Transport Scotland, or other parties such as Network Rail, to share such benefits with the Franchisee.



# 3. The Bid Submission and Evaluation

## 3.1 Introduction

In order to achieve the ScotRail Franchise Objectives, Transport Scotland has developed a specification as set out in the Franchise Agreement and summarised in Section 4 (*Delivery Plans*) (the "**Franchise Specification**"). Bidders need to demonstrate how they will meet and, where applicable, exceed this specification, show how they will deliver the Franchisee's obligations contained in the Franchise Agreement and how this will meet the Franchise Objectives. Transport Scotland therefore requires Bidders to produce a set of Delivery Plans (set out below in Table 3-1 (*Delivery Plans for the ScotRail franchise*)), consisting of:

- Part A Delivery Plans, which will focus purely on deliverability; and
- Part B Delivery Plans, which are concerned with deliverability but which will be used to assess quality in the evaluation (as further detailed in Section 3.2 (*The Delivery Plans*) below, including where Bidders propose to exceed Transport Scotland's minimum requirements in support of the Franchise Objectives.

Bidders will also be required to produce a Financial Submission in support of their Delivery Plans, as further detailed in Section 6 (*The Bid: Financial Elements*).

In this Section 3 (*The Bid Submission and Evaluation*), Transport Scotland sets out what its overall requirements are in respect of the Delivery Plans to be submitted by Bidders, the funding requirements for the ScotRail franchise and how the Delivery Plans and the Financial Submission will be evaluated.

## 3.2 The Delivery Plans

### 3.2.1 Objective of Delivery Plans

The Delivery Plans (and supporting technical documents) serve a number of purposes. They:

- provide evidence that the Bidder understands and will meet the Franchise Objectives and will deliver the Franchisee's obligations contained in the Franchise Agreement and other relevant agreements. Bidders should refer to the Franchise Agreement (Attachment A), the SLC (Attachment B), the Conditions Precedent Agreement (Attachment C), the Definitions Agreement (Attachment D), the SQUIRE Service Schedules Agreement (Attachment E) and the Inter Company Loan Facility Agreement (Attachment F);
- provide evidence that the Bidder's submission is capable of delivering the Franchise Specification and therefore could form the basis of a future Franchise Agreement should the Bidder be successful (i.e. it is 'deliverable');
- provide evidence to support the financial aspects of the proposal in particular that projected costs and revenues are realistic. To the extent that they are not considered realistic based upon the evidence, the financial projections will be adjusted accordingly as further detailed in Section 3.4.5 (*Financial Assessment*);
- provide a statement of the Bidder's proposed commitments to deliver or exceed the Franchise Specification ("**Committed Obligations**"). Bidders are required to include fully drafted Committed Obligations within Schedule 1.6 (*Committed Obligations*) of the Franchise Agreement;
- provide details of funding proposals for all investment and financial undertakings and guarantees associated with this investment;
- in respect of the Part B Delivery Plans, will be used in the Price / Quality evaluation as detailed in Section 3.5 (*Selection of winning Bid*).



### 3.2.2 The Delivery Plan Structure

As outlined above in Section 3.1 (*Introduction*), there are two categories of Delivery Plans:

1. Part A Delivery Plans as detailed in Table 3-1 (*Delivery Plans for the ScotRail Franchise*) below focus on Bidders' general plans for operating the ScotRail franchise. Part A Delivery Plans will be evaluated on a pass/fail criterion based on scoring under the generally understood and established European Foundation for Quality Management RADAR® mechanism ("**RADAR®**").
2. Part B Delivery Plans in Table 3-1 (*Delivery Plans for the ScotRail Franchise*) below focus on aspects of the specification which Transport Scotland views as being particularly relevant to meeting its objectives for change and improvement. In Part B Delivery Plans, as well as setting out their plans for operating the ScotRail franchise and delivering the required change, Bidders are also invited to include initiatives that go beyond the base Franchise Specification to provide valuable additional outcomes in support of the Franchise Objectives. These may be initiatives that Bidders would not include purely in support of their financial submission. Part B Delivery Plans 4, 5 and 6 will be evaluated under RADAR® and Bidders should note that scoring criteria for high scores on the Approach component acknowledge proposals to create valuable additional outcomes, exceeding the ITT Requirements (see Section 4 (*The Franchise Specification and Delivery Plans*) for information on where Bidders' proposals for valuable additional outcomes are particularly invited). Delivery Plan 7 will be evaluated as detailed in Section 4, Delivery Plan 7 (*Long Term Value/Efficiency*). The scoring of the Part B Delivery Plans will be balanced with price in the award decision. Bidders will be required to provide a Committed Obligation (with relevant provisions around late delivery or non-delivery) to secure the delivery of such initiatives.

Further detail on the evaluation of Delivery Plans is set out in Section 3.4 (*Evaluation Process*).

It should be noted that Transport Scotland will expect Bidders to, as a minimum, prepare responses to all the requirements set out in this ITT when developing their proposals.

Table 3-1 (*Delivery Plans for the ScotRail Franchise*) below sets out the Delivery Plans that Bidders are required to submit, together with their own individual weighting and the weightings for sub-plans within the Part B Delivery Plans. In addition, the journey time savings element of the inter-city initiatives sub-plan in Delivery Plan 6 (*Service Development*) will trigger an adjustment to the NPV of the Bids submitted. The Delivery Plans should be submitted in the sequence shown in Table 3-1 (*Delivery Plans for the ScotRail Franchise*) below.

**Table 3-1: Delivery Plans for the ScotRail franchise**

Delivery Plan	Sub-Plans	Weightings for sub-plan (where applicable)	Overall Weighting
Part A			
1: Mobilisation, Management and Organisation	Organisation structure and management plan	N/A	30% of Part A
	Migration and mobilisation plan		
	Employee management		
	Working with stakeholders		
	Safety management		
	Industry alignment		
2: Ongoing Running OfThe Railway	Overall rolling stock strategy	N/A	50% of Part A
	Rolling stock maintenance and depot proposals		
	Rolling stock improvements		
	Weather resilience		
	Train compliance with SLC		
	The management and introduction of services on the Borders Railway		
	Operational performance and improvement targets		
	Management of standards at stations		
	Enhancement of station facilities		
	Customer satisfaction improvement targets		
	Customer service		
	3: Retail And Marketing		
Analysis of market and offer position			
Overall marketing strategy			
Demand and revenue forecasts			
Retail and sales policy			
Total For Part A			100

Part B			
<b>4: Sustainability</b>	Environmental initiatives	3%	20% of Part B
	Social initiatives	4%	
	Community Rail Partnerships	3%	
	Scenic train initiatives	5%	
	Use of capacity	5%	
<b>5: Passenger Experience</b>	Smart and Integrated Ticketing	10%	40% of Part B
	Improving access and interchange	15%	
	Access for the disabled and persons with reduced mobility	5%	
	Managing disruption	10%	
<b>6: Service Development</b>	EGIP and HLOS rolling stock initiatives	15%	35% of Part B
	Inter-city initiatives	10%	
	Timetable changes to reduce journey times /improve connections	10%	
<b>7: Long Term Value / Efficiency</b>	N/A	5%	5% of Part B
<b>Total for Part B</b>			<b>100</b>

Transport Scotland is not looking for detailed explanation in areas where:

- it is part of the general competency as a transport operator that have already been submitted and assessed as part of the EFQM evaluation undertaken at the pre-qualification stage;
- there is a well established standard rail industry practice and/or technology;
- there is a requirement for general compliance with laws; or
- the Bidder does not believe it will contribute to the achievement of the Franchise Objectives, fulfilment of Franchise Obligations or achievement of the subsidy/premium line.

### 3.2.3 Committed Obligations

Transport Scotland will contractualise improvements and investments that have been taken into account in scoring Delivery Plans in order to ensure that they are delivered.

Bidders will be required to set out Committed Obligations in support of significant aspects of their proposals in Schedule 1.6 (*Committed Obligations*) of the Franchise Agreement, along with mechanisms for incentivising delivery.

The Committed Obligations should be summarised at the end of each main Delivery Plan in Section 4 (*The Franchise Specification and Delivery Plans*). Transport Scotland encourages Bidders to link commitments to specific and measurable output targets where appropriate. Credit will not be given for significant aspects that are not backed with Committed Obligations.

Transport Scotland wishes to encourage focused obligations in support of key features of Delivery Plans but is not seeking large numbers of de-minimus commitments. Transport Scotland is aware that not all aspects of Delivery Plans lend themselves to Committed Obligations. Some plans are closely linked to the delivery of the SLC, financial, service quality and performance commitments already included in the Franchise Agreement and it is not intended to duplicate those obligations; however Bidders are invited to reflect any amendments they consider necessary in the Part 4 "Legal and compliance" response to be submitted pursuant to Section 2.8 (*Structure and Format of Bids*). Transport Scotland does not usually expect to contract initiatives that are part of the Franchisee's normal commercial business and which the Bidder expects to be profitable.

In choosing which initiatives to offer as Committed Obligations, subject to comments above regarding de-minimus commitments, Bidders should consider the following principles:

- Committed Obligations linked to delivery of outputs that would be recognised by customers are generally more appropriate than those linked to the internal process of delivery (e.g. business IT systems);
- Committed Obligations should be offered for initiatives and/or improvements that are linked to the delivery of the Franchise Objectives;
- Any initiatives and/or improvements which are not offered as Committed Obligations will be ignored for the purposes of the quality and deliverability evaluation on the grounds that there will be no mechanism to allow Transport Scotland to enforce the implementation of the initiative / improvement.

The final page of each Delivery Plan should clearly tabulate all Committed Obligations contained within that Delivery Plan, including a clearly defined measurable target, an appropriate time limit for delivery and a proportionate Committed Obligation Payment Adjustment ("**COPA**") if delivery is delayed. The value of the COPA offered in respect of late or non-delivery will be taken into account by Transport Scotland in determining the Quality Score to be awarded in respect of given initiatives under Delivery Plans 4 (*Sustainability*) to 6 (*Service Development*) inclusive.

All Committed Obligations must also be robustly and clearly defined in the Part 4 "Legal and compliance" response to be submitted pursuant to Section 2.8 (*Structure and Format of Bids*) and Schedule 1.6 (*Committed Obligations*) of the Franchise Agreement and, where applicable, any obligations should therefore be based on well-understood, easily tested data – ideally independent data such as the National Passenger Survey. Transport Scotland reserves the right not to accept or give credit as part of the assessment of Part B Delivery Plans for commitments offered by Bidders if, in Transport Scotland's view, they are framed in a way that may be difficult to verify, would disproportionately increase the need for contract management, or may lead to legal dispute.

### 3.2.4 Support for Financial Sections of the Bid submission

Where a specific initiative or commitment is described in the Delivery Plans and it has a financial impact on the Bid subsidy or premium, this should be stated in the Delivery Plan and cross-referred to the Financial Model ("**FM**") or Record of Assumptions ("**RoA**") accordingly. To enable evaluators to easily cross-check, it is essential that such £ values are expressed consistently between the FM / RoA and the Delivery Plan or that an explanation is provided as to how differently expressed numbers can be reconciled.

Where Bidders use unindexed prices in the Delivery Plans, this should be referenced to the appropriate section in the RoA, explaining how it links to the model. Bidders should note that annual cash flows should be nominal.

If required, further guidance can be sought from Transport Scotland through the Query Process.

### 3.3 Funding requirements

#### 3.3.1 Performance Bond

The Bidder shall provide a Performance Bond of £35m (in 2015/16 prices) from the Franchise Commencement Date, indexed at each anniversary of the Franchise Commencement Date. This should be provided in accordance with Schedule 12 (*Financial Obligations and Undertakings*) of the Franchise Agreement.

#### 3.3.2 Season Ticket and Smartcard Bond

The Bidder shall provide a Season Ticket and Smartcard Bond from the Franchise Commencement Date. This will be calculated and provided in accordance with Schedule 12 (*Financial Obligations and Undertakings*) of the Franchise Agreement.

#### 3.3.3 Advance Payment Bond

The Bidder may be required to provide an Advance Payment Bond where a capital investment is made available through the ScotRail franchise. This will be calculated and provided in accordance with Schedule 12 (*Financial Obligations and Undertakings*) of the existing Franchise Agreement.

#### 3.3.4 Inter Company Loan Facility

The Bidder shall provide an Inter Company Loan Facility of a minimum of £25m indexed from the start of the ScotRail franchise. This will be provided in accordance with Schedule 12 (*Financial Obligations and Undertakings*) of the Franchise Agreement and in the form set out in Attachment F (*Inter Company Loan Facility Agreement*). The Inter Company Loan Facility shall be made available from the beginning of the ScotRail franchise and shall remain available for the entire Franchise Term.

The Inter Company Loan Facility Agreement gives the Scottish Ministers the right to require the Parent to allow the Franchisee to draw down the inter company loan in the event there is a breach or likely breach of the required financial ratios (detailed in Schedule 12 (*Financial Obligations and Undertakings*) of the Franchise Agreement). Bidders should also note that in certain circumstances where the Parent's net worth falls below the minimum specified in the Inter Company Loan Facility Agreement, a bank guarantee may be required. If this net worth test has been breached prior to contract signature, a bank guarantee may become a Condition Precedent to the award of the contract.

As described in Section 3.4.5 (*Financial Assessment*), evidence of the deliverability of the projected revenues and costs may be used to inform Transport Scotland's risk adjusted view of the Bid. In the event that it believes that a risk, SMRA and/or equalisation adjustment may be necessary, Transport Scotland will seek clarification from the Bidder. After consideration of the Bidder's response to this clarification, Transport Scotland may determine whether such adjustment should be made.

Any such adjustment will be used, with reference to the Bid's ability to meet the financial ratio requirements, to assess the size of the inter company loan facility required.

If Transport Scotland determines that the risk adjusted Bid requires a level of inter company loan facility greater than the amount proposed by the Bidder to allow the Bid to meet the financial ratio requirements, Transport Scotland will assess the cash flows set out in the Bid to determine whether they are sufficiently robust to allow the Bid to be delivered without exposing Transport Scotland to unacceptable financial risk. If Transport Scotland believes that the cash flows set out in the Bid are not sufficiently robust to allow the Bid to be delivered without on-going or material reliance on a level of inter company loan facility greater than £35 million then the Bid may be deemed to present an unacceptable level of financial risk to Transport Scotland and, if so, will be rejected.

In the event that the risk adjustments indicate that the Inter Company Loan Facility included in the Bid is inadequate to allow the Bid to meet the financial ratio requirements, Transport Scotland reserves the right to ask Bidders to confirm whether the Bidder's ultimate parent is prepared to provide the additional funds up to a total facility size of £35 million (on demand) on the terms of the Inter Company Loan Facility Agreement. Where this is not confirmed, the Bid may be deemed to have an unacceptable financial risk to Transport Scotland and may be rejected.

Bidders will not be allowed to revise their Bid to offset the impact of such a request by Transport Scotland.



### 3.3.5 Alliancing Security

Where a Bidder identifies cost savings or potential revenue increases from alliancing within their Bid submission, and these savings or potential revenue increases are not supported by contractual commitments set out in Alliancing Agreement agreed with Network Rail, the Bidder will be required to provide a parent company guarantee or increase the value of the Performance Bond by an amount equal to the nominal value of such uncommitted savings or revenue growth. See Section 2.6.1 (*Alliance with Network Rail*) of Delivery Plan 1 (*Mobilisation, Management and Organisation*) for further details. Where contractual commitments have been agreed with Network Rail for particular savings (or revenue streams) to Transport Scotland's reasonable satisfaction, Transport Scotland may reduce the requirement for the Alliancing Security but only by the extent to which the savings and revenue streams are supported by contractual commitments with Network Rail (please note that the Alliancing Security is still required for those savings (and revenues) that are not supported by Network Rail).

Transport Scotland is not willing to pay for, and Bidders should not include in their Financial Models, any costs (including financing or similar costs) in relation to the Alliancing Security.

## 3.4 Evaluation Process

### 3.4.1 General

Bids will be assessed on the basis of Price and overall quality and deliverability.

The assessment of Delivery Plans for quality and deliverability will be linked to the Franchise Objectives set out in Section 1.3 (*Transport Scotland's Objectives for the ScotRail Franchise*) above.

To score well on quality and deliverability, Bidders must evidence within their responses to the Delivery Plans the suitability of their proposals in addressing issues in the context of the Franchise Objectives.

With the exception of Delivery Plan 7 (*Long Term Value/Efficiency*), Transport Scotland will assess responses to the Delivery Plans according to the EFQM. The ScotRail franchise will be awarded to the Bidder who offers Transport Scotland the most economically advantageous bid in terms of quality, deliverability and price for delivering the Franchise Specification and Franchise Objectives, selected in accordance with the Franchise Evaluation Process Chart set out at Appendix 1 (*Evaluation Process Chart*).

Transport Scotland will assess the risk to delivery of overall business performance and the Franchise Objectives. Evidence of the deliverability of projected revenues and costs will be used to inform Transport Scotland's adjusted view of the subsidy required/premium offered by the Bidder, as well as in the assessment of the financial risk of the Bid.

### 3.4.2 Evidence

Transport Scotland requires evidence that the Delivery Plans are robust and achievable. Bidders are not expected to repeat evidence of their general competency as a transport operator that will already have been submitted and assessed as part of the EFQM evaluation undertaken at the Pre-Qualification stage. However, evidence is required of deliverability of the specific Delivery Plans presented for the ScotRail franchise, which may be in the form of relevant examples from other operators (whether in the transport or other industries). The more ambitious the improvement offered by the Bidder or the more innovative their approach, the greater the need for evidence to support the Bid to obtain a higher quality / deliverability score.

Evidence is required that Bidders understand the existing approach deployed by the current ScotRail franchise operator to a particular area, together with plans as to how they would meet the required outputs (as set out in the Franchise Specification and/or Franchise Agreement) and/or deliver improved outcomes in each area to address the Franchise Objectives. Where Bidders' plans are a continuation of current practice, this need not be described in detail but an explanation of how this will meet the required outputs is required. However, where Bidders propose a different approach then detail is required to justify and explain the initiatives.

It should additionally be noted by Bidders that Transport Scotland may seek to clarify with Bidders any element of their evidence provided in support of their Bid.

### 3.4.3 Application of RADAR® to Delivery Plans

The Delivery Plans will be evaluated using the RADAR® process. Bidders are encouraged to identify the RADAR® components of their response in respect of each plan, which will be applied as shown in Table 3-2 (*Weighting of RADAR® Component for Delivery Plans*).

The RADAR® process will assess Delivery Plans on the basis of:

- **Approach** (Bidders describe an understanding of the current situation and explain what initiatives are proposed and why, being assessed for a Sound and Integrated approach);
- **Deployment** (Bidders describe how the initiatives will be implemented, being assessed for Implementable and Systematic deployment plans); and
- **Assessment and Refinement** (Bidders describe their method for continuous improvement throughout the ScotRail franchise, being assessed against Measurement, Learning and Improvement).

Please note that results are treated as Transport Scotland's requirements (as set out in Section 4 (*The Franchise Specification and Delivery Plans*)) and the Franchise Objectives.

Bidders should note that the inter-city initiatives sub-plan of Delivery Plan 6 (*Service Development*) (see Section 2.4 (*Inter-city initiatives*)) will be marked twice. On the first occasion, Transport Scotland's minimum requirement, chiefly around improvements to the passenger experience, will be treated as the Results. On the second occasion, Bidders' proposed journey time savings, if any, will be treated as the Results so as to produce a score for the deliverability of the Bidders' proposed journey time savings. The first score will be incorporated into the overall score for Part B of the deliverability and quality assessment. The second score will only be used to trigger an adjustment to the evaluated NPV reflective of the journey time savings proposed (see Section 3.4.5 (*Financial Assessment*) for more details).

**Table 3-2 Weighting of RADAR® Component for Delivery Plans**

Delivery Plan	Sections	Basis of Assessment (RADAR®)	Pass / Fail	Contribution
	Part A			
1: Mobilisation, Management and Organisation	Organisation structure and management plan	Approach (40%)	Pass / Fail	30% of Part A
	Migration and mobilisation plan	Deployment (40%)		
	Employee management	Assessment and Refinement (20%)		
	Working with stakeholders			
	Safety management			
	Industry alignment			
2: Ongoing running of the railway	Overall rolling stock strategy	Approach (40%)	Pass / Fail	50% of Part A
	Rolling stock maintenance and depot proposals	Deployment (40%)		
	Rolling stock improvements	Assessment and Refinement (20%)		
	Weather resilience			
	Train compliance with SLC			
	The management and introduction of services on the Borders Railway			
	Operational performance and improvement targets			
	Management of standards at stations			
	Enhancement of station facilities			
	Customer satisfaction improvement targets			
	Customer service			
	3: Retail and Marketing			
Analysis of market and offer position		Deployment (40%)		
Overall marketing strategy		Assessment and Refinement (20%)		
Demand and revenue forecasts				
Retail and sales policy				
	Part B			
4: Sustainability	Environmental initiatives	Approach (60%)	Pass / Fail (for each sub-plan)	20% of Part B
	Social initiatives	Deployment (30%)		
	Community Rail Partnerships	Assessment and Refinement (10%)		
	Scenic train initiatives			
	Use of capacity			

<b>5: Passenger Experience</b>	Smart and Integrated Ticketing	Approach (60%)	Pass / Fail (for each sub-plan)	40% of Part B
	Improving access and interchange	Deployment (30%)		
	Access for the disabled and persons with reduced mobility	Assessment and Refinement (10%)		
	Managing disruption			
<b>6: Service Development</b>	EGIP and HLOS rolling stock initiatives	Approach (60%)	Pass / Fail (for each sub-plan)	35% of Part B
	Inter-city initiatives <sup>1</sup>	Deployment (30%)		
	Timetable changes to reduce journey times / improve connections	Assessment and Refinement (10%)		
<b>7: Long Term Value/Efficiency</b>	N/A	Not scored using EFQM RADAR® approach. See Section 4, Delivery Plan 7 (Long Term Value/Efficiency) for details of evaluation for Delivery Plan 7	N/A	5% of Part B

The weightings adopted for each RADAR® component reflect the application of this system to Delivery Plans for a new business. RADAR® scoring is the evaluation method used to score for the European Quality Award.

<sup>1</sup>Bidders should note that the inter-city initiatives sub-plan will be scored twice and used to trigger a journey time NPV adjustment.

The weightings within each Delivery Plan for Approach, Deployment and Assessment and Refinement are set out in within the third column in Table 3-2 (*Weighting of RADAR® Component for Delivery Plans*) for the ScotRail franchise. Each Delivery Plan will be allocated an overall weighting, as set out in the fourth column in Table 3-2 (*Weighting of RADAR® Component for Delivery Plans*). Table 3-1 (*Delivery Plans for the ScotRail franchise*) sets out explicit weightings for each sub-plan in Delivery Plans 4, 5 and 6 and the weighting for Delivery Plan 7, contributing to the overall weight for the Delivery Plans within Part B. The weightings reflect the relative importance of each Delivery Plan and the individual elements within them.

The scoring matrix for Delivery Plans 1 to 6 (inclusive) in Table 3-2 (*Weighting of RADAR® Component for Delivery Plans*) is set out in Part 1 of Attachment I (*Scoring Matrices*). The approach to evaluation of Delivery Plan 7 is set out in Section 4, Delivery Plan 7 (*Long Term Value/Efficiency*).

### 3.4.4 Quality and Deliverability Assessment

Delivery Plans 1 to 6 will be assessed individually on the basis of (i) Approach which will determine whether the proposals are Sound and Integrated; (ii) Deployment which will determine whether the proposals are Implementable and Systematic; and (iii) Assessment and Refinement which will determine whether the proposals demonstrate Measurement, Learning and Improvement. Each RADAR® component within Part A Delivery Plans and within sub-plans for Part B Delivery Plans will be scored out of 100. Delivery Plan 7 will be assessed in accordance with the evaluation criteria set out in Section 4, Delivery Plan 7 (*Long Term Value/Efficiency*). Bidders should note there is no minimum pass requirement in respect of Delivery Plan 7.

Each Bidder's combined score for Approach, Deployment and Assessment and Refinement for Delivery Plans 1 to 6 and each of the sub-plans within Delivery Plans 4 to 6 will be assessed on a pass/fail basis prior to the application of weightings and the combined financial assessment. Sub-plan scores for the Part A Delivery Plans will be aggregated by the evaluators in their own scoring and through the moderation process. An overall score of less than 40 out of 100 for Delivery Plans 1 to 6 or any sub-plan within Delivery Plans 4 to 6 will be considered to fall below the quality and/or deliverability standard required for the ScotRail franchise and will lead to the Bid being disqualified.

For all Bids that score 40 or more for each Part A Delivery Plan, each Part A Delivery Plan will be weighted and aggregated to give a combined weighting for Part A. Any Bids that do not achieve a minimum aggregated score of 50 for the Part A Delivery Plans will be considered to fall below the deliverability standard required for the ScotRail franchise and will lead to the Bid being disqualified.

For all Bids that score 40 or more for each sub-plan on each of Delivery Plans 4, 5 and 6, the score for each sub-plan will be weighted and aggregated and added to the weighted score for Delivery Plan 7 to give a combined weighted score for Part B Delivery Plans. This Part B score will be used to determine the Quality Score as set out in Section 3.5.1 (*Establishing the Quality Score*) and will be used in the combined price / quality evaluation in order to identify the winning Bid, as further detailed in Section 3.5 (*Selection of winning Bid*). Any Bids that do not achieve a minimum aggregated score of 50 for Delivery Plans 4, 5 and 6 will be considered to fall below the deliverability/quality standard required for the ScotRail franchise and will lead to the Bid being disqualified.

The inter-city initiatives sub-plan of Delivery Plan 6 (*Service Development*) will be scored for a second time. For the second scoring, the Results will be treated as the Bidders proposed journey time savings, and the Bids will be assessed for the deliverability of these savings. In this instance, if the plan is scored as a Pass (i.e. 40 marks or more) then it will trigger an adjustment to the NPV of the Bid.

Bidders should note that higher quality and/or deliverability scores are not simply higher cost proposals but rather have a sound, integrated approach with systematic and implementable plans for its deployment. Approaches that deliver more and additional positive outcomes in the light of the Franchise Objectives will also result in improved scores within the quality and deliverability assessment.



### 3.4.5 Financial Assessment

The Price of each Bid will be determined as the NPV of the Franchise Payments less the cost of Fixed Track Access Charges of each Bid submission over seven years, calculated by applying the HM Treasury discount rate of 3.5% real. Given the inclusion of an option for rebasing, the Franchise Payments from years 6 and 7 will be discounted such that these forecasts receive less weighting. This will be achieved by applying a further reduction factor of 50% for these years in order to reflect the uncertainty of the Franchise Payments at this point.

Where a Bidder proposes journey time savings as part of its approach to Delivery Plan 6 (*Service Development*), and subject to the outcome of the deliverability evaluation, the NPV will be adjusted to reflect the monetised benefit of journey time savings, based on the index-linked value per average minute saved.

Equalisation adjustments will be made in order to take into account any additional material related costs, liabilities and revenues to be borne by Transport Scotland as a result of the Bidder's submission. The impact of such costs / liabilities / revenue adjustments will be estimated by Transport Scotland and its advisors and expressed as an NPV of the adjustments made, discounted at the same rate as the Franchise Payments. The result will be added to the NPV of the Financial Submission. Where an equalisation adjustment has been made, the nature of and rationale for the adjustment will be disclosed to the Bidder.

Bids will also be adjusted for SMRAs, being the NPV of any quantifiable amendments proposed by Bidders, which may include (i) amendments to the Agreement or specification that affect the risk profile of the Bid or (ii) elements of the Financial Submission, including risks proposed to be transferred to Transport Scotland from the Bidder. Such values will be converted to an NPV on the same basis as set out above. Bidders should note that they are discouraged from proposing SMRAs in accordance with Section 2.13 (*The Scottish Ministers' Risk Assumptions*).

Where any such SMRAs and/or equalisation adjustments are identified, these will be discussed and the deemed value shared with each Bidder during negotiations, giving the Bidder the opportunity to amend their Bid to remove this item if it so wishes.

Risk adjustments may also be applied to a Bidder's Price. Bidders' revenue forecasts will be normalised to a set of consistent assumptions with regard to external drivers of growth that the operator cannot control. These are based on industry and Government guidance but Transport Scotland reserves the right to adopt a Bidder's assumption into its benchmark (applied consistently to all Bidders) where adequate evidence is provided to support this. Transport Scotland also reserves the right to adjust other assumptions that are not justified. These adjustments may lead to an expected value receivable/payable through the revenue share/support mechanism, which would also be expressed as a NPV calculated on the same basis and added to the Price. In the event that it believes that a risk adjustment may be necessary, Transport Scotland will highlight any proposed risk adjustment with each Bidder during the clarification period, give the Bidder an opportunity to comment on the proposed risk adjustment and seek clarification from the Bidder in relation to the revenue or cost in question. After consideration of the Bidder's response to this clarification, Transport Scotland may determine whether a risk adjustment should be made.

Bidders should note that a "most-likely outcome" approach will be taken to any adjustments to the NPV. Additional guidance on Transport Scotland's approach to risk adjustment is set out in Appendix 5.

Bidders should note that Transport Scotland will not include any income generated from the Profit Share mechanism in the calculation of the NPV of Bids. Any savings identified by Bidders as a result of alliancing with Network Rail should be reflected as a reduction in the subsidy line rather than an increase in Profit, as further detailed in Section 2.6.1 (*Alliance with Network Rail*) of Delivery Plan 1 (*Mobilisation, Management and Organisation*).

The total NPV (as adjusted to reflect equalisation, SMRA, risk adjustments and inter-city journey time savings described above) of each Bid will then be combined with the results of the Quality / Deliverability evaluation as detailed below in Section 3.5 (*Selection of winning Bid*).

## 3.5 Selection of winning Bid

The winning Bidder will be selected on the basis of the most economically advantageous tender in terms of quality, deliverability and price for meeting the Franchise Objectives and Franchise Specification within Transport Scotland's affordability envelope. The ranking of Bidders will be carried out using a mechanism calibrated to give a 35% weighting to Quality and a 65% weighting to Price.

### 3.5.1 Establishing the Quality Score

For Bids achieving the minimum quality and deliverability criteria set out above in Section 3.4.4 (*Quality and Deliverability Assessment*), the overall weighted score allocated for Part B Delivery Plans will be multiplied by 35% to give the Quality Score, which will be used in the Combined Price / Quality Evaluation.

### 3.5.2 Establishing the Price Score

In order to be considered in the Price Evaluation, Bids must be within £175 million NPV of the lowest priced compliant Bid achieving the minimum quality and deliverability criteria set out above in Section 3.4.4 (as adjusted to reflect inter-city journey time improvements, equalisation, SMRA and risk adjustments described above), taking into consideration only those Bids that have passed the minimum criteria for quality and deliverability as set out in Section 3.4.4 (*Quality and Deliverability Assessment*).

Following the outcome of the Financial Assessment, Price will be scored as follows:

- The Bidder with the lowest NPV (as adjusted to reflect equalisation, SMRA, risk adjustments and inter-city journey time savings described in Section 3.4.5 (*Financial Assessment*) above) will score 100%.
- 1% shall be deducted from the remaining Bidders for every 1% their NPV is higher than the lowest NPV.
- The Price percentage scores will be multiplied by 65 to give the Price Score which will be used in the Combined Price / Quality Evaluation.

### 3.5.3 Combined Price / Quality Evaluation

The Price Score will be combined with the Quality Score by adding the two scores together to produce a combined score. The Final Bid with the highest combined score will be deemed by Transport Scotland to be the most economically advantageous tender.



# 4. The Franchise Specification and Delivery Plans

In this Section 4 (*The Franchise Specification and Delivery Plans*) Transport Scotland sets out the submission requirements for the delivery of the Franchise Specification for the ScotRail franchise. It provides background information about each Delivery Plan including some of the obligations that will fall upon the Franchisee. It also sets out what key elements either must or should be included in each Delivery Plan in each Bidder's submission.

Bidders should set out their Delivery Plans in the form of a series of initiatives. Bidders must explicitly identify their planned Approach, Deployment and Assessment & Refinement (according to the EFQM criteria). It is preferred that Bidders structure their Delivery Plans around the sub-plan headings set out in this Section 4 (*The Franchise Specification and Delivery Plans*) and for the Part B Delivery Plans (Plans 4 (*Sustainability*), 5 (*Passenger Experience*) & 6 (*Service Development*)), where these sub-plans are to be scored and weighted individually, this is mandatory. Bidders are reminded to give due attention to their plans for Assessment & Refinement and must set out their Assessment and Refinement plans separately for each of the three Part A plans and each of the individual sub-plans in Part B. Effectively the sub-plans of Part B must be treated as plans in themselves so that they can be scored and weighted individually in the evaluation. Provided that the above requirements are met, Bidders are otherwise free to structure their plans as they see fit.

Bidders are reminded that Executive Summaries for each Delivery Plan should be included within each Delivery Plan. There should be one Executive Summary at the start of each overall, numbered Delivery Plan.

## DELIVERY PLAN I: Mobilisation, Management and Organisation

### 1. Introduction

Transport Scotland expects that the new Franchisee will mobilise and manage the business in a competent and professional manner; supporting economic growth and delivering a balance of commercial and passenger benefits while achieving best value for money and delivering services in a safe, cost-effective and efficient manner.

Within this Delivery Plan I (*Mobilisation, Management and Organisation*), Transport Scotland sets out its expectations for a seamless start to the new ScotRail franchise and provides some background information on some of the key activities that will need to take place. Bidders are requested to set out their plans for a wide ranging set of issues related to on-going management of the business: employee relations; stakeholder management; safety management; and working with or forming an alliance with Network Rail, or other industry partners, where this forms part of any Bid. This will provide Bidders with an opportunity to present how they will develop a well-managed business, with motivated and engaged staff and stakeholders.

### 2. Franchise requirements

This Section 2 (*Franchise requirements*) describes Transport Scotland's requirements for the ScotRail franchise as set out in the Franchise Agreement. It also describes some areas that Bidders might consider in their approach or initiatives but which are not mandated.

#### 2.1 Organisation structure and management plan

In support of the Franchise Objectives, Bidders shall set out their plans, supported by organisational charts as appropriate, for the delivery of the ScotRail franchise including:

- Proposed management team and structure for the franchise business;
- Teams and individual posts to manage internal and external interfaces;
- Total establishment highlighting any expected changes in numbers, relevant skills and resources by activity and function; and
- Details of any proposed outsourcing or sub-contractor arrangements and activities.

With regard to any proposed outsourcing or sub-contractor arrangements and activities, the successful Bidder may not sub-contract its function as an operator. Furthermore, in the light of the profit cap mechanism, the scale of inter-company trading within the owning group will be limited to that included within the Bid and set out in the Related Party Contracts table in the Appendix to Schedule 13.7 of the Franchise Agreement. Finally, Bidders should note that the Scottish Ministers will have the right to designate contracts they consider necessary for securing the continued provision of the Franchise Services including any such inter-company contracts as Key Contracts, and may choose to continue such Key Contracts through a Direct Agreement beyond the end of the ScotRail franchise in the event of the ScotRail franchise being terminated early for whatever reason.

A particular area of focus is providing assurance that the team who actually manage the ScotRail franchise will fully understand and 'own' the obligations that flow from the Bid, which will be written into the Franchise Agreement.

Bidders shall identify a schedule of Key Personnel which must include a competent Commercial Manager. The powers and responsibility of the Commercial Manager can be delegated to others in the Management Structure provided that those individuals are similarly competent and these delegations must be clearly identified in the Bid. The Bidders will be required to provide an organisation chart detailing responsibilities and reporting lines. Other Key Personnel to be identified include the Quality Manager; Transport Integration Manager; Community Liaison Manager; Customer Service Manager; Rail Patronage Manager and Investment Manager.



## 2.2 Mobilisation, migration and transition plan

### 2.2.1 Objectives and approach

Bidders shall demonstrate their capability to carry out an effective mobilisation and migration within the necessary timescales and proceed to commencement of operations on the Franchise Commencement Date. For clarity, mobilisation activities are interpreted in this document as being those leading up to the commencement of operations. Migration activities are those relating to the transfer and integration of the existing operations, supporting assets, resources, systems and commercial arrangements to create the new ScotRail franchise. Bidders shall also set out their plans for transition, following commencement of operations.

The Franchisee shall mobilise with the intention of fulfilling the following aims:

- To ensure the integrity, safety and continuity of existing train and other services at the Franchise Commencement Date; and
- To work with other TOCs, Network Rail, ORR, Rolling Stock Leasing Companies ("**ROSCOs**"), other suppliers, Transport Scotland and other stakeholders to ensure a successful handover from the incumbent franchisee by the Franchise Commencement Date.

Successful mobilisation will include, among other things:

- Transfer of staff under Transfer of Undertakings (Protection of Employment) Regulations 2006 ("**TUPE**");
- Transfer of supporting assets, including relevant agreements;
- Acquisition of railway operating licences;
- Acquisition of railway safety certification;
- Entering into other regulated railway arrangements such as track, station, light maintenance access agreements and connection agreements in relation to light maintenance depots;
- Entering into agreements, leases and other arrangements with third parties such as the ROSCOs and Network Rail to ensure provision of rolling stock, right to occupy stations, light maintenance depots and other assets, and services necessary for operation of train services. Transport Scotland anticipates that this may include establishing agreements with the Caledonian Sleeper Franchisee to enable depot access for that operator at the Inverness Depot (see Section 2.2 (*Rolling stock maintenance and depot proposals*) of Delivery Plan 2 (*Ongoing Running of the Railway*));
- Ensuring, where required in respect of Key Contracts, that the providers of such Key Contracts agree to enter into Direct Agreements with the Scottish Ministers;
- Ensuring that relevant changes to IT systems have been made;
- Entering into such financial bond arrangements as are required by the Franchise Agreement;
- Finalisation of commercial arrangements with the incumbent franchisee and new suppliers;
- Satisfaction of all the relevant obligations of the Conditions Precedent Agreement supplied to Bidders with the Franchise Agreement; and
- Where relevant, ensuring arrangements are in place to allow for the commencement of the alliance with Network Rail on the Franchise Commencement Date, in accordance with the Alliance Agreement.

Transport Scotland expects a working group to be established and chaired by the Franchisee and to include the incumbent franchisee and Transport Scotland representatives to oversee and monitor progress during the period between the contract award and the commencement of operations. The main purpose of this group will be to ensure a fair, reasonable and timely migration with the full and active participation of all parties.

Bidders should note that the Caledonian Sleeper Franchise will be mobilising at the same time as the ScotRail franchise. This may have implications for the mobilisation of ScotRail and Bidders should bear this in mind in the preparation of their Delivery Plans.

Further background information on some of the specific requirements is provided below.

### **2.2.2 Transfer of staff**

Relevant ScotRail staff will transfer at the end of the current ScotRail franchise to the new Franchisee. The arrangements will follow TUPE. TUPE protects employees' terms and conditions of employment when a business is transferred from one owner to another. Details will be provided by the existing franchisee of the First ScotRail employees who will transfer to the new ScotRail franchise. It should be noted that some existing First ScotRail employees are expected to transfer to the Caledonian Sleeper Franchise at the same time.

### **2.2.3 Transfer of supporting assets, including relevant agreements**

Clause 4.1 of the Conditions Precedent Agreement sets out the property, rights and liabilities that will be transferred to the ScotRail franchise via the Commencement Transfer Scheme. Bidders may request for other property, rights and liabilities to be transferred to them via the Commencement Transfer Scheme through the process in Clause 4.4 of the Conditions Precedent Agreement.

### **2.2.4 Acquisition of railway operating licences**

As a Condition Precedent for the start of the ScotRail franchise, the Franchisee shall apply for, and secure, licences and a related Statement of National Regulatory Provisions to operate railway assets within Great Britain. Typically, this process can take up to 120 working days to complete, allowing for consultation and due process. The ORR normally requires appropriate safety authorisations to be in place prior to the final issue of these licences.

Further information on the issue and administration of licences can be found at the following website: <http://www.rail-reg.gov.uk>.

### **2.2.5 Acquisition of railway safety certification**

The Franchisee shall obtain a Safety Certificate in accordance with the Railways and Other Guided Transport Systems (Safety) Regulations 2006 (as amended) ("the **ROGS Regulations**") as a Condition Precedent to the commencement of the ScotRail franchise. The Franchisee will be responsible for maintaining the Safety Certificate for the Franchise Term.

Bidders shall engage with the ORR during the Bid Preparation phase in order to ensure that the Safety Certificate will be issued in good time for the start of the ScotRail franchise. Further information on the requirements and the process for obtaining a railway Safety Certificate can be found at the following website: <http://www.rail-reg.gov.uk>.

### **2.2.6 Entry into station, depot and track access contracts**

The ScotRail franchisee will be the Station Facility Owner ("**SFO**") for all stations that it accesses, with the exception of Glasgow Central High Level and Edinburgh Waverley, which are owned by Network Rail, Carlisle Station which is operated by Virgin Trains, and Prestwick Airport Station, which is currently owned and operated by Infratil. Dunbar Station, which is currently leased to and operated by East Coast, is expected to become part of the ScotRail franchise before 2015. Bidders shall demonstrate that they will have arrangements in place for gaining access to these stations and depots operated by others. These will be covered by access contracts between the SFO and the Franchisee. Access contracts are regulated and are subject to approval or direction by the ORR, which has produced a number of template access contracts for use by TOCs.

The Franchisee will also enter into Connection Agreements for the relevant depots and stabling facilities.

The existing track access arrangements will be transferred to the new Franchisee under the Statutory Transfer Scheme. Details of the Track Access Contract can be found in the Data Site.

### 2.2.7 Securing the provision of rolling stock

The Franchisee shall be responsible for ensuring provision of the rolling stock that will enable it to deliver its obligations under the Franchise Agreement and Bidders should note that there is a Section 54 agreement in relation to Class 380s (see Section 2.1.1 (*Background*) of Delivery Plan 2 (*Ongoing Running of the Railway*) for further details). Where it is proposed that rolling stock should be provided through lease arrangements, it will be a requirement for the Franchisee to enter into rolling stock leases and associated contracts as a Condition Precedent to the start of the ScotRail franchise. If Bidders wish to propose other rolling stock ownership options, for example in connection with the objective of reducing longer run costs (see Delivery Plan 4 (*Sustainability*) and Delivery Plan 7 (*Long Term Value/Efficiency*)), they should approach Transport Scotland to explore the acceptability of such proposals before bidding. If the Franchisee plans to enter into other rolling stock contracts during the Franchise Term it must do so at least one year prior to the cessation of the rolling stock leases of the trains that are intended to be replaced. Failure to do so will be an Event of Default. The plans for mobilisation should be consistent with this requirement.

Bidders will also be expected to commence planning and procurement of rolling stock for the Edinburgh to Glasgow Improvement Programme ("**EGIP**") upon contract award. This should be dealt with in Delivery Plan 6 (*Service Development*).

Bidders should also consider rolling stock improvement options as part of their Scottish inter-city network proposals (see Delivery Plan 6 (*Service Development*)).

### 2.2.8 Transition

Bidders should also set out their plans for transition, following commencement, to ensure smooth operations as new organisational arrangements and planned initial change are embedded,

## 2.3 Employee management

Transport Scotland acknowledges the importance of positive relations with employees and trade unions. The Franchisee will be an organisation which invests in their staff recognising them as an asset for Scotland. They will place significant emphasis on their front-line customer-facing staff.

In this Delivery Plan, Bidders will be required to set out their plans for employee management. Note that the Scottish Ministers are particularly interested in opportunities for training and development associated with the ScotRail franchise, and these are dealt with explicitly in Delivery Plan 4 (*Sustainability*).

### 2.3.1 Human Resources Strategy

Bidders shall provide a draft initial Human Resources Strategy and demonstrate how they will develop this on contract award. As a minimum this strategy should address:

- Staffing strategy and structure;
- Employee relations including pay, benefits (including pensions) and engagement with staff and unions; and
- Equalities issues.

The Human Resources Strategy will be made available to Transport Scotland on an annual basis and will contain commentary on progress. Further information on each of the above areas is outlined below.

#### 2.3.1.1 Staff numbers

The numbers and levels of staff required to provide rail passenger services on ScotRail services is, in general, a commercial matter for the Franchisee. Bidders should note that the Franchisee will be required to review the activities of staff to ensure that the level of resources and duties of staff reflect the needs of passengers and potential passengers, and where appropriate, broaden the activities in which staff are involved.

### 2.3.1.2 Employee relations

The pay and conditions of staff will be a commercial matter for the Franchisee. Pay and employment deals which would impact on the future franchise / rail arrangements within the last 12 months of the Franchise Agreement will be subject to the approval of the Scottish Ministers.

The Franchisee, as a socially responsible employer, will recognise the importance of appropriate pay and conditions in recruiting and retaining fully engaged employees. Bidders shall provide details of their proposed average wage for employees.

Bidders shall set out a draft Reward and Engagement Strategy as part of their Bid. This will include details of the proposed reward and engagement policies for staff. It should also include what mechanisms and processes they will put in place to motivate staff, in addition to pay, in order to ensure that the ScotRail Brand is protected and promoted, assist with staff retention and to mitigate against the risk of strikes. It should also include details of employee share schemes and/or profit-share mechanisms.

Bidders shall set out their approaches regarding relations with trade unions and employees and put forward mechanisms for ensuring that employees are consulted and engaged on company developments. Bidders will be expected to demonstrate how they will engage with, and understand the attitudes of, their employees.

### 2.3.1.3 Pensions

Bidders shall confirm acceptance of the terms and conditions relating to pensions contained in Schedule 16 (*Pensions*) of the Franchise Agreement. This confirmation should also be included in the Part 4 (*Legal and compliance*) response.

Transport Scotland will not provide any indemnity regarding any payments that may be required under the Railways Pensions (Protection and Designation of Schemes) Order 1994 (SI 1432) or otherwise. The Franchisee shall become the Designated Employer for the active, retired and deferred members of the current shared cost sections of the Railways Pension Scheme ("**RPS**") defined as the First ScotRail section (except that such active members shall not include those employees transferring to the new Caledonian Sleeper Franchise).

Bidders shall set out their approach to meeting their obligations under the RPS from the Franchise Commencement Date with all assumptions clearly stated.

Subject to meeting their obligations under the RPS, at the end of the Franchise Period, the Franchisee shall have no responsibility for any deficit in the relevant section of the RPS (other than contributions due and payable before and at the end of the Franchise Period by the Franchisee) and have no right to benefit from any surplus which may exist in the relevant section.

Bidders should note that, insofar as within the competence of the Scottish Ministers as conferred by the Railways Act 2005, a letter of assurance will be made available to the Trustee of the Railways Pension Scheme confirming that in relation to the relevant section of the RPS the approach of the Scottish Ministers will be as follows:-

- That for the relevant section of the RPS, Transport Scotland will ensure that there will always be a designated sponsoring employer;
- That the Franchisee as sponsoring employer will be required to meet its obligations under the relevant section of the RPS for so long as it remains the franchise operator enforced by the Franchise Agreement;
- That the Scottish Ministers will ensure that any outstanding obligations under the relevant section of the RPS at the end of the ScotRail franchise are taken over by a new operator.

Bidders should note that all ScotRail services should be made available at a discount to railway staff but free travel will generally not be available for staff as detailed in Schedule 13.4 (*Staff Obligations*) of the Franchise Agreement except in respect of staff with protected legacy rights. Note that rights granted to ScotRail staff shall also be granted to Caledonian Sleeper staff and vice versa.

### 2.3.1.4 Equalities

Bidders will have due regard to the general public sector duties under the Equalities Act 2010. These are specifically to eliminate unlawful discrimination, victimisation and harassment; advance equality of opportunity and foster good relations.

As the legal liability for the duties in relation to that function remains with the Scottish Ministers (being the party that contracts out the function), the Franchisee will be required to demonstrate proactive steps to eliminate discrimination and to promote equality. Bidders will be required to set out a draft Equalities Plan in their Bid which includes details of how they will monitor its effectiveness. The Franchisee will be required to submit this plan on an annual basis, providing evidence of the activities carried out in accordance with the plan.

## 2.4 Working with stakeholders

Transport Scotland is seeking to ensure that the Franchisee works closely and effectively with all stakeholders throughout the duration of the ScotRail franchise. Bidders shall confirm that they will co-operate with stakeholders (e.g. Network Rail, Transport Scotland, Regional Transport Partnerships, Passenger Focus, Mobility Access Committee for Scotland and other rail/public transport operators) over the life of the ScotRail franchise to facilitate efficient development of major projects, service and accessibility improvements, to support the development and trials of innovative technologies and approaches and any other industry changes. In particular, the Franchisee will be required to work closely with Network Rail to assist in the delivery of the CP5 enhancements.

Transport Scotland would emphasise the role of Network Rail as system operator and the importance each Bidder should place on entering into early and meaningful dialogue with Network Rail in respect of the Bidder's proposed Bid response. Such dialogue should include consideration of the delivery of the Scottish Ministers' specification; areas in respect of which Bidders hope to earn additional marks in the quality/deliverability assessment; and any additional Bidder initiatives; and that whether or not the Bidder proposes to enter into or explore options around an alliance with Network Rail.

### 2.4.1 Transparency and data provision

The Franchisee shall be expected to make available to Transport Scotland and the ORR cost and revenue data during the life of the ScotRail franchise. Data may be published in a format that allows comparisons to be drawn between unit cost levels in other franchises, providing a reputational incentive for the new Franchisee to reduce costs and enabling identification and adoption of best practice. The Scottish Ministers shall also expect the new Franchisee to work with the ORR to allow passengers to compare train operators performance for individual service groups, overcrowding and passenger complaints.

Bidders shall provide plans for how they will work with the wider rail industry to adopt and implement any future outcomes from the transparency agenda including the open publishing of timetables, real-time train running and appropriate fares information.

### 2.4.2 Engagement and consultation with Passenger Focus

Passenger Focus is an independent public body set up by the UK Government to protect the interests of Britain's rail passengers. Bidders shall detail how they will engage with Passenger Focus and what planned regular involvement this will entail, including proposals to consult with Passenger Focus on relevant franchise issues.

### 2.4.3 Engagement and consultation with other groups

Bidders shall demonstrate how they will work effectively and collaboratively with other TOCs, particularly those operating cross-border services and especially the Caledonian Sleeper Franchisee. Given the geographical nature of the ScotRail franchise, Regional Transport Partnerships, Local Authorities, Local Economic Partnerships and regional and sub-regional bodies should also be widely consulted for views. Local Authorities have an on-going aspiration for improvement in communication to help facilitate change, and as part of on-going local initiatives including the development of Station Travel Plans. Bidders shall highlight how they will achieve effective dialogue with these stakeholders and with others such as the Cycle Rail Working Group, Community Rail Partnerships, Passenger Focus, disability organisations such as the Mobility and Access Committee for Scotland ("**MACS**"), Scottish Accessible Transport Alliance ("**SATA**") and Scottish Rail Accessibility Forum ("**SRAF**") and other public interest organisations.

### 2.4.4 Engagement and consultation with the general public

Bidders shall state how they will keep the general public informed of key decisions and outline how they will make consultation effective, visible and transparent. In particular given the level of disruption likely due to the major infrastructure projects already identified, Bidders should outline a clear communications strategy, cross-referenced as necessary with Delivery Plan 5 (*Passenger Experience*).

## 2.5 Safety and security management

### 2.5.1 Safety and security of passengers and staff

The Franchisee will be an organisation that is committed to fulfilling an active role in providing a safe and secure rail network for all passengers and staff and who will work in partnership with others to achieve that aim.

Bidders shall outline in a draft Safety and Security Plan how they will achieve this, how they will train staff to deliver this and identify key partners to work with, agreeing key parameters of responsibility. The Franchisee will be required to demonstrate how they will develop their draft Safety and Security Plan on contract award.

The draft Safety and Security Plan shall detail how the Franchisee will make their stations and trains secure. It shall identify key partners to work with to achieve this, including all legal requirements around counter-terrorism. This will include station and train security, alcohol issues, and engagement with the British Transport Police.

Bidders shall also set out how they will engage with other parties to reduce the incidents of other third-party safety related incidents. In this regard particular attention is drawn to Network Rail's role in the operation and management of level crossings.

Bidders are required to consider the findings in Passenger Focus' "Passenger perceptions of personal security on the railways" and consider how these concerns can be addressed in their plans.

#### 2.5.1.1 On-train security

Bidders should assess the current security arrangements on the Scottish Rail Network and consider how they will maintain and improve this throughout the lifetime of the ScotRail franchise. The Franchisee must ensure that all safety and security equipment, such as CCTV, meets relevant standards and provides on-train CCTV coverage and on-board recording on all trains within the first two years of the ScotRail franchise. Systems should include a forward facing camera mounted in each driving cab. The minimum specification is shown in Appendix 3 (*Rolling stock quality specification (passenger facing elements)*) and the Appendices in Schedule 6 (*Rolling Stock*) of the Franchise Agreement.

The Franchisee will be required to use all reasonable endeavours to provide at least two members of staff for every train service. The customer / passenger-facing staff will be required to carry out customer service duties as set out in Section 2.11 of Delivery Plan 2 (*Ongoing running of the railway*) including taking appropriate measures to deal with unruly behaviour by any passengers in so far as is reasonably practicable in the absence of police assistance and calling for police assistance when required.



### 2.5.1.2 Station security

Bidders shall detail their plans for station security, at the different types of station on the Scottish Rail Network, throughout the Franchise Period. This should include consideration of:

- Passenger and staff personal security;
- Security of car parking areas;
- Security of cycle storage; and
- Addressing anti-social behaviour.

Bidders proposals should address use, maintenance, renewal and development of existing station CCTV systems, lighting and other assets contributing to security.

Bidders shall provide and maintain "help points / information points" at all stations.

### 2.5.1.3 Engagement with the British Transport Police

As part of their license conditions, the Franchisee will be required to enter into a Police Service Agreement ("**PSA**") with the British Transport Police. Bidders should be aware that as at 1 April 2013 a new Police Service Agreement with the British Transport Police Authority came into being. The form of the new PSA is available on the Data Site.

Bidders shall outline their plans about how they will work in partnership with the British Transport Police with regard to specific areas of concern over the safety and security of customers and staff and reduction in delay and crimes against property. In doing so, Bidders should explain how they will influence where appropriate resources are deployed, such as in "hot-spot" areas where particular safety and security are most prevalent.

### 2.5.1.4 Sale and consumption of alcohol

Although it is intended that the sale, consumption and carrying of alcohol will be a matter for the Franchisee, Bidders are invited to share their plans, with consideration given to the specific alcohol ban implemented by the current ScotRail franchisee on 20 July 2012.

Additionally, Bidders are invited to share their plans in terms of the sale, consumption and carrying of alcohol for passengers travelling to and from major events (e.g. larger football matches, concerts etc).

## 2.5.2 Railway Safety and Standards

The Franchisee shall become a member of the Rail Safety and Standards Board ("**RSSB**") and, as such, Transport Scotland will expect it to engage proactively as a member of that group. In particular, this requires the Franchisee to engage in:

- The consultation process for new standards, including European technical standards for interoperability ("**TSIs**"), railway group standards and any ATOC 'Codes of Practice';
- The process of generating the 'Railway Safety Group Safety Plan' ("**RSGSP**"); and
- The delivery of an appropriate contribution to that RSGSP. TOCs, as a member of the Rail Safety and Standards Board, are required to produce an Annual Safety Plan. The Franchisee's Annual Safety Plan should be available on request to Transport Scotland and the ORR.

Bidders shall confirm that they will participate in industry groups and committees addressing the domestic, European and research safety agenda of the Railway Safety Group. Bidders shall demonstrate, through the draft Safety and Security Plan outlined above, how they engage fully in safety both at Franchisee and parent company level.

## 2.6 Industry alignment

### 2.6.1 Alliance with Network Rail

The Scottish Government is supportive of alliancing as a vehicle for greater industry collaboration. Transport Scotland considers that the new Franchisee should be given the maximum possible flexibility to work in partnership with Network Rail, as part of a deeper alliance, to optimise performance, delivery of franchise obligations and drive down unit costs. Transport Scotland will not specify how or where such partnership working should be carried out.

Bidders shall provide any proposals for alliancing with Network Rail in their Bid, as part of this Delivery Plan, but this sub-plan will not be marked as part of the Bid Evaluation process. Instead, it should be provided for information purposes only. Bidders should note that no credit will be given in the quality / deliverability assessment for having an alliance; credit will only be given in the Price score and only for such cost savings or extra revenue as the Bidders are able to include within their Bid. It is expected that any savings (or revenues) which, at the time of bidding, Bidders are confident will accrue from alliancing will be reflected in a reduction in the subsidy level requirements provided in their Bids, and will therefore be committed.

- Bidders shall identify all cost savings (or potential revenue increases) from alliancing within their proposal as such and ensure that all such savings are completely separate from other savings (or revenue adjustments). Where possible Bidders are requested to include within their Alliancing Agreements with Network Rail a schedule of the identified and committed savings and revenue adjustments which has been agreed with Network Rail;
- All proposed savings should be included within Bidders' financial proposals;
- A Parent Company Guarantee or increase in the value of the Performance Bond equal to the value of savings or Revenue Growth will be required (the "**Alliancing Security**"). This security will apply in a termination for default scenario;
- Where saving and/or revenue streams have been specifically identified in the Alliancing Agreement with Network Rail, Transport Scotland may reduce the requirement for the Alliancing Security to the extent that such savings and revenue streams are backed by satisfactory contractual commitments (please note that the Alliancing Security is still required for those savings (and revenues) that are not supported by Network Rail); and
- Bidders are not limited in the level of alliancing savings they can propose, however Bidders should note that, for the purpose of bid evaluation, any savings and revenue streams in any given year will be subject to a capped figure of £15 million (at 2015/16 prices) per annum. Any sums above that cap will be excluded from the Bid evaluation as set out in Appendix 5.

### 2.6.2 Influence on longer term projects and schemes

Bidders will be expected to outline in their Bids their approach to working with Transport Scotland, Network Rail and other industry stakeholders to develop longer term projects on the railways in Scotland. These projects will include the development of any on-going strategy for further HLOS Electrification schemes, such as Shotts route electrification, plus the Highland Main Line, Aberdeen to Inverness projects, and, for Control Period 6, the Aberdeen to Central Belt project. Bidders may also be able to influence the approach to the delivery of the EGIP project.

This should be dealt with in detail in the response to Section 2.5 (*Train compliance with SLC*) of Delivery Plan 2 (*Ongoing Running of the Railway*).

### 2.6.3 Other industry alignment initiatives

The Scottish Ministers believe that opportunities exist for delivering increased value for money through the strengthening of collaboration and co-operation within the rail industry. This can be done by driving forward improvements, identifying efficiencies and delivering opportunities for re-investment in the railway.

Bidders should identify other opportunities for collaboration and co-operation with other industry partners, besides Network Rail. They should also highlight the nature of and quantity of the efficiencies that such initiatives will deliver for the Scottish Ministers.

### 3. Bidder initiatives

The areas that are considered likely to contribute most towards achieving the Franchise Objectives are:

- Organisation and management – identification of the Key Personnel, including the Franchise Manager, including roles and responsibilities and lines of command / delegation;
- Migration and mobilisation – effective mobilisation and migration plan including transfer of assets and agreements, provision of rolling stock and working group arrangements with Transport Scotland;
- Employee management - an initial Human Resources Strategy setting out staffing strategy and structure and including a reward and engagement strategy for staff. This should include mechanisms and processes to motivate staff in addition to pay, management of pensions and approach to equality issues;
- Working with stakeholders – development of effective working relationships with key stakeholders to facilitate development of major projects and service and accessibility improvements; and
- Safety and security management – a draft safety and security plan to include proposals for station and train safety and security and engagement with key stakeholders to reduce incidents and crime against customers, staff and property.

Bidders' efforts in preparing this Delivery Plan 1 (*Mobilisation, Management and Organisation*) are expected to be focused in these areas. The Delivery Plan should provide most detail on the development of new initiatives rather than on existing standard industry processes. Bidders efforts in promoting industry alignment should be reflected in the subsidy level required.

In the case of migration and mobilisation, many of the activities will be standard ones that apply to any franchise. Bidders need not set these out in detail but should instead focus on how the processes will be managed and monitored, and in particular how working relationships with Transport Scotland, the existing ScotRail franchisee and Network Rail will be handled.

### 4. Required supporting information

This section describes the information that is important for Bidders to provide in order to assess the overall deliverability of their proposals. This information should be provided in the Delivery Plan:

- Staffing matrix;
- Confirmation of safety certification and monitoring; and,
- Pensions approach.

### 5. Information not required

There are certain areas of franchise management that fall into the areas covered by this topic but that are not required to be described in Bidders' Delivery Plans. This includes corporate structure and relationships with Parent Company and Subsidiaries. This information has already been supplied as part of the Pre-Qualification process.

## DELIVERY PLAN 2: Ongoing Running of the Railway

### 1. Introduction

Transport Scotland expects that the new Franchisee will run and manage the business in a competent and professional manner; supporting economic growth and delivering a balance of commercial and passenger benefit while achieving best value for money and delivering services in a safe, cost-effective and efficient manner.

Within this Delivery Plan 2 (*Ongoing Running of the Railway*) Transport Scotland sets out its expectations for the on-going running of the railway, and provides some background information on some of the key activities that will need to take place. This covers overall rolling stock strategy, rolling stock maintenance and depot proposals, rolling stock improvements, measures to deal with weather resilience, train compliance with the SLCs, operational performance, management of standards at stations, enhancement of station facilities, customer satisfaction improvement targets, and customer service. This will provide Bidders with an opportunity to present how they will develop and run a well-managed business, meeting the needs of Scotland.

### 2. Franchise requirements

This Section 2 (*Franchise requirements*) describes Transport Scotland's requirements for the on-going running of the ScotRail franchise as set out in the Franchise Agreement. It also identifies some areas that Bidders might consider in their initiatives but which are not mandatory.

#### 2.1 Overall rolling stock strategy

##### 2.1.1 Background

The provision of suitable high-quality rolling stock is central to the operation of the ScotRail franchise. The ScotRail fleet currently consists of 137 three and four-car electric units ("**EMUs**") and 155 two and three-car diesel units ("**DMUs**"). The fleet is being gradually rebranded and the majority of the fleet will be in the new livery before the new ScotRail franchise comes into effect.

At the end of the current ScotRail franchise all leases for trains operating ScotRail services in Scotland will terminate. The Scottish Ministers have a Section 54 agreement with Eversholt Rail Group ("**ERG**") which applies to the new Class 380 electric trains introduced on the Ayr, Inverclyde and North Berwick routes for the ScotRail franchise beyond the end of the current ScotRail franchise. This agreement guarantees that a successor Franchisee shall enter into a replacement lease for the Class 380 electric trains with ERG.

A proportion of the existing fleet will need to be re-engineered, refurbished or replaced during the life of the ScotRail franchise if the existing fleet is retained.

All rolling stock will have to be adapted to comply with accessibility legislation<sup>2</sup> by 1 January 2020 on a 'targeted compliance' basis according to guidance provided by the UK Department for Transport.

Previous consultations of the Scottish Government have found that, on trains, passengers want improved luggage space, space for bikes, toilet facilities, staffed on-board catering, and better announcements about services.

There is no requirement for the existing rolling stock to be retained with the exception of the Class 380 electric trains which are covered by an existing Section 54 agreement (as detailed above). However, the minimum specification for rolling stock could be met by the current fleet, with some specific improvements required by Transport Scotland. The minimum specifications are set out in Appendix 3 (*Rolling stock quality specification (passenger facing elements)*) and the Appendices of Schedule 6 (*Rolling Stock*) of the Franchise Agreement, and include the provision of Wi-Fi, additional power sockets and appropriate luggage storage. This does not preclude Bidders offering other improvements where they can demonstrate that passengers would value them. Rolling stock should be equipped with bogies to secure good ride characteristics.

<sup>2</sup>2008/164/EC: Commission Decision of 21 December 2007 concerning the technical specification of interoperability relating to persons with reduced mobility in the trans-European conventional and high-speed rail system.

Transport Scotland expects improvements to the characteristics of the rolling stock on the ScotRail franchise, particularly where it has specifically advised of expectations for improvement – electric stock for the EGIP and HLOS programmes, and improved stock for the Scottish inter-city network and scenic trains. These areas for improvement are all dealt with as part of the Part B Delivery Plans ((Delivery Plan 4 (*Sustainability*) and Delivery Plan 6 (*Service Development*)).

In addition, improvements in the rolling stock quality are also required for the longer distance rural routes not covered under the inter-city and scenic train initiatives (see Delivery Plan 6 (*Service Development*)). These include, but are not limited to, the West Highland Line, the Kyle Line and the Far North Line. These improvements are set out in Appendix 3 (*Rolling stock quality specification (passenger facing elements)*) and the Appendices in Schedule 6 (*Rolling Stock*) of the Franchise Agreement, and include more comfortable seats aligned with windows, the provision of Wi-Fi, at least at-seat catering facilities and appropriate luggage storage.

In the response to this Delivery Plan an overview of the entire rolling stock strategy should be provided. Detail on specific issues around new electric stock, the inter-city network and scenic trains, should be provided in Delivery Plans 4 (*Sustainability*) and 6 (*Service Development*).

## 2.1.2 Rolling stock strategy

Bidders should set out their overall rolling stock strategy for procuring, leasing, cascading and refurbishing rolling stock (in tandem with infrastructure and timetable changes) to provide the required quality and capacity. This should take account of planned network improvements described in HLOS 2012 (available on the Transport Scotland website) including EGIP and the rolling electrification programme, the Borders Railway and improvements to the Highland Main Line and Aberdeen – Inverness line.

Leasing is the normal means of procuring rolling stock for a franchise. Transport Scotland will consider other forms of ownership, if the alternative is shown to provide long term value (this should be cross referenced to Delivery Plan 7 (*Long Term Value/Efficiency*)). Any alternative forms of ownership proposals should be discussed with Transport Scotland in advance of Bid submission.

Bidders should produce a fleet plan showing the number of vehicles of each class, unit configuration, number of seats (including first class), number of standees and the period of the ScotRail franchise for which they will be leased (or the date when the lease expires). Diesel running on 25 kV electrified lines should be minimised.

Minimum rolling stock quality requirements for each service type are shown in Appendix 3 (*Rolling stock quality specification (passenger facing elements)*) and the Appendices in Schedule 6 (*Rolling Stock*) of the Franchise Agreement. The Franchisee will be required to maintain a rolling stock deployment plan which looks beyond the term of the ScotRail franchise.

The Franchisee should provide, as a minimum, capacity to comply with paragraphs 5.5 and 5.6 of Schedule 1.1 (*Service Development*) of the Franchise Agreement, with the intention of minimising the time passengers need to stand.

The Franchisee should plan to provide rolling stock which will enable 3 of the services each way Monday to Saturday between Glasgow and Carlisle via Dumfries to extend to and originate from Newcastle until the start of the next Northern Franchise, planned to start in February 2016, to be awarded by the Secretary of State for Transport. The Secretary of State plans to consult during 2014 on services to be specified in the new Northern Franchise.

The rolling stock strategy should address:

- Whether existing rolling stock is to be refurbished, 'cascaded' rolling stock is to be leased or purchased, or new rolling stock acquired;
- How rolling stock will be cascaded between routes;
- How the quality requirements will be met for each service group and any additional enhancements to passenger facilities; and
- How the fleet plan will meet current and future statutory and technical requirements.

A clear rationale for the rolling stock strategy must be set out. Explanation must be provided on how the necessary passenger capacity is provided, consistent with the passenger demand forecasts, and the Bidder will be expected to explain how it will secure additional rolling stock to demonstrate compliance. A justification for how any enhancements will meet passenger needs for modern high quality accommodation should be provided. Bidders should also explain how the rolling stock strategy will enable the service patterns and performance targets to be met.

## **2.2 Rolling stock maintenance and depot proposals**

Bidders shall set out a detailed plan to cover the train maintenance and cleaning strategy for the ScotRail franchise.

Bidders should be explicit about their plans for the future use and development of the following depots (including any plans to increase, reduce or cease use):

- Haymarket Traction Depot;
- Corkerhill Carriage Servicing and Maintenance Depot;
- Inverness Carriage Servicing and Maintenance Depot;
- Shields Electric Traction Depot;
- Eastfield Carriage Servicing Depot;
- Perth Carriage Servicing Depot;
- Bathgate Carriage Servicing Depot;
- Yoker Carriage Servicing Depot;
- Ayr Townhead Carriage Servicing Depot; and
- Millerhill Carriage Servicing and Maintenance Depot (identified as a potential option for EGIP rolling stock. This is described in more detail in Delivery Plan 6 (*Service Development*)).

The Franchisee will be the Depot Facility Owner for Inverness Light Maintenance Depot and will be required to provide access to, and use of, the Inverness Depot to the new Caledonian Sleeper Franchisee where the Caledonian Sleeper Franchisee has been awarded the Caledonian Sleeper Franchise on the basis of requiring the use of the Inverness Depot at up to the current level of usage. In such circumstances the Franchisee will be required to enter into a Depot Access Agreement with the Caledonian Sleeper Franchisee on reasonable commercial terms to be negotiated between the parties. Bidders should note that the ORR regulates terms and prices for depot access and services.

Where the Caledonian Sleeper Franchisee requires use of the Inverness Depot, Schedule 2.6 (*Inverness Depot*) of the Franchise Agreement will impose obligations on the Franchisee to:

- Offer depot access and a range of depot services (including in respect of specification and quality of the latter) to the Caledonian Sleeper Franchisee which are no less in any aspect than the light maintenance services provided by the current ScotRail Franchisee in respect of Caledonian Sleeper rolling stock (including traction it uses to provide Anglo-Scottish sleeper services under the current ScotRail franchise); and
- (Without prejudice to the duties or powers of the ORR) demonstrate that charges sought from and/or charged to other train operators for depot access and/or depot services are reasonable.

The Franchisee will also be required to offer the Caledonian Sleeper Franchisee a sub-lease, on reasonable commercial terms, of such parts of the Inverness Light Maintenance Depot as the Caledonian Sleeper Franchisee may request exclusive use, provided these areas are not required for the maintenance of rolling stock used by the ScotRail Franchisee or any other party with whom the ScotRail Franchisee has a depot access agreement.

Bidders should not plan to develop their operations in such a way that will compete or conflict with a continuation of the current level of usage by the Caledonian Sleeper services at the Inverness Depot, unless the new Caledonian Sleeper Franchisee has confirmed that this will no longer be required.



If additional stabling capacity will be required during the course of the ScotRail franchise it will need to be supplied at the Franchisee's expense, other than that provided as part of the EGIP. Bidders should propose what additional stabling would be required (and where), the facilities needed at such location and how it will be utilised.

Bidders are required to set out a detailed plan to cover the train maintenance strategy for the ScotRail franchise and also a strategy for rolling stock stabling, including plans in respect of any additional services and/or additional rolling stock. Bidders should detail any depot enhancements that may be required and when and how these would be carried out. They should also detail how any enhancements would be funded.

The detailed plan covering the train maintenance strategy for the ScotRail franchise should cover the approach to and delivery of:

- heavy and light maintenance;
- preventative maintenance;
- reactive maintenance;
- cost assumptions; and
- management, staffing and quality assurance.

It is recognised that exterior train cleaning forms a part of depot and stabling workload and the regime proposed should be described in this Section 2.2 (*Rolling stock maintenance and depot proposals*).

## 2.3 Rolling stock Enhancements

### 2.3.1 Provision of Wi-Fi on trains

Some of the rolling stock fleet for the existing ScotRail franchise will be capable of providing Wi-Fi services for rail passengers in 2014. Wi-Fi is currently being fitted to all 59 Class 170 trains, which operate the vast majority of services between Edinburgh and Glasgow via Falkirk High and the longer distance services from the central belt to Inverness and Aberdeen. Similarly, all of the Class 380s are expected to be fitted with Wi-Fi by 2014.

Provision of Wi-Fi type facilities (i.e. internet access via an on train local network using latest wireless communication technology) on the ScotRail passenger services is a key priority of the Scottish Government and a commitment is in place to facilitate Wi-Fi connectivity across all ScotRail rolling stock by 31 December 2019. The Scottish Government is placing increased importance upon improving mobile communication services for passengers travelling by rail (reference: *Sections 2.18 and 3.105 of the National Infrastructure Plan 2011*), in particular through better co-ordination between the rail sector and mobile operators. The Rail Safety and Standards Board ("**RSSB**") have published research looking at mobile services for both operational and passenger use – this is now available on the RSSB website (reference: "*Operational Communications – a programme of work to develop an effective strategy that supports rail innovation*", March 2012). In addition, Ofcom has published a study on improving mobile communication services (reference: "*Rail 'Not-Spots' – Technical Solutions & Practical Issues*", January 2012) which is also available on its website.

Scotland has a proud history of technical innovation. The Franchisee is expected to play a leading role within the rail industry in pushing forward innovation in Wi-Fi, against a backdrop of continual rapid technological change, for the benefit of passengers.

With this in mind, Bidders shall demonstrate how they will provide Wi-Fi, or the latest technological standard that offers the best service, for passengers on-board and at stations. Transport Scotland considers that Wi-Fi is now part of passengers' ordinary expectation for public transport and as such patronage would be constrained without its provision. Therefore Transport Scotland does not expect that passengers or the Scottish Ministers (in the form of subsidy) will have to pay for this service. Bidders should outline their proposals to:

- State with whom they will work;
- State what equipment they intend to use and how they will ensure this is the best technical solution at the time of assessment taking into account what is available across the transport industry. Bidders should provide a general overview outlining capabilities, maintenance requirements and flexibility and demonstrate compliance with the minimum requirements set out in this Section 2.3.1 (*Provision of Wi-Fi on trains*);
- Provide a roll-out plan for Wi-Fi type facilities on the rolling stock and at stations;
- State how much they will invest in this provision;
- Provide options for funding the on-going operational costs of providing Wi-Fi to passengers;
- State how they will benchmark their Wi-Fi offer against the best in class in respect of other transport service providers across Europe and elsewhere; and
- State how provision of Wi-Fi will be kept refreshed, up-to-date and relevant for passengers as technology develops through the life of the ScotRail franchise.

### 2.3.2 Introduction of passenger counting equipment

The Scottish Government wants accurate data on passenger loadings on train and crowding levels to inform decisions about pricing, capacity and future service levels. Bidders must demonstrate the capacity to supply data on passenger numbers alighting and boarding at each station, for each service. To achieve this they must fit passenger counting technology on a minimum of 30% of the vehicles operating on all service groups within the first 2 years of the ScotRail franchise, achieving an accuracy of 97% or better. Until this programme of fitment is complete, the Franchisee will be required to supplement electronic counts with a rolling programme of manual counts, to ensure provision of a representative sample of passenger loading for all train services and at stations in order to support planning decisions about pricing, capacity and future service levels.

The Franchisee will also be required to advise passengers of seating availability on incoming trains over the course of the ScotRail franchise. Bidders should therefore set out their proposals for introducing a system to advise passengers of such information within stations on busy routes where passengers may find some benefit from such assistance. As part of these proposals, Bidders may wish to consider the use of mobile phone technology and/or other electronic information systems, underpinned by the introduction of passenger counting technology on all the trains used on these routes. Bidders will be expected to commit to any such proposals as a Committed Obligation.

## 2.4 Weather resilience

All modern rail assets have specific design standards, intended to allow them to run in severe weather. Trains are designed to operate within certain temperature limits. Different weather types bring their own challenges to Scottish rail services. Bidders will be expected to report and monitor extreme weather events, their impact on the railway and the effects of climate change around the network. These reports should be presented to Transport Scotland in an agreed format on at least a monthly basis highlighting the frequency of events, the impact on the railway (including in terms of delay and cancellations to services) and highlight "hot spot" locations that are prone to the effects of weather. A face-to-face meeting will require to be held at least twice a year to discuss trends, actions and any mitigation plans required. As the effects of weather related disruption have impacted on performance in recent years Bidders are required to consider this as a significant element of their performance plan (this element should be cross-referenced with the Operational Performance sub-plan of this Delivery Plan), including any suitable interventions that improve performance or mitigate the impact of climate change and extreme weather.

### 2.4.1 Avoiding Service disruptions

Bidders will be required to provide plans and proposals on their resilience arrangements in the event of severe weather. Bidders should:

- Demonstrate that they have considered the different affects severe weather can have on different types of trains and services;
- Develop a strategy for key routes and staff resourcing during extreme weather. The Franchisee must ensure emergency timetables and staff procedures are in place in the event of disruption;

- Define clearly how they will communicate and work with local stakeholders to minimise disruption during severe weather and how they plan to provide detailed up-to-date and easy to understand information to passengers. The Franchisee must use all reasonable endeavours to ensure messages and information is aligned with those of key stakeholders;
- Propose how they will work with bus operating companies to ensure alternative transport for passengers where no train services are running. They should also investigate the use of train ticket validity on local bus services;
- Demonstrate how they will recognise customer feedback and lessons learned. The Franchisee will be expected to learn from best practices of other countries' experiences of similar weather conditions;
- Propose how they will use weather reports to plan for disruption. The Franchisee should regularly review weather forecasts and passenger information and respond accordingly. It should also implement contingency plans accordingly;
- Demonstrate their service disruption strategy, covering alternative transport, key stakeholders, staff and training. The Franchisee will be required to implement, monitor and maintain this strategy. The strategy must set out how the Franchisee will ensure passengers can continue with their onward journey, whether through the provision of replacement buses within a specified timeframe, advance negotiations with bus operators to ensure that passengers can use rail tickets on alternative bus services, or otherwise ensuring passengers are transferred to their destination station quickly and at no additional cost to the passenger. This strategy should also take account of opportunities afforded through the implementation of smart and integrated ticketing. Passenger disruption is dealt with explicitly in Delivery Plan 5 (*Passenger Experience*);
- Demonstrate how they will implement appropriate methods to monitor and meet performance targets. The Delivery Plan should include methods to benchmark performance during severe weather disruption in order to develop response plans further;
- Detail proposals for staff training in the event of severe weather disruption and plans on how staff would be allocated / utilised in these events. The Franchisee should implement these plans and ensure all staff are aware of their specific roles should such an event happen; and
- Demonstrate how they will co-operate with the Scottish Ministers in their resilience planning and notify passengers and customers of severe weather disruption and ensure appropriate timely information is disseminated on trains, at stations and before potential customers start their journey.

#### 2.4.2 Stations and depots

Bidders will be required to detail investment funds for staff, equipment and facilities for dealing with severe weather situations at stations and depots.

In the event of severe weather situations the Franchisee will be required to continue to provide services across the whole network to ensure that all communities continue to receive at least some level of service. However, the Franchisee must agree with Network Rail the priority rail routes to keep open in the event of extremely severe weather. Priority routes will include those used most by passengers and cross border services. All reasonable endeavours must be used to re-introduce services across all parts of the network at the earliest possible opportunity.

The Franchisee must ensure each station and depot is equipped with the necessary equipment to help Scottish rail services to continue in severe weather. This includes access to real time information, the internet and equipment, such as shovels, to deal with situations as they are presented. It must work closely with maintenance teams and contractors to help address the impact of severe weather.

#### 2.4.3 Customer service

Bidders must propose methods, including the use of social media and road shows, to disseminate information to passengers on their plans and investments for severe weather preparedness, especially prior to winter. The Franchisee should ensure information is cascaded via different media to reach as many passengers as possible. Information provision must be prominent, easy to locate, visible and targeted at the appropriate audience. The Franchisee should ensure passengers are advised on where to find and use key sources of information when planning their journeys.

Bidders must demonstrate how they will ensure passengers can gain access to timely, accurate, detailed and where possible real-time information about disruption to rail services in Scotland. It should work alongside other TOCs to ensure passengers' information needs are met even when they are not passengers of that operating company. It should also work alongside other transport operators to ensure that it has timetables for local services that are available to all rail staff.

Where customers have to spend a prolonged period in the station, the Franchisee should ensure provisions are made to keep them safe and comfortable.

## **2.5 Train compliance with SLC**

### **2.5.1 The SLC**

The train service will be based on the SLC and December 2013 timetable calling patterns, a copy of which is included in the Data Site, and any changes already planned in detail for the period between then and 31 March 2015.

Bidders shall outline how they will support the delivery of planned projects during construction and deliver the train services planned under these projects during the Franchise Period, as specified in the Scottish Government's Infrastructure Investment Plan 2011 and the Scottish Minister's High Level Output Specification 2012. The Franchisee will be required to work with Network Rail to mitigate the impact of enhancement works on passenger services during construction through service changes (this is dealt with explicitly in Delivery Plan 5 (*Passenger Experience*)) and to implement the planned improved services following completion of each project phase, to secure early benefits. Specific projects are:

- EGIP;
- Ongoing HLOS Electrification Programme, including Dunblane/Alloa/Stirling;
- Borders Railway;
- Highland Main Line Improvements; and
- Aberdeen to Inverness Improvements, including new stations at Dalcross and Kintore.

Bidders must be flexible to accommodate emerging or new policy aspirations or project proposals developed or implemented before 31 March 2015, in addition to those named above, as well as those which may emerge during the Franchise Period. The Franchisee must also work closely with Network Rail (in the context of improved collaborative working or potentially in the form of a deepening alliance) and with Transport Scotland to develop and implement service improvements in line with the Scottish Government's three-tiered investment hierarchy:

- Firstly, to maintain and operate existing assets;
- Secondly, to make better use of existing capacity; and
- Thirdly, to consider targeted infrastructure enhancements.

### **2.5.2 Service improvements**

There are a number of areas where Transport Scotland desires to see service improvements. Key amongst these are improvements on the inter-city network and the introduction of scenic trains. Both of these areas are considered to be of enough importance that they will be dealt with in the Part B Delivery Plans (Delivery Plan 4 (*Sustainability*) covers scenic trains and Delivery Plan 6 (*Service Development*) covers the inter-city initiatives).

Bidders should note that the Franchisee will be required to work with the future Caledonian Sleeper Franchisee to ensure that ScotRail services provide connections between Caledonian Sleeper services and ScotRail services, for example, connections enabling onward travel for Caledonian Sleeper passengers to Oban. Bidders shall demonstrate in their Bid how they plan to work with the future Caledonian Sleeper Franchisee to deliver these connections.

Bidders should note that the ScotRail franchise will contain an on-going obligation to identify where specified services can be delivered more effectively and efficiently and with a view to increasing patronage of rail services and matching rolling stock capacity to demand.

### 2.5.3 Service patterns

Bidders will be expected to make clear their plans to accommodate the variation in passenger demand across peak and off-peak periods and between weekdays, Saturdays and Sundays. The Franchisee will be required to identify areas of off-peak over-capacity and peak under-capacity and act to better balance the existing fleet and other resources, including staff and facilities to meet demand by optimising the use and configuration of available rolling stock. This should take account of comments on standing times in the rolling stock capacity section.

Bidders should note that the Franchisee will be required to engage on a regular basis with local stakeholders such as Local Authorities and Regional Transport Partnerships. This engagement should provide an opportunity to consider local service improvements without compromising strategic aims.

### 2.5.4 Variations: seasonal and special events

Bidders must demonstrate how they will adapt timetables or rolling stock configuration to maintain available capacity, using existing resources to accommodate variations in demand as a result of seasonal variations in passenger numbers, public holidays and special events, such as the Christmas and New Year period and the Edinburgh Festivals (Edinburgh to Glasgow services until midnight or later during the week will be specified), sports events and other specified events.

## 2.6 The management and introduction of services on the Borders Railway

The infrastructure for the Borders Railway Project is currently being delivered by Network Rail in partnership with Transport Scotland. Transport Scotland is working in partnership with Midlothian Council, Scottish Borders Council and Edinburgh City Council to deliver other aspects of the project. It is a re-opening of the historic Waverley Line between Newcraighall and Tweedbank providing a new service from the Scottish Borders and Midlothian into Edinburgh Waverley with onward connections to the national rail network.

The new main line rail service will encourage economic growth and inward investment, increase tourism and open up new opportunities for leisure and education. The project will deliver 30 miles of new single track with passing loops and seven new stations. Construction works on the route have commenced.

The Scottish Ministers intend that the opening of this railway should be a major celebration for the Borders and Midlothian communities along its route. The opening ceremony is expected to include celebratory steam hauled services. The Franchisee is required to cooperate with the organisation of this event.

The Franchisee will be required to operate a train service on the route, using rolling stock suitable to meet the applicable requirements in Appendix 3 (*Rolling stock quality specification (passenger facing elements)*) and the Appendices in Schedule 6 (*Rolling Stock*) of the Franchise Agreement. It is expected that in peak times services will need to be strengthened to cope with peak demand. The Scottish Ministers consider that it is desirable to allow the operation of charter and tourist services by other operators on this route to promote tourism. The Franchisee will be required to facilitate such operation, and cooperate through alterations to its regular timetabled service, at no additional cost.

Bidders should specify how they plan to co-operate and engage with Network Rail (and other parties) to ensure the safe and efficient completion of the Borders Rail project. This includes the completion of testing and commissioning of the new railways and stations.

More information on the Borders Rail project is provided in the Data Site. Bidders will be provided with assumptions on fares and infrastructure charges.

Business case documentation will be supplied as part of the Data Site, but these appraisals are intended as a guide only. Bidders will be required to make their own estimates of operating costs and revenues for the new route, which should be built in to their subsidy line.

## **2.7 Operational performance and improvement targets**

### **2.7.1 Management of operational performance – general**

Bidders shall explain how they plan to maintain and improve operational performance in the ScotRail franchise in line with the Scottish Ministers' wider expectations. In a franchise such as ScotRail covering a large geographical area with many different service groups, it is recognised that differences will exist in performance between different parts.

The Scottish Government does not consider, however, that very material discrepancy between routes within the overall average is desirable. Bidders shall therefore express their plans in sufficient detail and at sufficient levels of disaggregation that it is clear how they propose to improve performance on poorer performing routes and ensure that better performing routes do not deteriorate.

In framing their plans, Bidders should fully take account of all the factors described in this Section 2.7 (*Operational performance and improving targets*).

### **2.7.2 Management of operational performance – staffing**

Staffing arrangements and training have the potential to have a significant influence on operational performance.

Therefore in this Delivery Plan, Bidders should set out their traincrew strategy as well as their strategies for other staff who have an impact on performance, e.g. platform despatch staff. Where appropriate, there should be cross-references to other relevant Delivery Plans or complementary initiatives.

### **2.7.3 The performance impacts of the major projects**

Transport Scotland recognises that the major projects planned for the Scottish Rail Network during the Franchise Term have the potential to impact negatively on operational performance. It therefore also recognises that there will be challenges in maintaining current levels of performance on those parts of the network affected by the projects. Bidders must be clear in their plans how they propose to address the challenges posed by the major projects during construction. In doing so, Bidders shall explain how they propose to identify the root causes of negative operational performance including those which will remain within their control and how they propose to maintain and improve performance in relation to them. Bidders should then explain how they propose to take advantage of the improved infrastructure to improve performance. Bidders shall also explain how they propose to maintain and improve operational performance in those areas not affected by infrastructure works.

The major projects will involve the Franchisee in implementing the final overall train service, for example, replacing existing diesel multiple unit trains with electric trains. Bidders must explain how they will ensure their implementation plans are robust in respect of their impact on operational performance and, where relevant, how they propose to manage performance risks arising from them. These plans must cover all aspects of the Franchisee's activity alongside, and involvement in implementation of, the major projects.

Bidders shall outline their approach to managing and recovering from disruption and provide detailed proposals of their approach to managing unplanned disruption, including steps to minimise the delay per incident. Specific attention should be placed on contingency plans for overruns of planned possessions and associated communications strategies along with how they will work with other train operators to minimise disruption during planned engineering works.

Dealing with disruption is considered in more detail in Section 2.4 (*Managing Disruption*) of Delivery Plan 5 (*Passenger Experience*).

### **2.7.4 Interface with Network Rail**

Bidders shall explain how they propose to work with Network Rail to maintain and improve performance. Consideration should be given to both the daily operational interfaces and the longer-term planning interfaces. This should include Network Rail's role as the owner and operator of the major stations as well as of the Scottish Rail Network.



### 2.7.5 Interfaces with other train operators

The ScotRail franchise has a number of operational interfaces with other passenger train operators including, but not limited to, Inter City East Coast, Inter City West Coast, Cross Country and the Caledonian Sleeper and with freight operators. Bidders must explain how they plan to work with other train operators in relation to the TOC-on-TOC aspects of the maintenance and improvement of performance, including in relation to the major projects. This should include consideration of train operating interfaces and stations, both where the Franchisee is the station operator and where it is an access beneficiary.

### 2.7.6 Management of risks to performance

Bidders shall describe their approaches to identifying new emerging risks to performance and how they would plan and implement suitable mitigations. This should include consideration of risks to performance posed by the implementation of any Committed Obligations or other initiatives proposed by the Bidder.

### 2.7.7 Performance benchmark regime

The performance benchmark regimes in the Franchise Agreement (see Schedule 7.1 (*Train Operating Performance*)) will provide a contractual mechanism which, in the event of unacceptably poor levels of performance, shall require remedial action by the Franchisee or may result in enforcement action by the Scottish Ministers.

Performance measures will be disaggregated using the following sectors:

- Express (E&G) services (i.e. Edinburgh – Glasgow services)
- Express (Other) services (i.e. all other Express services)
- Suburban West Peak services (i.e. Strathclyde suburban)
- Suburban West Off Peak services (i.e. Strathclyde suburban)
- Suburban East services (i.e. East Coast suburban)
- Rural

Contractual sanctions will apply at thresholds defined relative to a PPM MAA benchmark for the ScotRail franchise overall. The benchmark is set at a value of 92.5%, which is consistent with the Network Rail regulatory target which applies for the last year of CP5. If the PPM MAA is below this target level at the Franchise Commencement Date, then the benchmarks in years between the Franchise Commencement Date and the end of CP5 will grow linearly from the PPM MAA achieved in the final year of the current ScotRail franchise to 92.5%. Sanctions will also apply at thresholds defined relative to the PPM MAA benchmarks for each of the above sectors. These sector-level benchmarks will be the relevant PPM MAA achieved in the final year of the current ScotRail franchise for each sector.

The following table specifies levels relative to the benchmarks, which will trigger the contractual provisions for an Improvement Plan, Breach and Default.

PPM MAA sanction thresholds relative to benchmark	Overall ScotRail	Suburban West (Off Peak)	All Other Sectors
<b>Improvement Plan</b>	-1 % age points	-1.5 % age points	-3 % age points
<b>Breach</b>	-4 % age points	-4.5 % age points	-6 % age points
<b>Default</b>	-7 % age points	-7.5 % age points	-9 % age points

An overall cancellation rate MAA benchmark of no more than 1.6% is required in each of the sectors. This maintains the current good levels of performance in terms of cancellations, while providing a limited amount of cushion to account for severe weather events. If the cancellation rate MAA at the Franchise Commencement Date is worse than 1.6%, then the benchmarks in years between the Franchise Commencement Date and the end of CP5 will grow linearly from the rate achieved in the final year of the current ScotRail franchise to 1.6% by the end of CP5. Similar to PPM, discrete step-changes are proposed between the benchmark level, and the Improvement Plan, Breach and Default thresholds (rather than the standard proportional changes applied historically by the DfT). These are as stated in the table below.

<b>Cancellations (All) MAA sanction thresholds relative to benchmark</b>	<b>All sectors</b>
<b>Improvement Plan</b>	+0.3 % age points
<b>Breach</b>	+0.6 % age points
<b>Default</b>	+0.9 % age points

The MAA for the capacity measure (based on the percentage of seats not provided compared to the Train Plan) as at end of April 2013 was 1.02%. Benchmark levels to apply are shown in the table below. If capacity performance is worse at the Franchise Commencement Date, then the benchmarks in years between the Franchise Commencement Date and the end of CP5 will grow linearly from the MAA achieved in the final year of the current ScotRail franchise shown in the table below. Sanctions will apply at thresholds defined relative to MAA benchmarks for each sector:

<b>Capacity Measure MAA</b>	<b>Express (E&amp;G)</b>	<b>Express (Other)</b>	<b>Suburban (West)</b>	<b>Suburban (East)</b>	<b>Rural</b>	<b>ScotRail</b>
Benchmark	1.0%	0.5%	0.8%	1.6%	-	1.0%

<b>Capacity Measure MAA sanction thresholds relative to benchmark</b>	<b>All sectors</b>
<b>Improvement Plan</b>	+0.3 % age points
<b>Breach</b>	+0.6 % age points
<b>Default</b>	+0.9 % age points

### 2.7.8 Publishing performance data

The Franchisee will be required to meet the PPM target detailed above. Bidders are expected to make proposals to improve Right Time Arrival (trains arriving within 59 seconds of the advertised time). This should be achieved through genuine improvements in system performance not at the expense of average journey time. This may include a tightening of the lateness window across Scotland or for individual service groups. Bidders should be aware of and offer a plan on how they propose to deal with potential regulatory and contractual complexities resulting from any changes. Bidders should refer to the Minutes Delay and Punctuality Table contained in Schedule 13.2 (Information) of the Franchise Agreement.

Bidders should offer proposals on how this information will be published to include details of where, how and at what frequency this information will be provided. Transport Scotland encourages a focus to be placed on right time targets as they may well provide associated benefits for other PPM measures.

It has been recognised that current punctuality figures do not necessarily align with passenger experience. Bidders should outline a plan and methodology for how they will introduce, by the end of CP5, a process to take account of punctuality from a passenger perspective. This should address the current process where train punctuality is reported regardless of the number of passengers carried. To establish the validity of the new process the Franchisee will be required to report data alongside other performance measures from the second anniversary of the Franchise Commencement Date.

### 2.7.9 Bidder assumptions on cost/revenue implications of performance projections

In their calculations for payments under Schedule 8 of the Track Access Agreement and in forecasts for any associated revenue effect, Bidders should use their own projections for Delay Minutes attributable to Network Rail and they should provide satisfactory evidence of the reasons behind this. Bidders should use their own methodology for the calculation of Average Minutes Lateness and the Franchisee will be responsible for the cost and revenue implications of such calculations and of any mismatch between their projections of Network Rail performance and actual Network Rail performance.

#### 2.7.10 New performance measures

Bidders should take into account that the Franchisee will be expected to assist the industry, the ORR and Transport Scotland in setting and aligning targets for any new regulatory performance measures that may be introduced in CP5, or beyond that period.

### 2.8 Management of standards at stations

The new Franchisee will be the Station Facility Owner ("**SFO**") for all stations served by ScotRail Services except for:

- Glasgow Central High Level and Edinburgh Waverley, which are operated by Network Rail (due to their status as 'managed' stations in the UK);
- Prestwick Airport Station, which is owned by the Scottish Government; and
- Carlisle Station which is operated by Virgin Trains.

Bidders should note that Dunbar Station, which is currently leased to and operated by East Coast, is expected to become part of the ScotRail franchise by 2015. The current cost of station leases is available to Bidders in the Data Site.

The cost-efficient repair and maintenance of leased station infrastructure shall be the responsibility of the SFO, working in partnership (or alliance, if relevant) with Network Rail, to ensure consistent standards across the whole of the infrastructure, whether leased to the Franchisee or managed by Network Rail.

All stations shall be maintained to an average asset condition as in place at 31 March 2015 and in a manner that facilitates the Franchisee in fulfilling their obligations under the current or any future Service Quality Incentive Regime ("**SQUIRE**").

### 2.9 Enhancement of station facilities

Bidders will outline how they intend to ensure facilities at stations are appropriate to serve the needs of passengers using the station and the services calling at the station. Additionally, the Franchisee will be expected to work with Community Rail Partnerships and other community groups. Bidders must outline their plans to ensure integration with ferry and other operators in terms of ticketing and timetabling. Community Rail Partnerships and transport integration are considered in detail in Delivery Plan 4 (*Sustainability*) and Delivery Plan 5 (*Passenger Experience*).

The Franchisee is expected to maximise revenue from retail and advertising space at stations, where this activity is complementary to the provision and expansion of rail services and is in compliance with SQUIRE, which will set the minimum standards for service quality at stations and on trains.

### **2.9.1 Station investment**

Bidders will outline how they will support the delivery of new station proposals under consideration, as specified in the Scottish Government's Infrastructure Investment Plan 2011 and the Scottish Ministers' High Level Output Specification (HLOS) 2012 (see Sections 2.9.2 and 2.9.3 of this Delivery Plan 2 (*Ongoing Running of the Railway*) below).

The Franchisee must be flexible to accommodate emerging or new policy aspirations or new/improved station proposals that are developed or implemented before March 2015 and during the Franchise Period. This includes taking control of operations at stations as a result of a newly constructed station or a change to an existing station's status. This will include the new stations being constructed as part of the Borders Railway and those proposed within the Aberdeen to Inverness Rail Improvement Project.

### **2.9.2 Scottish Stations Fund**

The Franchisee will be required to facilitate and encourage community involvement in stations, third party investment and new and improved stations, in line with the requirements of the Scottish Stations Fund ("SSF"), outlined in the Scottish Ministers' HLOS 2012. Specific initiatives related to the Station Community Regeneration Fund and Community Rail Partnerships should be dealt with in detail in Delivery Plan 4 (*Sustainability*).

The objective of the £30 million SSF programme is to improve the public's access to railway services. The SSF is expected to fund, or support the funding of:

- Improvements to station buildings and facilities;
- Improvements to passenger facilities at stations supporting long-distance services, including the sleeper services;
- The development of new car parking and cycle facilities;
- New stations; and
- Accessibility works.

Network Rail's governance arrangements for the SSF are available in the Data Site.

### **2.9.3 Future station investment proposals**

It will be for the Bidders to consider what appropriate enhancements should be made at stations. However, they will be expected to have considered how best to enhance the quality of the station portfolio in their proposals and are also encouraged to facilitate any enhancements proposed in as cost-effective a manner as possible, including through the use of third party funding.

### **2.10 Customer satisfaction improvement targets**

The quality of ScotRail facilities and services has improved over the current ScotRail franchise so that Scotland is now considered to have cleaner and more pleasant stations and train services than many other parts of Great Britain. The SQUIRE regime has been in operation throughout Scotland from 2006 and has played a significant part in ensuring that the quality of facilities and services has improved during this period. Transport Scotland, as a minimum, expects this level of quality to be maintained during the next ScotRail franchise and improved where necessary.

There are a number of layers to the quality framework which the Franchisee is expected to put in place for the next ScotRail franchise:

- External accreditation for quality issues;
- Measuring overall success – National Passenger Survey;
- Measuring inputs – SQUIRE; and
- Measuring outcomes – passenger views.

As part of any partnering or alliance proposals, the Bidder will present a proposition on quality which will include how they will work closely with Network Rail towards an integrated approach. Transport Scotland is looking for the same levels of quality to be available across the whole asset base. The Franchisee will be required to work with Network Rail to ensure that all passenger-facing parts of the asset base are maintained to a high quality and covered in the SQUIRE regime.

As part of their Bid, Bidders shall provide a draft Quality Plan and demonstrate how they will develop this on contract award. As a minimum the strategy should address the issues outlined in this Section 2.10 (*Customer satisfaction improvement targets*). The Quality Plan should capture and express all areas of activity that will drive the Overall Passenger Satisfaction Score (as measured by NPS), in particular both how the Bidder intends to manage the ScotRail franchise using an EFQM type process and the expected results, rather than simply listing initiatives that might improve NPS scores. Cross-referencing to initiatives is expected. Bidders are also expected to commit to their proposed Quality Plan as a Committed Obligation.

### 2.10.1 External accreditation for quality issues

The Franchisee will be required to adopt a business management system to assist it in managing change and improving internal and external quality standards working to the principles of the European Framework for Quality Management or equivalent. The Franchisee shall work diligently towards operating a quality management system, the standard of which shall comply with the ISO9000:2005, ISO9001:2008 and ISO9004:2009 upgraded status by December 2017 and thereafter take all steps necessary to maintain such standards during the Franchise Term.

### 2.10.2 Measuring overall success – National Passenger Survey

The National Passenger Survey ("**NPS**") will be used to assess the overall success of the ScotRail franchise, in the form of a Key Performance Indicator ("**KPI**"). Bidders shall demonstrate how they will maintain and improve passenger satisfaction over the life of the ScotRail franchise.

The target for overall satisfaction will be based on an arithmetic mean of results for "Overall Satisfaction" in the Passenger Focus NPS survey over the preceding three years, following the publication of the results of the autumn 2013 NPS figures. For illustration the current value under this approach, using published NPS results up to the spring 2013, is 88.3%. The annual value for passenger satisfaction to be compared with the target level will take the arithmetic mean of the two passenger satisfaction surveys falling within that franchise year. This takes into account, for example, variations due to factors such as ticket price rises and bad weather. Bidders should note that the Franchisee may request Passenger Focus to increase (at the Franchisee's cost) the sample size and/or the frequency of surveys at any time. Bidders' attention is drawn to Paragraph 11 of Schedule 7.2 (*KPIs and Journey Time Metrics*) of the Franchise Agreement which provides for the arithmetic mean of surveys, where there is more than one in a Franchisee Year; being used that would apply to all surveys carried out in a Franchisee Year whether of increased size or frequency or not.

If Bidders wish to commission additional or supplemental surveys, such surveys must be of a comparable statistically valid sample size as NPS, ask a range of questions about station and train attributes which are directly comparable to NPS and use a representative range of stations on the network.

Should overall passenger satisfaction miss the target level, the following conditions will apply:

- If the Franchisee, at any stage during the Franchise Term, fails to achieve the satisfaction rating they will be fined (which will take the form of an abatement to the subsidy payment) and will be required to prepare and initiate a Remedial Plan; and
- If the Franchisee fails to achieve the Satisfaction Rating over two consecutive years then the Scottish Ministers will have the right to terminate the ScotRail franchise, should they choose to do so.

The fine shall be 10% of the Bid profit for the relevant franchise year. How well the Franchisee will perform at the 'Dealing with disruption' element of NPS is considered in more detail in Delivery Plan 5 (*Passenger Experience*).

### **2.10.3 Measuring inputs – SQUIRE**

The application of SQUIRE across all Scotland is a distinctive feature of the ScotRail franchise and is widely recognised as having a positive effect on station and on-board standards. The system will be continued in the new ScotRail franchise and Transport Scotland will continue to carry out the audits. The SQUIRE schedules (available in the Data Site) have been revised to take account of lessons learned from the last few years.

#### *2.10.3.1 Default position*

The default position will be the existing SQUIRE and Transport Scotland will expect Bidders to bid basing their costs on complying with the existing regime utilising the revised schedules outlined in Section 2.10.3 (*Measuring inputs – SQUIRE*) above.

#### *2.10.3.2 Localised approach*

In addition, Bidders should set out their proposals for working with relevant local parties (Regional Transport Partnerships, Visit Scotland, business groups, Community Rail Partnerships etc) to develop propositions for alternative programmes of inspection (number of stations, type of stations and number of train service covered) which are suitable for local needs. This process will be carried out so that any revised programme of audits can be agreed by Transport Scotland and implemented from year 2 of the new ScotRail franchise.

#### *2.10.3.3 Review mechanism*

SQUIRE will be reviewed after 3 years, 5 years and 8 years. The reviews will consider whether the criteria being assessed are still relevant and still accord with the scores being achieved through the NPS. The reviews will also take into account the results from the passenger views activities (see Section 2.10.4 (*Measuring outcomes – passengers views*) below). The reviews will be carried out by Transport Scotland jointly with the Franchisee and any changes will be reflected through the franchise variation mechanism (see paragraph 1 of Schedule 9.1 (*Variation and the Financial Consequences of Change*) of the Franchise Agreement).

Bidders are therefore invited to submit proposals which clearly demonstrate how they envisage that this new review process will operate and the evidence which should be considered during the formal review.

#### *2.10.3.4 Escalation process*

The escalation process under existing SQUIRE will be amended. In general terms the current clarification and dispute escalation process is considered cumbersome, "layer"-heavy, confrontational and wasteful of effort better expended on resolving practical quality problems. The system should be transparent and fair to both parties. However, the final decision as to whether an aspect passes or fails will be taken by Transport Scotland.

Bidders are invited to provide proposals / plans for how the escalation process might be improved in the SQUIRE regime, having full regard for the requirement of fairness on both sides and the need to streamline the process (see Appendix a of Schedule 7.3 (*SQUIRE*) of the Franchise Agreement). Transport Scotland may at its discretion incorporate Bidders' proposals / plans for the escalation process in the SQUIRE regime.

#### *2.10.3.5 Penalties / re-investment*

Transport Scotland is also looking for a regime which is less confrontational and where there is a clear link with improvements. Therefore the "penalties" which are due from the Franchisee under the regime will be re-invested into improvements to the passenger rail facilities in order to assist with reducing the penalties for the future and improve passenger satisfaction. The re-investment plan will be discussed and agreed by Transport Scotland prior to the announcement of each year's annual results.



#### 2.10.3.6 Random spot-checks

The overall policy aim is for the provision of high quality facilities and services to become so embedded within the Franchisee's operations that there would be no need for Transport Scotland to carry out regular audits other than through a random spot check mechanism. This is a long term aim and Bidders should note that the SQUIRE programme of checks will continue until there is compelling evidence that the quality of facilities and services would not suffer.

Therefore, over the longer term, Transport Scotland, would consider a system of spot checks, which would work in conjunction with a self monitoring system introduced by the Franchisee. However, this would only be possible if the Franchisee were able to present a compelling, evidence based case that a reduction in the frequency of the SQUIRE regime would not lead to a reduction in quality.

### 2.10.4 Measuring outcomes – passenger views

The NPS provides information about passenger views on a network-wide basis. It does not however provide information about specific stations or services which could be used to assist management.

Bidders should therefore set out how they will measure and assess passenger views on the qualitative aspects of the services they receive, in such a way that improvements can be targeted on individual stations, trains and services. This information will be used to inform their management of staff, stations and trains.

Transport Scotland expects all stations and services to be covered by this programme within the first five years of the new ScotRail franchise and this process is to be continued throughout the life of the ScotRail franchise. It will be up to the Bidders to put forward their proposals for obtaining this information (for example, it could be a series of surveys and involve a social networking forum). The Franchisee is required to provide a survey methodology for Transport Scotland's approval. This methodology will have an appropriate sample size and all stations and passenger services are to be covered within 5 years of the Franchise Commencement Date.

The information collated through this mechanism will be available for Transport Scotland staff and will be monitored alongside the SQUIRE results. It will not form part of the financial regime underpinning SQUIRE but will be used as part of the review process of SQUIRE. This will ensure that when SQUIRE is reviewed at its review points the passenger views can be taken into consideration and the regime amended accordingly.

## 2.11 Customer service

### 2.11.1 On-train facilities and services

Bidders should set out their strategy for on-board services, including catering and telecommunications. This should set out the approach to the provision of these services, pricing (where charged for) and the revenue that will be generated.

#### 2.11.1.1 Catering

Bidders should assess the appropriate level of on-board services, including catering provision to be provided on ScotRail services, and demonstrate how they will deliver their proposal. Bidders should take into account length of passenger journeys and the need to make train travel attractive when determining what catering facilities could be provided on what routes. Bidders should include any proposed changes to on-board staffing arrangements, responsibilities and numbers as a result of their proposals.

Where catering is provided, Bidders are encouraged to include produce which reflects the best of Scotland, including where possible the use of locally sourced items and produce that promotes healthy living.

As a minimum, the Franchisee will be required to provide catering facilities on all trains between Inverness, Aberdeen, Glasgow and Edinburgh thereby covering all seven Scottish cities (as services will call at Stirling, Perth and Dundee). The Franchisee will also be required to provide catering facilities on the Kyle, Far North and West Highland Lines. As a minimum, this will include hot and cold beverages and snacks. All catering facilities provided will be covered by SQUIRE. This mandatory requirement does not apply to local stopping services travelling on inter-city routes.

#### *2.1.1.2 First/Business class*

Provision of First/Business Class travel is a commercial matter for the Franchisee but must be agreed with Transport Scotland. First/Business Class travel relies on the provision of rolling stock which can accommodate the extra space and the services which are included as part of a First Class ticket price. Bidders should submit proposals for the provision of First/Business Class facilities based upon market conditions.

#### **2.1.1.2 Passenger information**

Bidders shall demonstrate their commitment to the provision of passenger information by confirming how they will provide passenger information in a timely, reliable and consistent manner; and how they will embrace developing technology and utilise it to maximise the delivery of information for passengers and potential passengers.

Bidders shall provide a draft Information Strategy as part of their Bid and demonstrate how they will develop this on contract award. As a minimum, the Information Strategy should address:

- How they will manage and deliver, on a coherent basis, the development and provision of information for passengers and potential passengers;
- How they will identify and use digital and developing communications technology;
- Display / production of timetables;
- Information available at stations and on trains;
- Customer service provision including details of the Customer Contact Centre and its operation;
- Details of co-operation with other public transport information providers (e.g. TraveLine Scotland); and
- Details of their Marketing Strategy.

The Franchisee will make the Information Strategy available to Transport Scotland on an annual basis, providing commentary on progress as required. Further detail is set out below.

Bidders shall outline how they propose to monitor all channels utilised for providing information to passengers and potential passengers and what processes they would put in place to deal with any issues arising.

Bidders will obtain, no later than the third anniversary of the Franchise Commencement Date, the 'Crystal Mark' (or equivalent) for their passenger facing documents including the Passengers' Charter, Customer Complaints Handling Procedure, and Disabled Persons Protection Policy.

Bidders are required to detail how they will work with other parties so that the information provision principles outlined in the sections below are provided at the stations on the network not directly managed by the Franchisee, regardless of who is responsible.

#### *2.1.1.2.1 Identification & use of digital and developing communications technology*

Bidders shall provide details of how they will identify, develop and adapt to developments in modern communications technologies in relation to the improvement of the provision of information for passengers and potential passengers. Bidders are invited to propose how developing technology will be used to cascade appropriate travel and service information to passengers and potential passengers and enhance existing channels of information.

The Franchisee will be required to provide and maintain a dedicated ScotRail website which provides information for passengers and potential passengers and, as a minimum, include all information as set out in the Passengers' Charter.

### 2.11.2.2 Timetables

The Franchisee will be required to produce, and make available, a full passenger services timetable of all rail services in Scotland in printed form (and other alternative formats), at least 4 weeks in advance of the timetable commencement. The Franchisee will ensure that all printed timetables are available or displayed at all stations for passenger use at least 2 weeks prior to the operational date. Local timetables should be displayed at all stations and must be available on the day of operation.

Bidders shall provide details of their plans for the provision of timetable information/changes which ensures that passengers and potential passengers are aware of the proposed changes in a timely manner:

### 2.11.2.3 Information displays at stations

The Franchisee will be required to display the following information at all stations:

- Timetables appropriate to all routes served by that station, including those of other train operating companies. This should include information pertaining to the Caledonian Sleeper Franchise; and
- An easily understood map of the local/surrounding area which is periodically reviewed for validity. The map should contain details of the nearest alternative onward modes of transport (buses, taxis etc), cycle provisions (e.g. cycle routes) and details of car parks in the vicinity of the station.

The Franchisee, as requested by Transport Scotland, shall display at the stations for which it is SFO (and shall use reasonable endeavour to procure the display at any other stations served by its passenger services) such notices as Transport Scotland may wish to publish from time to time.

Improving access and interchange is a key element of the Scottish Government's policy, and as such is dealt with in more detail in Delivery Plan 5 (*Passenger Experience*).

### 2.11.2.4 Announcements at stations and on-board trains

The Franchisee shall ensure that all announcements are clear, timely, audible, accurate and easily understood.

### 2.11.2.5 Electronic information displays at stations

The Franchisee will be required to maintain and replace as appropriate the existing Customer Information Screens. Bidders may wish to submit proposals which include a programme of rolling-out of sustainable and environmentally-friendly Customer Information Screens (and other technology) to those rural stations which do not currently have access to this information in this way.

### 2.11.2.6 Customer service centres and help / information points

The Franchisee shall be required to deliver the services set out in Schedules 1.4 (*Passenger Facing Obligations*) and 4.1 (*Franchise Facilities*) of the Franchise Agreement and Schedule 5 (*Station CCTV and Security*) and 16 (*Help Points, Telephones and Ticket Machines*) of the SQUIRE Service Schedules. In delivering these services, the Franchisee shall be expected to provide detailed advice and assistance to the public about the Scottish Rail Network, including Caledonian Sleeper services.

The existing ScotRail Franchisee currently operates two Customer Service Centres which provide services for monitoring CCTV cameras across the Scottish Rail Network as well as handling customer enquiries and assistance through the associated Help / Information points at Stations. The existing Customer Service Centres are located at Dunfermline (which provides the relevant services for the east coast of Scotland) and Paisley (which provides the relevant services for the west coast of Scotland).

Bidders should be explicit about their plans for the provision of the services described in this Section 2.11.2.6 (*Customer service centres and help / information points*). A clear rationale for the location of the Customer Service Centres should be provided.

The Franchisee shall ensure that all enquiries made at station Help/Information Points are answered within 30 seconds of that enquiry being made (based on current SQUIRE). Any new stations will be required to be linked to the appropriate Customer Service Centre and have Help/Information Points installed.

Transport Scotland wish to see better use of the existing Help/Information Points and for them to be rebranded as 'Rail Information Points'. Therefore, Bidders are requested to provide details about how they will publicise and promote this facility to passengers.

Bidders should note that it is expected that staff at the existing Customer Service Centres in Dunfermline and Paisley will transfer to the new Franchisee under the provisions of TUPE. Details will be provided of the First ScotRail Limited employees at the Customer Service Centres who will transfer to the new ScotRail franchise.

#### *2.11.2.7 Customer facing staff*

Under the 'Human Resources Strategy' requirement (see Delivery Plan 1 (*Mobilisation, Management and Organisation*)), Bidders are required to set out their approach to the duties and activities of customer-facing staff and their approach to customer care. This should include a training plan for customer service staff which ensures that all staff are suitably equipped to answer passenger enquiries about train and station services and products at all times, including times of disruption, as well as assist passengers with information about onward travel and alternative public transport options.

#### *2.11.2.8 Co-operation with other public transport information services*

Bidders are requested to provide details of how they will participate in, contribute to and actively promote the services of Traveline Scotland. Bidders shall also provide details of how they will work with National Rail Enquiries / ATOC to ensure that both real time and timetable information can be made available (free of charge) for use in the Traveline Scotland free downloadable app and other products as appropriate.

#### *2.11.2.9 Publication of performance information*

The Franchisee will be expected to work with the ORR and other industry players to publish performance information and right-time information on a regular basis.

#### *2.11.2.10 Marketing*

The Franchisee will be required to provide a Communications and Marketing Strategy which evolves and develops throughout the life of the ScotRail franchise. This strategy will include regular reviews with Transport Scotland and other key organisations such as Visit Scotland. The strategy should seek to promote the diverse nature of Scotland's rail routes, promotion of rural routes, and include specific fares and products promotions, and arrangements for special events. The Franchisee will engage with the Scottish Government's 'Ready Scotland' preparedness initiatives such as the 'Get Ready for Winter' campaigns.

Bidders shall provide a draft Communications and Marketing Strategy as part of their Bid, demonstrating how this will be developed on award of the contract. This should include details of how the Franchisee will provide appropriate information to encourage school-children to interact and use the railway. The Marketing Strategy is dealt with in detail in Delivery Plan 3 (*Retail and Marketing*).

#### *2.11.2.11 Customer contact centre*

The Franchisee will be required to provide a range of retailing and information provision services for ScotRail services including telesales, provision of telephone services for the disabled, and customer services activities. Bidders should note that the Franchisee will be required to provide bi-lingual offering of English and Gaelic in the provision of these services and provide detailed advice and assistance to the public about the Scottish Rail Network. Those offering advice will be required to have excellent knowledge of the geography and rail services of Scotland.

Under the existing ScotRail franchise, the retailing and information provision services are provided from the Customer Contact Centre in Fort William. The lease for the Customer Contact Centre expires at the end of the existing ScotRail franchise. The Customer Contact Centre is owned and leased by Highlands and Islands Enterprise, Cowan House, Inverness Retail and Business Park, Inverness, IV2 7GF. Bidders will be free to engage in discussions with the landlord of the Customer Contact Centre to lease this facility for the on-going provision of the retailing and information provision services in Fort William. Transport Scotland will provide assistance to Bidders that wish to liaise with the landlord to arrange site visits to the Customer Contact Centre in Fort William.

Bidders should set out their plan for the delivery of retailing and information provision services, including whether they propose to utilise the existing facility at Fort William, and demonstrate how the requirements set out in this Section 2.11.2.11 (*Customer Contact Centre*) will be met. A clear rationale for the location of the Customer Service Centres should be provided.

It is understood that staff at the existing Customer Contact Centre in Fort William may transfer to the new Franchisee under the provisions of TUPE. Details will be provided of any First ScotRail Limited employees at the Customer Contact Centre who may transfer to the new ScotRail franchise.

### 2.11.3 Passengers' Charter

As part of the licence conditions set by the ORR, the Franchisee will be required to produce and adhere to a Passengers' Charter. This should have reference to the existing ScotRail Passenger Charter; and the additional requirements for the new Charter detailed in the Franchise Agreement (paragraph 5 of Schedule 1.4 (*Passenger Facing Obligations*) of the Franchise Agreement). Any changes to a published Passengers' Charter must be approved by Passenger Focus and Transport Scotland. Bidders should set out a summary of their proposed Passengers' Charter. As a minimum, the Passengers' Charter should contain:

- Information about planning a rail journey – where to find information about train services and what other information is available at stations (including where to obtain information about onward travel and integration with other modes);
- Information about stations including staffing, facilities, interchanges, smoking and alcohol, ticket buying facilities, reservations, booking assistance and the carrying of wheelchairs / pushchairs etc;
- Contact details of relevant organisations and partners e.g. National Rail Enquiries, British Transport Police, Passenger Focus, Traveline Scotland;
- Performance and Quality Standards (stations and trains); and
- Passenger rights – including ScotRail commitment to passengers when things go wrong, compensation details and method of refund.

The Passengers' Charter for the ScotRail franchise should include a Delay Repay compensation scheme based on delays to journeys. The value of compensation shall be:

- An entitlement to claim compensation of 50% of the fare for the affected journey for passengers delayed by between 30 and 59 minutes;
- 100% of the fare for the affected journey for delays of 60 to 119 minutes;
- 100% of the return fare for delays of 120 minutes or more; and
- For season tickets the compensation will be calculated on the proportionate daily cost of the ticket.

The Delay Repay compensation scheme should apply to all ticket types from single tickets through to annual season ticket holders irrespective of what caused the delay. Compensation should be provided in National Rail Travel Vouchers. If vouchers are not acceptable to the passenger then compensation should be provided in cash. Claims forms should be easily available and should be "postage-paid". The compensation scheme should be straightforward and simple for affected passengers to understand and to navigate.

### 3 Bid requirements

Bidders' efforts in preparing this Delivery Plan are expected to be focused on:

- Overall rolling stock strategy – identification of overall approach to the rolling stock strategy, including the fleet plan, approach to cascades, and how the quality requirements will be met;
- Rolling stock maintenance and depot proposals – identification of overall approach to train maintenance and cleaning and how depots are to be utilised;
- Rolling stock improvements – covering the Bidders approach to the provision of Wi-Fi on trains, and the introduction of passenger counting equipment;
- Weather resilience – covering the measures the Bidders will take to build in resilience to the ScotRail franchise in the event of severe weather;
- Train compliance with the Service Level Commitment – how the Bidders will meet the SLC;
- The management and introduction of services on the Borders Railway;
- Operational performance and improvement targets – stating how the Bidders will manage operational performance;
- Management of standards at stations;
- Enhancement of station facilities – covering both committed schemes and future station investment proposals;
- Customer satisfaction improvement targets – covering SQUIRE and National Passenger Survey; and
- Customer service – including how the Bidder will deal with catering, the possible provision of First Class accommodation, and passenger information.

### 4 Required supporting information

This Section 4 (*Required supporting information*) describes the information that is important for Bidders to provide in order to assess the overall deliverability of their proposals. This information should be provided in the Delivery Plan but need not be explained with detailed commentary.

- Compliance with rolling stock requirements for different categories of route;
- Heads of Terms/Term Sheets for rolling stock agreements;
- Fleet and maintenance plans;
- Working Timetables and Diagrams;
- Performance targets for Right Time statistics;
- Monitoring quality levels (SQUIRE) or NPS Targets; and
- A summary of their proposed Passengers' Charter.

### 5 Information not required

There are certain areas of franchise operation that fall into the areas covered by the 'on-going running of the railway' but that are not required to be described in Bidders' Delivery Plans. These apply largely to compliance with statutory and regulatory requirements. These include:

- Train accessibility compliance;
- Station accessibility compliance; and,
- Compliance with
  - Equality Act;
  - Customer Complaints Handling Procedure;
  - Disabled Persons Protection Policy; and
  - National Railways Security Programme.

Specific proposals are not required in any of these areas except where this adds value to the customer service proposition.



## DELIVERY PLAN 3: Retail and Marketing

### 1. Introduction

Transport Scotland expects that the Franchisee will grow both demand and revenue over the course of the ScotRail franchise. This is likely to result from an understanding of the market and opportunities, a marketing plan to take advantage of the opportunities identified, and a coherent ticket retailing and revenue collection strategy.

Within this Delivery Plan 3 (*Retail and Marketing*) Transport Scotland summarises its fares policy for the duration of the next ScotRail franchise, thus outlining the parameters in which the new Franchisee will be able to operate. It requires Bidders to set out their understanding of the current market and opportunities for ScotRail and to detail their marketing plans to take advantage of the opportunities arising. Bidders should set out their demand and revenue forecasts for the Franchise Term, and highlight their retail and sales policy, to allow them to demonstrate how they will capture and protect revenue on the ScotRail franchise.

### 2. Franchise requirements

This section 2 (*Franchise Requirements*) describes Transport Scotland's requirements for the ScotRail franchise as set out in the Franchise Agreement. It also describes some areas that Bidders might consider in their initiatives but which are not mandated.

#### 2.1. Fares policy

Bidders shall prepare their Bids based on the fares regulation provisions, as set out in the Franchise Agreement, being applied to the ScotRail franchise. The position with regard to Regulated and Unregulated Fares is summarised below.

The following Standard Fares are regulated across Scotland:

- Season;
- Anytime Single/Return;
- Anytime Day Single/Return;
- Off-Peak Single/Return; and
- Off-Peak Day Single/Return

These regulated fares will be subject to a fares policy which dictates that annual fares increases will be capped at RPI for the peak period and at RPI-1% for the off-peak period. The current Strathclyde Passenger Transport regulations will cease with the commencement of the new ScotRail franchise. All fares will be regulated uniformly by Transport Scotland, without the use of a fares basket. The current approach to peak and off-peak time periods on ScotRail services will be maintained in the next ScotRail franchise. Bidders should refer to the Definitions Agreement for evening peak and morning peak definitions.

All other fares are unregulated, and may be set by the Franchisee on a commercial basis, subject to the normal constraints of the Ticketing and Settlement Agreement and other industry arrangements.

Bidders should explain how they will manage fares in accordance with the Fares Policy, and demonstrate how this will help them to achieve their Revenue Forecast.

#### 2.2. Analysis of market offer and position

Bidders should set out their analyses of the markets served by the ScotRail franchise, the factors that will affect it during the Franchise Term (exogenous and endogenous) and the forecast demand that will result. This should be broken down into market segments and geographic area where possible. New opportunities should also be identified.

Because of the importance of this section in driving ScotRail franchise capacity requirements, costs and revenues, Bidders shall provide detailed justification for their forecasts and demonstrate that their forecasts are integrated with their full set of plans, in order that Transport Scotland can be certain that they are realistic and accurately modelled. These forecasts should be consistent and cross-referenced with other appropriate areas of this Delivery Plan 3 (*Retail and Marketing*) and also of other Delivery Plans, such as increased demand resulting from improved marketing (see Section 2.3 (*Overall marketing strategy*) below) and increased demand resulting from car park expansion (Delivery Plan 6 (*Service Development*)).

An understanding of the markets served by the new Borders Railway should also be set out to underpin an overall approach to forecasting demand for these services. Bidders may adopt or draw on materials in the Data Site in this respect but should place no reliance on them. Bidders should note that they may provide other or new evidence to support their plans.

### **2.3. Overall marketing strategy**

The level of investment and change expected on the ScotRail franchise provides a rare opportunity to deliver a step change in perceptions and demand for rail travel. The changes in capacity, timetables, rolling stock and customer offer (described elsewhere in this ITT) will underpin the new ScotRail franchise.

However, a key element to delivering the increased usage is how the new ScotRail franchise offer is marketed to the public.

#### **2.3.1. The marketing plan**

Bidders shall set out detailed plans of how they will utilise marketing techniques to increase passenger usage and revenue as well as emphasising more widely the benefits of rail relative to other modes. These plans should clearly describe initiatives targeting existing passengers and initiatives designed to attract new users, and retain them as repeat customers. The way in which these schemes target the various markets served by the ScotRail franchise should be described. This should include a specific reference to children of school age and provide information instructing them how to use the railway in a safe and effective manner.

Where these initiatives feed into increased demand forecasts, these should be consistent and cross-referenced with the demand forecasts outlined in Section 2.4 (*Demand and revenue forecasts*) below.

Where these initiatives are forecast to deliver an increase in usage and revenue, credible evidence to support the rates of return, including by reference to evidence from previous, relevant examples should be provided.

Bidders should set out their strategy for how passenger revenue will be increased, and also provide an overview of the exogenous factors that may influence increases in patronage and revenue growth and the level of revenue and passenger demand that will result from their strategy.

Bidders should explain their approach to the fares structure as it affects their market offer e.g. premium, off peak and advanced fares. Where appropriate, cross reference can be made to other integrated aspects of the customer offer as it affects their marketing and revenue e.g. inclusion of catering within a fare.

Bidders should note that specific initiatives tailored to growing demand in the off-peak period, and thus utilising the available capacity provided on the railway, are dealt with in the Part B Delivery Plans (specifically, Section 2.5 (*Use of Capacity*) of Delivery Plan 4 (*Sustainability*)). Thus, any initiatives focussed on off-peak growth should be mentioned only in overview as part of this Section 2.3 (*Overall marketing strategy*) where necessary to demonstrate an integrated overall approach, and cross-referenced to the specific initiatives detailed in Delivery Plan 4 (*Sustainability*).

Marketing and promotion plans should also be presented for the Borders Railway and the EGIP, illustrating how they would attract people to use the new and improved services respectively. This is particularly relevant given the importance of economic growth and regeneration to the Borders region, with the rail service designed to maximise opportunities for commuting and leisure travel.

## 2.3.2. ScotRail Brand

### 2.3.2.1. ScotRail Brand guidelines

“ScotRail” is synonymous with the Scottish Rail Network. The term has been recognised as its key brand independently of who operates the infrastructure, trains and stations. The word “ScotRail” (and several variations of how the word is presented) is both a UK and Community registered trade mark and is registered in the name of the Scottish Ministers (the “**ScotRail Brand**”). The Scottish Ministers will grant a licence to the Franchisee to use the ScotRail Brand for the purposes of the ScotRail franchise. See Schedule 14.2 (*Maintenance of Operating Assets*) of the Franchise Agreement for further details on the ScotRail Brand.

The Franchisee will be required to apply the ScotRail Brand in accordance with the ‘Brand Guidelines’. A copy of these guidelines is included in the Data Site. Transport Scotland reserve the right to modify the Brand Guidelines from time to time and this will be undertaken in consultation with the Franchisee.

Bidders are to note that whilst Transport Scotland is looking for a distinctive product for the inter-city network (see Section 2.2 (*Inter-city Initiatives*) of Delivery Plan 6 (*Service Development*)), this does not include a distinct branding for the product. Bidders are also required to note Transport Scotland’s requirements regarding the National Entitlement Card set out in Section 2.1.2 (*Transport Scotland requirements*) of Delivery Plan 5 (*Passenger Experience*).

### 2.3.2.2. Station painting and signage

Most stations currently leased are due to be painted in the ScotRail Brand colours by the end of the current ScotRail franchise (a small minority of stations are painted in alternative colours due to local/historic planning requirements). The Franchisee will be required to maintain these stations following the Brand Guidelines. New stations and any new equipment for stations must meet the Brand Guidelines requirements.

### 2.3.2.3. Rolling stock

It is anticipated that the majority of the existing fleet will be re-branded by the end of the current ScotRail franchise. If rolling stock from the existing fleet is leased by the Franchisee, the Franchisee will be required to maintain this fleet in accordance with the Brand Guidelines.

When the Franchisee leases different rolling stock for the ScotRail franchise, the Franchisee will be required to implement a rolling programme of re-livery of the fleet in accordance with the Brand Guidelines, at no additional subsidy cost to the Scottish Government, and should be completed within 12 months of the introduction of new trains. At the start of the ScotRail franchise, the Franchisee will be required to provide plans for implementing the livery in accordance with the Brand Guidelines, and these plans will be subject to agreement with Transport Scotland.

### 2.3.2.4. Printed, audio and visual communications

All printed materials, audio and visual communication activities will be implemented by the Franchisee in accordance with the Brand Guidelines.

### 2.3.2.5. Staff uniforms

The Franchisee will be required to procure, issue uniforms and ensure compliance in wearing the ScotRail Brand, to all relevant uniformed staff within 6 months of the start of the new ScotRail franchise.

Where Bidders propose an approach to or a range of staff uniforms which are additional to, or which otherwise differ from, those required by the ScotRail Brand, they should consult with Transport Scotland in relation to any such proposals and provide such proposals to Transport Scotland as a confidential clarification request through the Data Site by no later than 20 February 2014. Bidders should however note that Transport Scotland will in any event require uniforms in keeping with the overall approach of/to the ScotRail Brand.

#### 2.3.2.6. *Marketing and advertising*

The Franchisee shall comply with the Brand Guidelines when conducting all advertising and marketing activity. The Franchisee shall be free to market the ScotRail services as it sees fit, always behaving reasonably, provided always that the Franchisee complies with the Brand Guidelines.

#### 2.3.2.7. *Broader application of the ScotRail Brand*

As part of this proposition, the Franchisee will be expected to put forward proposals covering the branding of Network Rail station assets such as station foot bridges to ensure so far as possible that all passenger-facing assets are branded.

### **2.4. Demand and revenue forecasts**

Bidders shall provide a detailed forecast of passenger demand over the life of the ScotRail franchise, including demand for each hour in each of the Morning Peak and Evening Peak. This shall address expected step changes in service level or quality. Forecasts must also be put forward of patronage and revenue for the new services on the Borders Railway.

Specific attention should be given to the forecasting approach for patronage in the off-peak and on under-utilised services. Bidders should note that contractual provisions will apply to the outturn of off-peak demand relative to the Bid level and the approach to driving off-peak growth will be evaluated as part of the Part B Delivery Plans (Delivery Plans 4 (*Sustainability*), 5 (*Passenger Experience*) and 6 (*Service Development*)). The overall forecasting framework including for the off-peak should be set out in this Delivery Plan 3 (*Retail and Marketing*) with a summary of the resulting off-peak forecasts also presented in the Part B Delivery Plans (specifically at Section 2.5 (*Use of Capacity*) of Delivery Plan 4 (*Sustainability*)) where the underpinning assumptions and initiatives for growth should also be detailed.

Bidders shall provide evidence to demonstrate that their forecasts of demand are robust and realistic. In order to be compliant with this Section 2.4 (*Demand and revenue forecasts*) such evidence must be supported by independent third party forecasts from a body recognised by HM Treasury. Transport Scotland will consider, as part of its deliverability assessment, the alignment of the proposed capacity to meet the Bidder's forecast level of demand, and particularly whether Bidders' Peak demand forecasts are realistic.

As a minimum, Bidders shall provide sufficient capacity to meet their forecast demand while providing passengers with the expectation of obtaining a seat within 10 minutes (subject to the detailed provisions contained within paragraphs 5.5 and 5.6 of Schedule 1.1 (*Service Development*) of the Franchise Agreement). Outside of the Peak all passengers should expect to get a seat.

Bidders must demonstrate that their planned levels of capacity provide for their forecast patronage according to the above criteria. Should this not be the case, the Bid will not be compliant with instructions unless the Bidder can demonstrate that the provision of the required additional capacity would require alterations or improvements to the infrastructure of the Scottish Rail Network.

Bidders shall demonstrate that they will protect revenue and minimise revenue loss across the ScotRail franchise area. This should include evidence of staffing plans and investments in equipment in support of their assumptions on revenue loss which are aligned with Bidder forecast demand and revenue.

### **2.5. Retail and sales policy**

#### **2.5.1. Introduction**

Bidders should note that a key part of the ticket provision for the next ScotRail franchise will revolve around smart and integrated ticketing and payment, and a prioritised implementation plan for an ITSO smart ticketing scheme. Transport Scotland is already implementing a Delivery Strategy for the Scottish Ministers' vision:

***"That all journeys on Scotland's bus, rail, ferry, subway and tram networks can be accessed using some form of smart ticketing or payment".***

Transport Scotland views this as a priority and it is therefore dealt with separately in Section 2.1 (*Smart and Integrated Ticketing*) of Delivery Plan 5 (*Passenger Experience*). It is important that the Franchisee develops and maintains a detailed and direct working relationship with the team within Transport Scotland who are leading this smart ticketing Delivery Strategy.

In this Delivery Plan 3 (*Retail and Marketing*) Bidders should emphasise their general approach to ticketing and sales, including revenue protection, covered in the areas highlighted below in the remainder of this Section 2.5 (*Retail and sales policy*). Smart and integrated ticketing and payment should be discussed, where relevant, but the detailed approach to implementing smart solutions should be dealt with separately in Delivery Plan 5 (*Passenger Experience*), and cross-referenced where appropriate.

### **2.5.2. Ticket vending machines**

Bidders should propose locations for additional ticket vending machines ("TVMs") in their Bid clearly stating the underlying reasons for their selection. Bidders should also provide details of how they intend to extend the functionality of TVMs to improve the passenger experience. Where initiatives are proposed to maximise the benefits of smart and integrated ticketing and payment (for example to enable passengers to view the ticketing products and associated itineraries loaded onto their ITSO customer media at points on their journey), these should be integrated with the overall approach to TVMs here but set out in detail in Section 2.1 (*Smart and Integrated Ticketing*) of Delivery Plan 5 (*Passenger Experience*), and cross-referenced where appropriate.

Bidders should ensure that the functionality of TVMs enables their plans in passenger uptake to be realised and enhances passenger information on ticketing choices.

### **2.5.3. New and alternative retailing methods**

Bidders are encouraged to propose new and alternative ways of retailing tickets and may wish to consider selling via local shops, internet, mobile telephone and home printing amongst others. Bidders may also wish to consider how contactless EMV / Wave and Pay type payment cards might be utilised alongside other alternative ways of retailing.

### **2.5.4. Access to season tickets**

Bidders shall provide proposals in their Bids of how they intend to promote the use of season tickets and particularly flexipass tickets so as to allow those passengers who travel regularly but not every weekday or not to a standard pattern, to benefit from some season ticket discount.

Proposals may be linked to the adoption of the ITSO compliant ticketing and might include payment methods not normally used by the rail industry, for example, direct debit.

### **2.5.5. Ticket retailing at stations**

It is for Bidders to define the balance of resources at each station between the various functions to deliver the most effective results. Smart ticketing and payment, and new retailing methods through such channels as the Internet, may reduce the need for passengers to use ticket offices for the purchase of tickets. Bidders should consider the possible consequences of this, but the hours at which staff are available at stations to assist passengers with the purchase of tickets should not be less than those at present.

The Franchisee will be subject to the current industry arrangements as set out in the Ticketing and Settlement Agreement.

Bidders' proposals in this area should feed into the wider plan for management and staffing of stations.

### **2.5.6. Revenue protection**

Bidders shall set out how they will ensure that suitable retailing, inspection and other arrangements are in place to minimise the level of ticketless travel.

These arrangements can include use of existing gate lines, introduction of new gate lines, mobile revenue protection staff and innovations based on new technology. There is no need to consider penalty fares since such schemes are not considered appropriate in Scotland.

Bidders should consider maintaining the existing levels of gate line coverage as a minimum throughout the Franchise Period. Where Bidders propose not to do this then any alternative solution being offered should be set out in their Bids. Bidders are free to propose additional gates, at the Franchisee's cost, at locations where they would ease emerging passenger flow issues and/or contribute to revenue protection.

Where gate lines are operated, Bidders are expected to provide plans for appropriate staffing levels.

Bidders are also free to provide proposals for additional gating schemes where a favourable business case can be demonstrated and funded by the franchisee and where the gating schemes are deliverable. They should pay particular attention to potential negative impacts of any proposed scheme.

Bidders shall set out when such gates will become operational, and the hours when the gates will be staffed, reflecting the security and other benefits gating schemes bring.

Bidders should provide sufficient evidence of the impact of changes to existing arrangements to enable Transport Scotland to undertake its risk adjustment assessment.

## **3. Bidder initiatives**

The areas that are considered likely to contribute most towards achieving the Franchise Objectives are:

- Analysis of the market offer and position – an understanding of the market for rail in Scotland;
- Overall marketing strategy – the Marketing Plan for the ScotRail franchise and initiatives related to the ScotRail Brand;
- Demand and Revenue Forecasting; and,
- Retail and Sales Policy – TVMs, new and alternative retailing methods, access to season tickets, ticket retailing at stations, and revenue protection methods.

Bidders' efforts in preparing this Delivery Plan 3 (*Retail and Marketing*) are expected to be focused on these areas. The Delivery Plan should provide most detail on the development of new initiatives rather than on existing standard industry processes or the continuation of existing practice.

Other retail and marketing initiatives can be put forward if these are considered to add significant value to the Bid in terms of meeting Franchise Objectives.

## **4. Required supporting information**

There is nothing specific required to be submitted to support this Delivery Plan. However, the separate requirements for revenue forecasting models and supporting records of assumptions to be submitted should be noted (see Section 6.5 (*Modelling Change, Record of Assumptions and Operating Manual and Forecasting Robustness*))

## **5. Information not required.**

There are certain areas of ScotRail franchise management and operation that fall into the areas of retail and marketing but that are not required to be described in Bidders' Delivery Plans. This includes details on the Brand Guidelines, which are not required to be described in detail by Bidders, but Bidders initiatives are expected to comply with these guidelines as they are currently set out.



## DELIVERY PLAN 4: Sustainability

### 1. Introduction

Transport Scotland expects that the new Franchisee will manage and operate the business in an environmentally friendly and socially-responsible manner.

Within this Delivery Plan 4 (*Sustainability*), Transport Scotland sets out its expectations for the reduction of environmental impacts associated with activities undertaken under the ScotRail franchise and the implementation of sustainable policies and proposals to stimulate the local Scottish economy and drive economic prosperity. Bidders are requested to set out their plans for environmental initiatives, social initiatives, Community Rail Partnerships, Scenic Train initiatives and use of capacity.

### 2. Franchise requirements

This Delivery Plan 4 (*Sustainability*) is presented as a series of sub-plans, each in three parts:

- Part 1 sets out background information relating to Transport Scotland's requirement for the sub-plan;
- Part 2 outlines "Transport Scotland's requirements" i.e. those proposals / initiatives which are considered to be a minimum contractual requirement and essential to the successful delivery and operation of the ScotRail franchise. In their responses, Bidders must demonstrate a clear understanding of these contractual requirements and provide robust evidence to demonstrate their ability to deliver the requirements; and
- Part 3 refers to "additional outcomes" which provides Bidders with the opportunity to present additional outcomes which go beyond the minimum requirements and demonstrate added-value towards the delivery of the Franchise Objectives. In developing proposals, it should be noted that Transport Scotland expects a priority and emphasis on good practice, innovation and successful management rather than directly on additional operating expense or investment, except where the value of modest additional expenditure is fully explained and makes a compelling contribution to the Franchise Objectives.

#### 2.1. Environmental initiatives

##### 2.1.1. Background

Bidders are expected to set out their approach to measure and reduce the environmental impacts of activities undertaken under the ScotRail franchise. This approach needs to be in line with the rail industry's Sustainable Development Principles and Carbon Management Framework, to support the overall ambition to reduce carbon emissions per passenger km by 28% in Scotland (over CP5, as stated in the CP5 Initial Industry Plan) and reduce other environmental impacts.

This Section 2.1 (*Environmental Initiatives*) focuses on specific rail industry Sustainable Development Principles, as stated in the CPS Initial Industry Plan, namely:

- Reducing our environmental impact, considering:
  - Climate change (adaption);
  - Noise and vibration;
  - Waste and pollution;
  - Sustainable consumption and production;
  - Air pollutant emissions;
  - Biodiversity and the natural environment; and
  - Land-take.
- Carbon smart (linked to energy efficiency); and
- Energy wise.

Where initiatives reduce energy bills or other costs, Bidders should reflect these in lower ScotRail franchise costs. All initiatives should be considered on a whole-life, whole-system basis.

## 2.1.2. Transport Scotland's requirements

### 2.1.2.1. Target setting and monitoring

Bidders shall include annual targets as part of their proposals to improve the environmental performance of the ScotRail franchise, in line with the rail industry's Sustainable Development Principles, as developed by the Sustainable Rail Programme. Bidders are free to define such targets but should include as a minimum:

- Reductions in energy consumption and CO<sub>2</sub> emissions from rail traction and non-traction operations; and
- Reductions in total waste to landfill.

Bidders will set out their plans to monitor and report on their environmental impacts. As a minimum, Bidders are expected to:

- Set up an accredited environmental management system by the first anniversary of the Franchise Commencement Date (ISO 14001, EMAS, BS8900 or similar);
- Set up an accredited energy management system by the first anniversary of the Franchise Commencement Date (ISO50001 or equivalent);
- Demonstrate how senior management responsibility and adequate levels of staffing will be provided to improve the ScotRail franchise's environmental performance;
- Put in place systems to monitor their performance with regard to energy consumption and CO<sub>2</sub> emissions from rail traction and non-traction operations and waste to landfill;
- Report their energy consumption and CO<sub>2</sub> emissions to the ORR (and Network Rail) as per industry agreed protocols;
- Provide monthly energy consumption and CO<sub>2</sub> reports to Transport Scotland, in a format compatible with the Transport Scotland Carbon Management System; and
- Publish annual progress statements on the overall environmental performance of the ScotRail franchise.

Any new station or depot development should deliver, where practicable, at least an "excellent" rating using the Building Research Establishment Environmental Assessment Methodology ("**BREEAM**").

### 2.1.2.2. Energy use and CO<sub>2</sub> emissions

Bidders shall set out their approach to measuring, reporting and targeting reductions in energy consumption and CO<sub>2</sub> emissions from traction and non-traction activities. The minimum requirements for the ScotRail franchise include:

- Energy metering equipment to be fitted to all electric rolling stock in use for the ScotRail franchise (for the purpose of traction energy monitoring and billing. Data to be provided to Network Rail for electricity use and to be used within energy management system);
- Energy metering equipment to be fitted at all stations and depots (for the purpose of non-traction energy monitoring);
- All drivers to be trained in eco-driving techniques (with systems put in place to ensure that these techniques are applied);
- Fitment of appropriate Driver Advisory Systems;
- Energy efficient timetabling (working with Network Rail) and stabling arrangements;
- Intelligent control of auxiliary/hotel loads in service and when stabled;
- Investment in energy efficiency at stations and depots (e.g. better insulation, more efficient and intelligent lighting and heating systems); and
- The preservation and maintenance of existing micro-generation facilities (with information on current facilities provided in the Data Site).

### 2.1.2.3. Waste

Bidders shall set out their approach to reducing total waste to landfill. The minimum requirements for the ScotRail franchise include:

- Implement relevant systems to ensure that waste is recovered or disposed of without endangering human health or causing harm to the environment, in conformity with relevant legislation, including The Waste (Scotland) Regulations 2011 which require “any person who produces, keeps or manages waste (...) to take all such measures as reasonable in the circumstances to apply the waste hierarchy<sup>3</sup>”; and,
- Set a target for the reduction of waste sent to landfill over the Franchise Period and show that mechanisms are in place to achieve and monitor progress towards the chosen target (Bidders are free to decide on their level of commitment but this should contribute to Scotland's overall targets of 70% of all waste to be recycled and a maximum of 5% of all waste sent to landfill, both by 2025 – as set out in Scotland's Zero Waste Plan).

### 2.1.2.4. Raising Awareness

Bidders shall provide plans for raising awareness of environmental issues and sustainability across all ScotRail franchise staff and customers and for encouraging and implementing ideas for reducing long term environmental impact. Bidders are encouraged to consider a whole-life, whole-system approach for costs and carbon emissions across all their activities. The Franchisee will also be required, in its ScotRail franchise materials, to promote rail as an environmentally friendly mode (this should be cross-referenced with Delivery Plan 3 (*Retail and Marketing*)).

Bidders shall provide an outline sustainable procurement policy for measuring, reporting and reducing the environmental impact of their rail activities in a practical and cost effective way. This plan should identify how the Bidders will endeavour to embed environmental and sustainability management across the ScotRail franchise business including details of individual initiatives targeted at specific aspects. The Franchisee will be required to develop and implement their sustainable procurement policy to reduce the environmental impact of the goods and services procured to support the operation of the ScotRail franchise, detail how environmental and sustainability management will be embedded across their business and how this will provide financial savings for the future. In this regard Bidders should consider applying British Standard BS8903 (or equivalent standard / framework).

No further actions are required from Bidders on other areas of environmental impact as these should be included in the mandated accredited environmental management system to be set up by the first anniversary of the Franchise Commencement Date (ISO 14001, EMAS, BS8900 or similar).

### 2.1.3. Additional outcomes

In relation to target setting and monitoring, Bidders are free to define especially ambitious and/or additional targets to improve environmental performance or for wider proposals outside of the minimum requirements stated in Section 2.1.2 (*Transport Scotland's requirements*) above. This may include additional areas such as air quality improvements, noise and vibration, biodiversity protection, water use, land-take and climate change adaption.

Bidders may also consider additional initiatives to reduce traction and non-traction energy consumption and CO<sub>2</sub> emissions, reflecting known best practice. This may include an especially challenging or ambitious approach to training in eco-driving techniques, beyond that stated in the minimum requirements.

Bidders may also wish to consider additional initiatives in relation to reduction of waste to landfill.

Finally, Bidders may wish to work with Network Rail and other industry partners to identify opportunities for extending, and enhancing, the current provision of micro-generation and other sustainable power generation initiatives.

<sup>3</sup> Prevention, prepare for re-use, recycle, recover, disposal.

Bidders must demonstrate the scale of any proposed additional capital or operating expenditure over and above that necessary to deliver the minimum requirements. Bidders should clearly explain the positive impact on the Franchise Objectives that this additional expenditure enables. In general, it is expected that initiatives seeking positive additional outcomes in this sub-plan should be expected to be fully self-funding over the longer term and largely during the ScotRail franchise. An overall approach to generating additional outcomes that results in a net subsidy increase of more than around £500,000 per year will not be considered a good approach.

## **2.2. Social initiatives**

### **2.2.1. Background**

As part of a sustainable approach to development, the Scottish Ministers wish to secure benefits for the wider Scottish community, including encouraging the involvement of small and medium sized enterprises ("**SMEs**") in the ScotRail franchise and promoting local employment and training initiatives. Bidders are therefore expected to set out their approach to social considerations and the integration of specific initiatives within their overall management and operation processes which assist in the stimulation of the local Scottish economy and drive economic sustainability.

### **2.2.2. Transport Scotland's requirements**

#### *2.2.2.1. Targeted recruitment and training*

Investment in the ScotRail work force will be an investment for Scotland. As a result, the Franchisee will be required to develop the recruitment and training facilities provided under the current ScotRail franchise.

The Franchisee will provide the following minimum requirements:

- Become 'Investors in People' (IIP) accredited (if not already) and continue throughout the life of the Franchise Period to work towards the highest level of IIP;
- Develop the activities currently undertaken at the ScotRail Training Academy or provide an equivalent training academy and ensure this is easily available to staff;
- Provide two train simulators for driver training (one DMU simulator and one EMU simulator) (see paragraph 1.3 (d)(x) of Schedule 13.1 (*Franchise Management*) of the Franchise Agreement);
- Provide apprenticeship schemes for both young people and mature workers. The Franchisee will be required to take on 100 new apprentices during the Franchise Period, with 50 taken on by no later than the exercise of the break option or the commencement of the rebasing procedure as further detailed in Section 2.17 (*Rebasing*);
- Provide an induction programme for all staff;
- Provide a rolling refresher programme of training in dealing with the diverse needs of customers / passengers for all customer-facing staff; and
- Assist staff to obtain nationally accredited qualifications.

Bidders shall set out their approaches regarding training and staff development, including whether they propose to take over, maintain and develop the existing ScotRail Training Academy or deliver these activities in some other way. Bidders should cross-reference proposals to Delivery Plan 1 (*Mobilisation, Management and Organisation*) as appropriate.

Bidders shall state how much they intend to spend annually on the programme of training and development but also explain why the planned level is appropriate and good value in their contribution to Franchise Objectives. The Franchisee will be required to provide an annual report on their training and staff development, including apprenticeships and staff qualifications.

### 2.2.2.2. Support for SMEs

The Scottish Government is committed to ensuring that SMEs have fair access to public sector contracts in Scotland, as specified in the Scottish Government's Economic Recovery Programme. Transport Scotland encourages the Franchisee to make their sub-contracts accessible to smaller companies and implement policies which embed SMEs in their supply-chains (see <http://www.scotland.gov.uk/Topics/Government/Procurement/buyer-information/smeguidance>). Bidders shall demonstrate their policy and any specific plans in this regard.

### 2.2.3. Additional outcomes

In relation to targeted recruitment and training, Bidders are free to identify a more comprehensive strategy for their recruitment and staff training and development, that goes beyond the minimum requirements outlined in Section 2.2.2.1 (*Targeted recruitment and training*) above. This may include more ambitious targets for the provision of apprenticeship schemes, including working with sub-contractors to identify further opportunities for providing local apprenticeships. It may also include specific initiatives which optimise the long-term career prospects for a local skilled workforce or creates opportunities for local businesses. Bidders are also free to identify new or innovative training methods or course requirements that meet the evolving requirements of the modern rail industry.

In relation to SMEs, Bidders are free to identify more widespread or ambitious initiatives which promote the use of SMEs within their supply chain which go beyond the recommendations outlined in the Scottish Government guidance ("Working with Small & Medium-sized Enterprises – A Buyer's Guide") identified above.

Bidders must demonstrate the scale of any proposed additional capital or operating expenditure over and above that necessary to deliver the minimum requirements. Bidders should clearly explain the positive impact on the Franchise Objectives that this additional expenditure enables. An overall approach to generating additional outcomes that results in a net subsidy increase of more than around £500,000 per year will not be considered a good approach.

## 2.3. Community Rail Partnerships

### 2.3.1. Background

The Scottish Government has developed a Community Rail Strategy aimed at improving the long term sustainability of social railways. Community Rail Partnerships ("**CRPs**") will form a bridge between the railway and local communities, as they bring together a wide range of interests along a rail corridor; by harnessing local knowledge, encouraging social and economic regeneration, and providing a sense of place. This will help to ensure that the needs of local communities are met in an affordable way.

CRPs in Scotland will be required to comply with the defined purpose that they will:

- Serve a geographical district, with shared needs and aspirations, linked by the railway;
- Work with local organisations and businesses to maximise potential benefits of the location, line and community; and
- Create and champion plans and programmes which engage with the rail industry to promote and market initiatives offering clear benefits aligned to long term community objectives.

The Scottish Government envisages that a successful CRP will have:

- Visible evidence of genuine community engagement;
- Visible evidence of its involvement in working with all railway partners to improve passenger experience; and
- Visible evidence demonstrating a greater focus on railway stations as key community and travel hubs.

This should also lead to:

- A clear and quantifiable measurement of success, for example, an increase in passenger numbers;
- An increase in the number of stations being adopted; and
- Evidence of an enhanced reputation of the railway, for example, Scottish CRPs picking up awards at the ACoRP Annual Awards Ceremony or other local/regional events.

The Scottish Government has engaged the Association of Community Rail Partnerships (“**ACoRP**”) until the end of the current ScotRail franchise to provide advice and wider CRP knowledge to enable groups to position themselves to offer the greatest benefits to the needs of their community and the railway serving it. In addition ACoRP will manage the project fund which will be utilised for local initiatives in Scotland and is designed to attract matched funding for community based projects. The success of the CRPs should be driven by the community with support from local, regional and national authorities, railway operators and Network Rail.

ACoRP has recruited two Development Officers covering broadly geographical regions covering North and South Scotland. Recruited using the Scottish Government's funding, the officers will work for ACoRP to assist with the creation, development and operation of CRPs in Scotland. Contact details can be provided on request.

At present, it is anticipated that between 8 and 10 CRPs will be established by the end of 2014 within the ScotRail franchise area.

### **2.3.2. Transport Scotland's requirements**

The Franchisee will be required to participate actively in CRP governance, funding and activities. CRP-based initiatives are generally funded through support from several sources, including ScotRail franchise holders, local authorities and community funding. If such initiatives include upgraded facilities at stations, then these will need to be appropriate to serve the needs of passengers using the station and the services calling at the station. In order to determine the most appropriate facilities at each station, the Franchisee will be expected to work with CRPs and other interested community groups.

The Franchisee will be expected to contribute £500,000 per annum to Community Rail initiatives covering funding and staff resourcing for CRPs as well as the existing Station Community Regeneration Fund (“**SCRf**”). Bidders should set out their proposals for how these project funds would be administered and approved as appropriate.

Bidders shall state what level of resources they will contribute to the success of CRPs. Credit will be awarded where Bidders demonstrate a senior-level responsibility for Community Rail, for example, at Director or senior manager level. Transport Scotland would also welcome proposals for the provision and funding of dedicated staff resources i.e. Community Rail Officers, who would administer and co-ordinate CRPs at a local level.

There is currently no provision for direct Government funding for the current CRP Scotland Development Officers beyond the end of the current ScotRail franchise. Both staff are part-time and therefore equivalent to one full time employee. As a minimum, Transport Scotland would expect this level of resource to continue over the Franchise Period, although following creation of CRPs a change of function may be required to meet the needs of managing CRPs.

Bidders should comment on the current 'Adopt a Station' programme currently run by the existing ScotRail franchisee and submit proposals on how this programme could be used to complement CRPs.

### **2.3.3. Additional outcomes**

Bidders are free to identify more widespread or ambitious initiatives which promote and facilitate the use of CRPs which go beyond the minimum requirements outlined in Section 2.3.2 (*Transport Scotland's requirements*) above. Additional funds, over and above the £500,000 per annum, can be committed to CRP initiatives, but this must, at worst, be subsidy neutral over the initial 7 years of the ScotRail franchise.



In addition, Bidders may wish to consider adopting targets for the formulation of further new CRPs across Scotland, promoting wider coverage, or demonstrate a commitment to be proactive in the set-up / formulation of new CRPs each year. Beyond 2014, the numbers of new CRPs is not definitive but it is envisaged that the total number of viable CRPs within the ScotRail franchise area is in the region of 12 to 15. Bidders are free to comment on emerging and new CRPs in their Bid, submitting proposals for their development and identifying relevant partners, including community groups, as appropriate.

Particularly innovative approaches based on demonstrably successful experience elsewhere are encouraged.

## 2.4. Scenic train initiatives

### 2.4.1. Background

As part of a sustainable approach to development, the Scottish Ministers wish to secure benefits for the wider Scottish community. One area that the Scottish Ministers wish to encourage is the promotion of tourism in Scottish communities, which can be facilitated by the introduction of scenic trains.

### 2.4.2. Transport Scotland's requirements

Bidders should present plans to operate trains which capitalise on the potential for tourism on many routes on the Scottish Rail Network. As a minimum, the plans must include scenic train provision on the West Highland Line to Oban / Fort William and the Kyle Line, where 'scenic train provision' may involve the provision of "premium carriages" on standard trains.

The Franchisee will be expected to work with local partners to develop their tourist services. Bidders should demonstrate how tourist services could act as a showcase for Scotland, including catering facilities which serve local/Scottish produce.

This should also include improving the scenic opportunities for passengers, and may involve vegetation clearance as appropriate working with local partners, Network Rail and owners of land adjoining the railway. Work of this nature has already taken place on the West Highland Line by Network Rail working with Friends of the West Highland Lines and the Loch Lomond & Trossachs National Park Authority.

Bidders should submit their own ideas for the configuration of scenic trains and on-board facilities. However, as a minimum Bidders are required to demonstrate that the seating will be arranged to maximise the view through the windows with improved seating comfort, the provision of Wi-Fi, appropriate luggage space, the ability to secure cycles and catering facilities, able to support at least an at-seat service of hot drinks and light refreshments featuring local produce where possible and otherwise Scottish produce where possible.

The train should contain appropriate tourist information, in an ambience that promotes the local heritage, scenery and tourist attractions with the aim of capturing the imagination of and leaving an impression of Scotland on the passenger.

### 2.4.3. Additional outcomes

The requirements of Transport Scotland for scenic train provision, as set out above, represent a minimum requirement for the ScotRail franchise. Bidders are free to identify more widespread or ambitious proposals which promote and facilitate the development of tourism using Scotland's railways. Transport Scotland is particularly interested in proposals that provide business to local communities which the trains serve. Bringing more business to local communities may be achieved in a number of ways:

- Providing enhanced observation opportunities for passengers on board;
- Providing further levels of comfort on board;
- Wider or more ambitious geographical coverage;
- Provision of dedicated scenic trains, if this is shown to provide more patronage; and

- More opportunities for cross-working with local communities. This may involve more opportunities for SMEs and the involvement of Community Rail Partnerships ( Bidders should cross reference Sections 2.3 (*Social Initiatives*) and 2.4 (*Community Rail Partnership*) of this Delivery Plan 4 (*Sustainability*) in this regard).

Any proposals should be backed up by appropriate research and undertakings to illustrate their robustness.

## **2.5. Use of capacity**

### **2.5.1. Background**

Passenger demand on the Scottish Rail Network varies considerably over the course of the day. Providing enough train capacity to meet peak demand is resource intensive particularly when those trains can spend large parts of the rest of the day either out of service or carrying relatively small numbers of passengers. Accordingly, the Scottish Ministers are keen to maximise the usage of the current capacity of the railway by growing patronage on lightly used services whether in the inter-peak, on rural lines or at the weekend and evenings. The Scottish Ministers see merit in the Franchisee providing positive incentives to passengers, where possible, to move from heavily used services to those where there is more capacity. They also wish increased measures for reasons of social inclusion, which encourage and provide for those demographic groups which are not currently well represented to use the railway. The Scottish Ministers also see opportunities for greater rail use in preference to the car at weekends and evenings.

It is acknowledged that in seeking to grow patronage on lightly used services Bidders will also need to make reference to initiatives in fares, marketing, improving connectivity and increasing journey integration.

The Scottish Ministers believe that there is a substantial opportunity to increase the economic and social utility of existing assets by the Franchisee taking measures to grow and widen the appeal of the rail market on lightly used services.

### **2.5.2. Transport Scotland's requirements**

Increasing patronage on the railway, particularly on lightly used services, is a key objective for Transport Scotland. In order to measure whether the Franchisee is achieving an increase in patronage on lightly used services, a proxy measure in the form of Off-Peak Patronage has been established. This will become a patronage Key Performance Indicator ("**KPI**").

Measurement of patronage will be undertaken by the Franchisee using LENNON data. As part of their Bid, Bidders will be required to provide on an annual basis a forecast of Off-Peak Patronage over the lifetime of the ScotRail franchise. This will then be formalised in the Franchise Agreement as the agreed 'Off-Peak Patronage Forecast', allowing Transport Scotland a point of reference during the ScotRail franchise.

The Off-Peak Patronage Forecast will then become one of the KPIs for the assessment of the performance of the ScotRail franchise. The Franchisee must then achieve Off-Peak Patronage no lower than 2% below their annual forecast in each of the first 4 years of the ScotRail franchise, and then no lower than 3% below their annual forecasts for Years 5, 6 and 7.

If the Franchisee does not achieve Off-Peak Patronage within such levels in any Franchisee Year, the Franchisee will be required to produce an Improvement Plan. In the event that the Franchisee does not achieve Off-Peak Patronage within such levels in the subsequent Franchisee Year, the Franchisee will be required to produce a Remedial Plan. If the Franchisee does not achieve Off-Peak Patronage within such levels in a third consecutive Franchisee Year, Transport Scotland may, at its sole discretion, terminate the ScotRail franchise.

The Franchisee will be required to produce a Remedial Plan if the Off-Peak Patronage falls in absolute terms for two consecutive Franchisee Years. If the Off-Peak Patronage reduces in absolute terms for a third consecutive Franchisee Year, Transport Scotland may, at its absolute discretion, terminate the ScotRail franchise.

The full specification of the requirements of this KPI is given in Schedule 7.2 (*KPIs and Journey Time Metric*) of the Franchise Agreement.

Bidders will be expected to bid an 'Off-Peak Patronage Forecast' for each of the first seven years of the ScotRail franchise, which contains a growth in Off-Peak Patronage. Transport Scotland has already put in place a beneficial fares regime in the Off-Peak Period to encourage Off-Peak Patronage growth, so some level of growth is expected in the absence of other initiatives.

Transport Scotland requires Bidders to set out how they will implement and communicate their off-peak fares policy, and set out the resulting forecasts of Off-Peak Patronage. This sub-plan should be integrated with Delivery Plan 3 (*Retail and Marketing*).

Cross reference should be made to any initiatives contained in other parts of this Delivery Plan which help to achieve this objective. These could include scenic train initiatives and Community Rail Partnerships.

### 2.5.3. Additional outcomes

Transport Scotland invites Bidders to propose initiatives that seek to achieve a particularly ambitious Off-Peak Patronage Forecast, maximising the benefits of off-peak fares policy. An ambitious forecast will need to be backed up by particularly strong evidence that it is realistic and achievable. This should include details of any marketing and promotional schemes that may be put in place to achieve the growth forecast, and be backed up by evidence of success elsewhere. Bidders should note that approaches producing additional patronage simply by further overall fare level reductions would not be considered a good approach.

Transport Scotland realises that the 'Off-Peak Patronage Forecast' is only a proxy measure for 'lightly used services', so also wishes to see specific, achievable, initiatives for very lightly used lines. These initiatives are likely to contribute to an increase in the Off-Peak metric, but will be assessed in their own right within this "Use of Capacity" sub-plan.

The critical aspects of Bidders' proposed approaches should form Committed Obligations with COPAs proposed for delayed delivery that are sufficient to incentivise the Bidder to deliver as scheduled. However, a good approach to driving growth on off-peak services should also be backed by an ambitious 'Off-Peak Patronage Forecast'.

Transport Scotland also realises that the 'Off-Peak Patronage Forecast' as initially defined may not be an ideal measure of off-peak growth if that growth is to be leveraged by innovative and smart ticketing. In this case, Bidders may provide additional commitments for growth on relevant, committed new ticket products, with proposed financial penalties for shortfall. However, where forecasts of growth on groups of such relevant new ticket types are identified discretely in the Bidder's financial model, these may also be proposed for incorporation into the definition of Off-Peak Patronage Forecast and be subject, as a whole, to the sanctions set out in the Franchise Agreement. This approach will be viewed by Transport Scotland as being a particularly strong way of committing to an ambitious projection of off-peak growth, in support of Transport Scotland's objectives.

## DELIVERY PLAN 5: Passenger Experience

### 1. Introduction

Transport Scotland expects that the Franchisee will be an organisation which considers the provision of a high quality passenger experience to be a key priority of running passenger rail services. The Franchisee will be expected to take a holistic and coherent view of the end-to-end passenger experience and work proactively with other transport providers to facilitate access to the Scottish public and active transport overall.

Within this Delivery Plan 5 (*Passenger Experience*), Transport Scotland sets out its expectations for the delivery of a smart and integrated rail network as part of a Scotland wide multi modal smart and integrated ticketing and payment environment, aimed at providing passengers with a high standard of end-to-end journey experience. Bidders are requested to set out their approach to the implementation and delivery of smart and integrated ticketing and payment, as well as their proposals for improved access and interchange for all users of the Scottish Rail Network and the effective management of disruption.

### 2. Franchise requirements

The Delivery Plan is presented as a series of sub-plans, each in three parts:

- Part 1 sets out background information relating to Transport Scotland's requirement for the sub-plan;
- Part 2 outlines "*Transport Scotland's requirements*" i.e. those proposals / initiatives which are considered to be a minimum contractual requirement and essential to the successful delivery and operation of the ScotRail franchise. In their responses, Bidders must demonstrate a clear understanding of these contractual requirements and provide robust evidence to demonstrate their ability to deliver the requirements; and
- Part 3 refers to "*additional outcomes*" which provides Bidders with the opportunity to present additional outcomes which go beyond the minimum requirements and demonstrate added-value towards the delivery of Franchise Objectives. In developing proposals, Bidders should note that Transport Scotland expects a priority and emphasis on good practice, innovation and successful management rather than directly on additional operating expense or investment, except where the value of modest additional expenditure is fully explained and makes a compelling contribution to the Franchise Objectives.

#### 2.1. Smart and Integrated Ticketing

##### 2.1.1. Background

Bidders should note that a key part of the ticket provision for the next ScotRail franchise will revolve around smart and integrated ticketing and payment, and a prioritised implementation plan for an ITSO smart ticketing scheme. The Scottish Ministers' vision is:

***"That all journeys on Scotland's bus, rail, ferry, subway and tram networks can be accessed using some form of smart ticketing or payment"***

Transport Scotland is already implementing a Delivery Strategy for the deployment of smart and integrated ticketing across Scotland. This includes current actions on the Scottish Rail Network. In terms of the current commitments for the introduction of ITSO compliant infrastructure on the Scottish Rail Network, it is expected that in addition to those stations that are already gated, ITSO compatible automatic ticket gates will be in place at Inverness and Perth by August 2014. In addition, Platform Validators will be installed at all remaining stations that do not yet have one by 31 March 2015 and all TVMs will also be ITSO compliant by 31 March 2015. Relevant information on the installation will be included in the Data Site.

There are currently (as of October 2013) a series of proposals outlining the potential creation and delivery of a customer orientated national fulfilment service which undertakes the key functions required to operate such an environment ("**Fulfilment Service**"). The Fulfilment Service would most likely be implemented in phases, with each of the functions being undertaken by the rail operator being migrated to the Fulfilment Service as capability comes on line.

When fully operational, the key functions of the Fulfilment Service will include:

- The creation and management of customer accounts;
- The management of a national e-purse;
- The provision of the smart and integrated ticketing infrastructure which supplements that operated by operators/franchisees. This will include the facilitation of the transfer of smart products purchased by customers from the point of product purchase to the customer's smart media wherever it is offered for update;
- The provision of core ITSO infrastructure such as a HOPS;
- The provision a single generic smartcard which will operate on all operators' equipment and carry multiple products such as e-purse, concessionary travel products and commercial ticketing products for rail, bus, ferry, subway and tram. In due course non ITSO smart products for travel related products such as parking, catering, guides, event tickets along with discounts for attractions will be added. This card will be made available to all operators and can be branded should the operator wish do so;
- The redistribution of funds, initially from the e-purse between operators. In due course this will expand to distribution between operators where a commercial arrangement exists between them based on an area wide or season ticket;
- A customer service function and on-line portal dealing with account maintenance, new and replacement cards, travel planning and advice, retail of commercial products, refunds etc;
- Fraud prevention including hotlisting management; and
- A management information (data) and customer survey service.

It is envisaged that the initial phases of operation will be focussed around those functions required to deliver and operate a national e-purse which includes the creation of accounts, the generic smartcard media and the redistribution of funds to operators.

This does not preclude Bidder proposals for a fulfilment service where it is required to meet the requirements set out in this ITT. In addition to any fulfilment service provided by the Franchisee, the Franchisee will be required to participate in the formation of the Fulfilment Service to be introduced by Transport Scotland and to support and facilitate the creation and the delivery of the Fulfilment Service, including through appropriate and timely engagement with and participation in its development.

### 2.1.2. Transport Scotland requirements

Bidders are expected to set out their approach for the implementation of a comprehensive ITSO compliant smart and integrated ticketing scheme for the ScotRail franchise to be delivered within the first 4 years. Bidders should note that the Scottish Ministers do not expect to pay (in the form of subsidy) for the development, introduction or operation of the smartcard initiative proposed. The scheme should represent an excellent passenger proposition with measurable passenger benefits, and one that uses existing and emerging ticketing technology throughout the life of the ScotRail franchise to manage demand and deliver both capital and operating efficiencies. Such a scheme is required as a minimum to be able to retail, issue, accept and validate all valid ticketing products on any valid ITSO certified customer media in accordance with the ITSO Operating Licence and ITSO in National Rail – Specification Rail Settlement Plan Document reference RSPS3002 version 2.0 standards (“**RSPS3002**”).

In line with Transport Scotland's ambition to deliver smart and integrated ticketing across Scotland, the minimum requirements for the implementation of the scheme are as follows:

- Stage 1: The Franchisee is required to introduce ITSO compliant ticketing throughout the Franchise Term for the following ticket types and any ticket types proposed by the Bidder to enhance Smartcard journey uptake by no later than April 2017 and ensure ITSO compliant ticketing is operational throughout the Franchise Term. The Franchisee must ensure that smart ticketing (e.g. ITSO compliant smartcards) is used for the majority of the passenger journeys that make use of these ticket types by April 2019:
  - Anytime Both Period and Day, Single and Return;
  - Off Peak Both Period and Day, Single and Return;

- Super Off Peak Both Period and Day, Single and Return;
  - Advance;
  - Any ticket types proposed by the Bidder to enhance Smartcard uptake;
  - Season Tickets including Flexipass tickets;
  - National and Local Concessionary and Discounted Travel Schemes as required and as applicable. The Franchisee will be required to read and validate ITSO smart media holding applicable concessionary and discounted rail travel products and pass transaction data to Transport Scotland and / or relevant local authorities as required for the purpose of reimbursement;
  - All ticket types for multi-modal rail and ferry travel via CalMac and NorthLink ferries (for example, Rail and Sail products); and
  - All multi-modal rail and bus products for PlusBus journeys.
- Stage 2: The Franchisee must ensure that the majority of passenger journeys are made using Smart ticket types introduced in Stage 1. In addition to the requirements of Stage 1 the Franchisee will be required to introduce ITSO compliant ticketing throughout the Franchise Term for all ticket types by no later than April 2019 and ensure ITSO compliant ticketing is operational throughout the Franchise Term.
  - Stage 3: The Franchisee must ensure that the majority of passenger journeys across all ticket types are made using smart media by April 2021.

Bidders may propose innovative incentives, products and media to achieve the targets set out above.

In summary:

<b>Stage 1 2017</b>	Smartcard availability of a range of specified ticket types plus any ticket types committed to by the bidder to enhance smartcard journey uptake
<b>Stage 2 2019</b>	Stage 1 plus Smartcard availability of all ticket types plus 50+% uptake level for the total journeys made across the ticket types specified or committed to by the bidder for Stage 1.
<b>Stage 3 2021</b>	Stage 2 plus 50+% uptake level for journeys made on ticket types specified for Stage 2 i.e. introduced in Stage 2.

It is anticipated that a planned refresh in 2014 of the National Entitlement Card ("**NEC**") which is fully funded by the Scottish Government, although it is currently administered by Local Authorities, will include a refresh of the brand identity of the NEC. The Franchisee must commit to prominent incorporation of the refreshed branding to be used on the NEC on its operator-issued smart media. The Scottish Ministers will grant a brand license to the Franchisee in this respect.

Bidders shall provide in their Bid a prioritised implementation plan for their ITSO ticketing scheme, demonstrating its phasing and how full implementation will be achieved within the timeframes highlighted above.

Transport Scotland is currently working to deliver smart and integrated ticketing and payment across Scotland and, as part of that work, is assessing the scope for the provision of a national ITSO smart and integrated ticketing Fulfilment Service, covering a minimum of rail, bus and ferry services. The ScotRail franchise and services would be considered an intrinsic part of such a scheme, and a key driver for its implementation and development. Bidders' proposals should anticipate (but not rely on) the possible implementation of a national Fulfilment Service during the term of the ScotRail franchise and include measures and capabilities that could facilitate its implementation and on-going operation. Within this Delivery Plan, Bidders should also outline their approach to engagement with Transport Scotland and other stakeholders to support, proactively, the development and delivery of the Scotland wide smart and integrated ticketing and payment environment and a future national Fulfilment Service. Proposals for the creation of a national Fulfilment Service will include its operation and will be dealt with as a separate requirement and therefore not part of this ITT. More information on the anticipated function of the Fulfilment Service is provided in the Data Site.



The Franchisee will be required to operate a current valid ITSO and RSPS3002 approved smart and integrated ticketing scheme. Smartcards used by the Franchisee will also be expected to accept at least eight products, including those under development by the South East Flexible Ticketing programme: TYP 2 - Stored Travel Right ("**STR**"); TYP 14 - Entitlement; TYP 16 - ID – personal data; TYP 22-1 - Season Ticket; and TYP 24 ATOC flexible product. The smartcards should also have capacity to load other products (including, for example, Scottish concessionary travel scheme products and Scottish bus, ferry or rail products), where those products are also ITSO compliant) along with the appropriate anti-tear software. The performance of this media should be in line with the latest RSPS3002 standard.

The Franchisee will be required to use all reasonable endeavours to promote the inter-availability of tickets and to join all relevant Transport Scotland approved smart-related ticketing schemes including, where appropriate, adopting ATOC/Transport Scotland supported generic ticketing products (either currently implemented or developed over the life of the ScotRail franchise). The Franchisee will also be required to work with Regional Transport Partnerships, local authorities and operators of other ITSO certified schemes within the ScotRail franchise area who may wish to implement smart multi-modal ticketing schemes as part of the national Delivery Strategy set out by Transport Scotland. The Franchisee shall not unreasonably withhold consent to such propositions.

The Franchisee should promote demand management and passenger benefits by making proposals for the development and implementation of new smart/flexible products.

Bidders should note that the terms and conditions of the Ticketing and Settlement Agreement shall continue to apply in all cases, including the requirement for interoperability of tickets between operators until the proposed Fulfilment Service is developed. At that point a mechanism will be put in place to reimburse operators appropriately through the Fulfilment Service, taking account of the Rail Settlement Plan and the Ticketing and Settlement Agreement. It is anticipated that the Franchisee will be required only to pay the commission/ recharge costs on transactions required for the operation of the Fulfilment Service.

Bidders should also note that reservations, warrants, supplements, excess fares, concessionary travel, and rail card supported tickets form fundamental aspects of ticketing. The Franchisee will work with the broader industry to co-ordinate their approach to addressing these issues.

Bidders shall also provide in their Bid an analysis of the costs and benefits of the Bidder's chosen smart and integrated ticketing solution taking into account, inter alia and not limited to, the effects on capital and operational costs, implications for ScotRail franchise revenue and the predicted effects on passenger experience, behaviour and patronage.

As a minimum, the Franchisee shall ensure there is appropriate provision for an ITSO and RSPS3002 compliant ticketing system comprising ticket issuing equipment, readers and validators (and where appropriate gating) throughout the ScotRail franchise where they are SFO, and use all reasonable endeavours to meet these requirements throughout the ScotRail franchise at those stations where they are not SFO. This infrastructure shall be supported with ITSO back-office functionality and business rules as appropriate. It is important that the smart ticketing infrastructure deployed is able to operate hotlisting of both rail, other operators and Transport Scotland products and cards and also be capable of the transfer of other operators' ITSO smart ticket products on to the ScotRail smartcard or other compatible ITSO smartcards. This requirement may require negotiations with other train operators or infrastructure providers. The Scottish Ministers reserve the right to request and use data stored in the ITSO back-office for policy purposes.

The Franchisee will be able to propose variations to these requirements during the Franchise Period if these are justified by future developments of innovative ticketing and payment technology.

Bidders shall propose targets of uptake in smart ticketing across all ticket types over the Franchise Term on an annual basis, and present the evidence on which these are based. These targets shall at least match the stipulation above in this Section 2.1.2 (*Transport Scotland requirements*), which requires the Franchisee to ensure that the majority of passenger journeys across the Scottish Rail Network are made using smart technology for certain ticket types by certain dates. An interim target should therefore be set for April 2019 on that basis, with a minimum of 51% of passenger journeys on the required ticket types, and reported as a percentage of total sales. A target should also be set for April 2021 with a minimum of 51% of passenger journeys on all residual ticket types, also reported as a percentage of total sales. The proposed targets will then form part of the contractual provision as a KPI for the assessment of the performance of the ScotRail franchise.

Bidders shall provide in their Bid initiatives targeting existing passengers and initiatives designed to attract new users and retain them as repeat customers. Any proposals must be accompanied by a robust implementation plan detailing key deliverables, critical path and milestones for delivery.

Following the implementation of each stage of the roll-out of ITSO compliant ticketing, the Franchisee should use the levers available to them to influence passenger behaviour; to ensure a steady growth in passenger journeys undertaken using smart and integrated ticketing, in line with the targets set and the Scottish Ministers' aim to ensure a successful roll-out of smart and integrated ticketing and payment across transport modes in Scotland.

Bidders should identify and set out any barriers, actual or perceived, to smart uptake, their proposed response and the likely impact.

Bidders should note that contracts related to smart ticketing will be designated as Key Contracts to secure the continued provision of the smart ticketing through a Direct Agreement beyond the end of the ScotRail franchise in the event of the ScotRail franchise being terminated early for whatever reason.

If the Franchisee develops new IPR in connection with smart ticketing which is approved by Transport Scotland, the Franchisee will be required to transfer ownership of such IPR to Transport Scotland. The Franchisee will also be required to deliver to Transport Scotland a copy of the source code of any software comprised in such IPR and all documentation necessary to enable the operation, maintenance and development of the software in the event of the ScotRail franchise being terminated.

### 2.1.3. Additional outcomes

In relation to the proposed implementation timetable, Bidders are free to propose a more ambitious implementation plan that sees the earlier introduction of smart and integrated ticketing across the ScotRail franchise area and/or across all ticket types. Bidders may also propose the introduction of multi-modal, multi-operator tickets with the condition that individual schemes or agreements must not prejudice the future development of the national scheme, and only if they are able to be incorporated into the national scheme when the Fulfilment Service is established. Any proposals must be accompanied by a robust implementation plan detailing key deliverables, critical path and milestones for delivery.

Bidders are also free to put forward additional proposals for smart and integrated ticketing that will provide better functionality, integration with other systems and/or greater extent and depth and breadth of coverage (including, for example, e-purse and pay-as-you-go type functions) or the ability to pay for station parking or other such facilities. Transport Scotland is also looking for better integration with other modes of travel than anticipated by the minimum requirements stated above, including engagement with promoters of other smart and/or integrated products, such as SPT's Zonecard and the OneTicket where they are in line with Transport Scotland's national ticketing strategy.

Bidders will be given additional credit for proposing more challenging targets of uptake of passenger journeys undertaken on ITSO compliant ticketing than the minimum specified (51% of passenger journeys by 2019). Robust evidence on which these more challenging targets are based should be presented.

Bidders should identify and set out any potential levers that will result in a greater level of smart uptake, alongside any supporting evidence of the impact of such levers. Levers may include offering smart ticketing solutions as the primary ticket method, marketing effectively, adapting ticket vending machines or introducing new equipment to allow smartcard users to check the card contents at stations and/or ensuring ticket office staff are well trained in communicating ticket conditions (particularly as ticket conditions may not be displayed on the smart ticket in the same way as they are shown on paper tickets). Bidders are invited to include more innovative methods in their Delivery Plan, including initiatives targeting existing passengers and those designed to attract new users and retain them as repeat passengers.

Bidders shall provide in their Bid proposals for any passenger reward scheme that they intend to implement as part of their smart ticketing scheme, as well as innovative systems solutions to ensure the passenger pays the lowest available fare for their journey or series of journeys. The proposals for such schemes will be contracted.

Bidders may also provide details in their Bid proposals of how they will promote demand management and passenger benefits by making proposals for the development and implementation of new smart/flexible products.

Any proposals should be cross-referenced to Delivery Plan 3 (*Retail and Marketing*).

## 2.2. Improving access and interchange

### 2.2.1. Background

The Scottish Government has stated a commitment to improve transport integration in Scotland, to contribute to this Government's purpose of achieving sustainable economic growth (SG, Government Economic Strategy, 2011). A smart, integrated rail network in Scotland will contribute to the aims set out in the National Transport Strategy (SG, 2007), by improving connectivity and offering a greener alternative to the private car, thereby reducing overall transport emissions.

An integrated transport system makes it easier for people to travel using a variety of connecting modes. A better integrated rail network will allow passengers to travel using rail and one or more additional mode: it will facilitate travel patterns that are intra-modal (between rail services) and/or intermodal (between rail and other modes, also known as multi-modal).

Changes which improve the integration between rail and other modes, particularly public and active transport modes, will help to encourage modal shift to rail from the private car. (The term 'active transport' refers to personal travel which requires some form of physical activity, such as walking or cycling.) Across Europe, countries such as Switzerland and the Netherlands and cities such as London, Amsterdam and Copenhagen are viewed as good examples of transport integration with evidence of good practice in areas of timetable integration, high standards of cycle facilities and effective smart integrated ticketing amongst others. In developing their proposals, Bidders should consider the suitability of the approaches taken in these countries/cities.

By improving integration between rail services and other modes of transport, we can offer a world-class service to passengers, helping to meet the needs of those travelling for work and for leisure within Scotland and across the border.

In summary, Transport Scotland considers that improvements to rail integration in Scotland should aim to address the following:

- **Policy:** e.g. partnership working between transport authorities, influencing behaviours and attitudes and the integration of transport policies with land-use, economic, environmental and social policies;
- **Information:** e.g. ease of access to cross-modal public transport information;
- **Ticketing:** e.g. smart and integrated ticketing and payment;
- **Technology:** e.g. best use of new and emerging technologies to deliver improved, integrated smart ticketing products and payment options;
- **Timetables:** e.g. alignment between rail, ferry and bus services; and
- **Infrastructure:** e.g. the physical integration of public transport infrastructure.

Bidders should note that some elements of transport integration are dealt with explicitly elsewhere in this ITT. Ticketing is dealt with in Section 2.1 (*Smart and Integrated Ticketing*) of this Delivery Plan and rail-to-rail connectivity is dealt with in Section 2.3 (*Timetable changes to reduce journey times / improve connections*) of Delivery Plan 6 (*Service Development*). Details of these initiatives should therefore be dealt with in the relevant Delivery Plans/sub-plans, but should be cross-referenced in this sub-plan for "*Improving access and interchange*".

## **2.2.2. Transport Scotland requirements**

### *2.2.2.1. Transport Integration Manager*

The Franchisee will be required to retain and enhance the current interventions to improve integration required by the existing Franchise Agreement. This includes a commitment to working with partners through Transport Scotland's Transport Integration Group, led by Transport Scotland, which aims to deliver better integrated services for rail passengers.

The Franchisee will be required to appoint a Transport Integration Manager, who will operate at a senior level in the business. Bidders shall identify in their Delivery Plan the named individual to be appointed Transport Integration Manager and provide details of their position in the business, responsibilities and reporting lines.

The Transport Integration Manager will have a leading role in taking forward timetabling, information, and infrastructure activities to improve integration, in line with smart ticketing initiatives, through the Transport Integration Group. The Transport Integration Manager will be expected to draw on evidence relating to passenger views concerning integration and to work with partners, particularly other transport service providers and Regional Transport Partnerships, making use of the Transport Integration Group, to implement measures to meet rail passenger needs (whether independently or working in partnership with others) in the areas listed in Sections 2.2.2.2 (*Provision of journey planning information*) to 2.2.2.8 (*Good pedestrian accessibility*). The Transport Integration Manager will be required to prepare annual plans, identifying how they will measure improvements in integration and monthly reports on progress against these targets.

The Transport Integration Manager must also make use of data held by the Franchisee on passenger flows (including information on passenger origins and destinations) to identify gaps and opportunities to improve integration and to ascertain demand for sustainable transport connections to and from stations. The Transport Integration Manager must then work with Transport Scotland and partners to make improvements to integration, to encourage a shift from the private car to integrated journeys making use of rail. The Franchisee must also consult with affected operators regarding timetable changes and new services to improve connections between transport modes.

Bidders should set out the ways in which they will change peoples' perceptions of rail through marketing, with a particular focus on interchange and convenience. Bidders are asked to consider, among others, the 2010 report by Passenger Focus and ATOC 'Integrated Transport – perception and reality' in this regard.

### *2.2.2.2. Provision of journey planning information*

The Franchisee will be required to proactively work with other transport operators to provide cross-modal information, to sit alongside rail information at major interchanges as a minimum. The Franchisee will be required to display information in stations concerning other transport modes and services. Examples include: information on ferry sailings from Oban and Mallaig at Mallaig and Oban stations, Glasgow Queen Street and other connecting stations; information on tram connections at Edinburgh Gateway, Edinburgh Park, Haymarket and Edinburgh Waverley stations. The Franchisee is required to provide information on transport services across modes, including other Scottish rail services, particularly the Caledonian Sleeper services but also other cross-border rail services, ferry, tram, bus and cycle routes, as well as walking routes to destinations used by passengers within walking distance of stations. At stations where ScotRail services call, but where the Franchisee is not the SFO, the Franchisee will be required to work in partnership with the SFO to ensure the availability of cross-modal journey planning information, to ensure continuity across the Scottish Rail Network.

The Franchisee will be required to provide, and actively promote to rail passengers, cross-modal onward journey information that meets their needs, by making use of both existing and emerging technology where appropriate.

The Franchisee will be required to, through their membership of Traveline Scotland, fully support Transport Scotland in its work to ensure provision of impartial travel information across all technology platforms including Traveline Scotland's website, mobile applications, social media etc. It is particularly important that the Franchisee makes available to Traveline Scotland real-time service data including disruption and delay updates.

Bidders shall provide a plan setting out their commitments which will deliver the requirements set out above.

For provision of passenger information, please also see Delivery Plan 2 (*Ongoing Running of the Railway*).

#### 2.2.2.3. Integration with other public transport modes – timetabling

Bidders will be required to demonstrate that they have identified opportunities to maximise service timetable, ticket integration and connectivity to Scotland's bus services through dialogue with bus operators and other relevant organisations and to make commitments to secure this integration. Particularly in rural areas, and/or where services are less frequent, timetables should be developed in alliance with other transport operators, to ensure synergies that offer travellers efficient journey options.

Bidders will be required to demonstrate that they have identified opportunities to maximise co-ordination of service timetables, ticket integration and connectivity to Scotland's ferry services through dialogue with ferry operators and other relevant organisations and to make commitments to secure this integration. The Bidder should propose how passengers could benefit from partnership working if services cannot achieve timetabled connectivity e.g. weather conditions delaying either ferry or train services.

The Edinburgh Tram link is scheduled to be operational within the lifetime of the ScotRail franchise. Bidders should propose initiatives to maximise integration. The Franchisee will be required to identify opportunities and work with tram operators and other relevant organisations to develop integration of service timetables, ticket integration and connectivity to the tram services.

Bidders will be required to demonstrate that they have identified opportunities to improve connectivity to Scotland's airports and to make commitments to secure these improvements.

#### 2.2.2.4 Integrated parking

Bidders shall demonstrate that they have considered integration, accessibility and facilities for cars. The Franchisee should ensure car parking facilities are available for to passengers using the Caledonian Sleeper services and passengers from other train operating companies in addition to ScotRail passengers.

The Franchisee must ensure that each car park is regularly monitored and meets the agreed minimum standard for the station category. Any increase in provision should encourage increased patronage of the Scottish Rail Network and should be considered in the context of the Scottish Government's aims to reduce emissions and road congestion on both trunk and local roads.

Bidders shall provide a plan setting out proposals on actions they will take to improve utilisation of existing and proposed car parking for rail passengers. The plan will ensure access to and best use of car parking spaces for rail users during peak and off peak travel times. The Traffic Scotland website will be used to provide information on station car park locations, capacity and charges. The Franchisee should work with Traffic Scotland to facilitate this.

#### 2.2.2.5 Improvements to car parking

Bidders shall make commitments which will contribute to modal shift aimed at increasing the use of public transport to help achieve the Scottish Government's climate change targets. The Franchisee will be required to put in place appropriate measures to ensure passengers' safety, at car parks, which will include adequate lighting and CCTV, where appropriate.

Bidders shall demonstrate how they will assess and ensure the best use of car parking spaces for which they will be responsible for rail users during peak and off peak travel times and:

- Put in place proposals on how it will monitor and self-evaluate parking usage;
- Agree any changes to charging structures in advance with Transport Scotland;
- If a charge is currently applied at a station car park which is not operating at full capacity, the Bidder should consider mitigation measures, such as, reducing or removing the charge;
- Where car parking spaces for rail users are constrained by non-rail users, Bidders should propose a pricing strategy and associated management regime to address this, for example, a high charge may be levied which would be redeemable against the purchase of a rail ticket;
- Take steps to minimise the adverse impacts of current charges on rail demand. Automated ticket machines should be available for car park payments to minimise delays to passenger journeys, multi-trip tickets should be made available where practical and a full or partial refund should be considered when a car park user purchases a train ticket for their onward journey;
- Increase the number of disabled spaces when a car park is being expanded, if this is supported by evidence of whether the current disabled spaces are being fully utilised;
- If considering additional car parking facilities, location of spaces is for the Bidder to determine, taking account of current and future levels of parking utilisation by rail passengers, environmental concerns, other transport modes and policies of local authorities; and
- The Franchisee must use all reasonable endeavours to work with Local Authorities, Network Rail and Regional Transport Partnerships to co-ordinate the planning of car parking at or close to stations and investigate the effects of on-street parking. The Franchisee, in partnership with private enterprise, could also suggest potential opportunities to utilise available space in, for example, stadium venues and retail parks. The Franchisee should ensure any resulting action is based on a proportionate STAG appraisal and is taken in line with the STAG investment hierarchy to achieve the objectives set out in the National Transport Strategy.

#### 2.2.2.6 Provision for cycling facilities and accessibility

Bidders shall provide a plan and proposals on actions they will take to maintain and improve cycling facilities, both on trains and at stations, to encourage modal shift towards active travel and enable greater integration between rail services and cycling. Plans should be innovative and balance the needs of passengers both with and without bicycles. Plans are expected to outline the engagement strategy with cycling organisations. This work should be developed and implemented by the Transport Integration Manager as part of the wider efforts to improve integration.

Bidders must set out their proposed strategy on how they will help to support the Scottish Government's vision, contained in the 'Cycling Action Plan for Scotland', that by 2020 10% of all journeys taken in Scotland will be by bicycle.

In relation to stations, Bidders shall make commitments which improve integration, accessibility and facilities for bicycles. The Franchisee shall ensure greater promotion of these facilities for rail users at Scottish stations. Bidders will make provision for additional cycle storage at a minimum rate of 500 spaces per annum. Locations should be selected for additional cycle parking on the basis of demand forecasts.

Bidders should recognise that, due to the differing characteristics of stations, there will be no one solution which fits all stations. The Franchisee must ensure each station category meets an agreed minimum station standard, as proposed by the Bidder, and these should be regularly monitored with consideration to include cycle facilities within the SQUIRE regime. Any increase in cycling provisions would be expected to encourage increased patronage of the Scottish Rail Network.



Bidders must propose methods, as part of an overall marketing strategy, to promote the benefits of cycling and station cycling facilities. The Franchisee should ensure information provision is prominent, easy to locate, visible and targeted at the appropriate audience.

The Franchisee should ensure, liaising with others where necessary, that easily identifiable and accessible cycle routes are identified close to the station. The Franchisee must use all reasonable endeavours to work with local businesses and cycle event organisers to promote and facilitate greater use of cycling facilities at stations, including co-operation with cycle hire schemes and promotional schemes for rail users.

Where refurbishments are to be made, facilities for cycle storage should be a consideration. It is for the Franchisee to decide on the location of any additional secure cycle spaces, in consultation with stakeholders. Decisions must reflect current provision and future requirements. However, the Franchisee should only increase the quantity of cycle facilities where there is likely to be an increase in demand for, and thus a requirement for, these additional facilities.

The Franchisee should identify how it may provide funds, including potential external sources, to allow any improvements. The Franchisee should ensure that the current station policy is preserved.

In relation to on-train provision, Bidders shall propose how they will manage the demand for passengers using cycles on trains during peak and off peak services including innovative alternatives or incentives to taking conventional bicycles on trains especially during peak demand. Bidders are expected to consider the promotion of storage facilities for cycle commuters at both the origin and terminal station of their journey so that commuters have an option to secure a cycle at both ends of their journey and assist operators with on-train space management during peak periods. Plans must be innovative in their approach to make best use of on-train space whilst balancing the needs of both non-cyclists and cyclists. The Franchisee should ensure that the current on-train policy is preserved to accommodate passengers with bicycles during peak demand; the Franchisee's staff must be fully aware of cycle capacity at stations and on trains. This includes designated cycle parking and on-train capacity, as well as reasonable adjustments to accommodate additional cycles where there is demand and opportunity. (A recent example of a more innovative approach to cycle accommodation was the decision to allow cycle storage in train door vestibules when safe to do so, where the route requires train doors to open on one side of the carriage only.) Staff training should be implemented and the outputs monitored to ensure that cyclists are advised and accommodated appropriately.

The Franchisee will be required to put in place plans and proposals to report, record, monitor and communicate to Transport Scotland the number of bicycles using both train and station facilities. This information may be shared by the Franchisee or Transport Scotland with interested parties.

The Franchisee should provide a simple system relating to on-train cycle reservations that provides certainty for the user. The system should also take account of peak and off-peak times and commuting and tourist routes.

#### 2.2.2.7 Cycle innovation

Transport Scotland recognises the appeal and potential, for both recreational cyclists and mountain bikers, that the scenic countryside across Scotland can offer. As part of their Bid, Bidders shall provide a Cycle Innovation Plan and demonstrate how they will develop this on contract award. As a minimum the plan should include:

- innovative ideas that will enable more bicycles to be conveyed to destinations offering cycle experiences;
- partnership working with local organisations and businesses to ensure that rail can fully contribute in enabling Scotland to offer a greater cycle experience for both residents and visitors.

This plan may include special services to unique events such as world mountain bike events at Fort William. Consideration should also be given to regular targeted services at convenient times to popular cycling locations such as Scottish Borders and Dumfries & Galloway. Trial services to test markets and opportunities are welcomed.

Bidders are also expected to commit to their proposed Cycle Innovation Plan as a Committed Obligation.

#### 2.2.2.8 *Good pedestrian accessibility*

The Franchisee should ensure, liaising with others where necessary, that easily identifiable, sign-posted and accessible walking routes are identified close to the station and seek feedback from passengers on the effectiveness of these. The Franchisee must use all reasonable endeavours to work with local authorities, local businesses and walking event organisers to promote and facilitate greater walking facilities and promotional schemes for rail users.

#### **2.2.3. Additional Outcomes**

In relation to integration generally, Bidders are encouraged to propose additional innovative solutions to improve integration between rail and other modes, over and above those stated in the minimum requirements, particularly in relation to bus connections.

In relation to passenger information, Bidders are encouraged to define a more widespread or ambitious programme to work with other public and active transport providers / stakeholders for the roll-out of cross-modal passenger information at all relevant stations across the network, over and above the identified major interchanges.

In relation to car parking, cycling and walking, Bidders are encouraged to propose additional initiatives over and above those stated in the minimum requirements, ensuring that any such initiatives are aimed at promoting modal shift and maximising rail patronage. For example, Bidders may wish to offer plans for electric vehicle charging points in line with Transport Scotland's Electric Vehicle Charging Point Installation Programme.

Bidders may plan to spend up to £1.25 million in each Franchisee Year on additional integration works as a Rail Integration Fund to be managed with transparency to Transport Scotland and other key stakeholders. Bidders may propose specific initiatives to be drawn down as part of this fund to improve rail's integration with other rail services and other modes, in line with the Scottish Government's policy, set out at Section 2.2.1 (*Improving access and interchange: Background*). These initiatives may be more widespread or ambitious and go beyond the minimum requirements outlined in Section 2.2.2 (*Transport Scotland's requirements*). Bidders are required to set out how they propose to make use of appropriate emerging data and research conclusions throughout the Franchise Period to inform, prioritise and target improvement projects and to target to relevant locations. Information on Transport Scotland's on-going work to gather evidence to develop rail integration policy will be useful to Bidders – more information on this is provided in the data site.

The Transport Integration Manager will be required to ensure that the fund is used in addition to wider efforts to improve integration, such as those described from Section 2.2.2.2 (*Provision of journey planning information*) to Section 2.2.2.8 (*Good pedestrian accessibility*).

Bidders will be expected to seek out third party funding and third party partnerships to deliver these integration improvements and may find synergies with other strategies, such as the Scottish Stations Fund (set out in the HLOS for CP5) and ATOC's guidance on station travel plans (see recently published guidance on station travel plans here: <http://www.stationtravelplans.com/guidance-and-reports?action=view&newsID=32>). Schemes that lever in third party funding, or those that are cost-neutral, will be given particular consideration and credit.

Projects in receipt of Rail Integration Fund support may include:

- cycle hubs;
- cycle hire schemes;
- electric vehicle charging points;
- cross-modal transport information;
- cycle or walking paths;
- improved timetable alignments (It is anticipated that many instances of timetable re-alignment can be achieved at no cost to the ScotRail franchise, however the fund may be used, with Transport Scotland's approval, where the change will incur costs.);
- additions to existing and planned infrastructure projects; and/or
- travel plans.

Where relevant, these schemes should be delivered with the co-operation and/or assistance of local authorities, Sustrans and other strategic partners. Schemes should be prioritised in line with the investment hierarchy (set out in the Strategic Transport Projects Review), affordability, value for money and the Scottish Government's policies, including those cited at Section 2.2.1 (*Improving Access and Interchange: Background*).

The Transport Integration Manager will also be required to work with Transport Scotland to determine evaluation criteria for such projects and will lead on work to evaluate the outcomes, which should inform future projects. The evaluation will track the outputs against the Scottish Ministers' aims, set out at Section 2.2.1 (*Improving Access and Interchange: Background*). The evaluation should form part of the annual plan referred to in Section 2.2.2.1 (*Transport Integration Manager*).

Bidders must demonstrate the scale of any proposed additional capital or operating expenditure over and above that necessary to deliver the minimum requirements. Bidders should clearly explain the positive impact on the Franchise Objectives that this additional expenditure enables. An overall approach to generating additional outcomes that results in expenditure of more than £1.25 million per year will not be considered a good approach.

## 2.3. Access for the disabled and persons with reduced mobility

### 2.3.1. Background

The Scottish Ministers are keen to see increased accessibility to the Scottish Rail Network for disabled and mobility restricted passengers.

### 2.3.2. Transport Scotland requirements

#### 2.3.2.1. Equality Act 2010 / DPPP

Bidders' attention is drawn to the current requirements in the Equality Act 2010 which places a duty on service providers, including station and train operators, to provide reasonable access to their services.

Bidders shall demonstrate in their proposals how they will ensure compliance with these duties and shall describe in detail their compliance strategy applicable to both stations and trains. Bidders shall comply with the licence condition requirement to have a Disabled People's Protection Policy ("**DPPP**") in place and the commitment within the DPPP to follow the Code of Practice. Bidders shall detail how they will consult with disabled people to ensure the reasonable needs of disabled customers are identified and addressed, both within existing facilities and where enhancements are planned.

#### 2.3.2.2. Physical alterations and accessibility of stations and services

Bidders will be required to provide details of a programme of minor physical alterations to stations or services to facilitate or enhance access for disabled and other passengers (the Minor Works programme). The Franchisee will be required to spend a sum of £350,000 per annum for funding for such works throughout the Franchise Term. The scope and programme of works will be agreed by the Franchisee and Transport Scotland before the Franchise Commencement Date. However, Bidders are expected to demonstrate a commitment to engaging in this area.

Bidders should provide details of how the works will be prioritised with regard to where there is the greatest need and/or where physical alterations can have the greatest effect. In developing a programme of works, Bidders will be expected to:

- Liaise with Transport Scotland to ensure proposals complement other investments;
- Collate information concerning the usage of stations, including, where reasonably practicable, usage by disabled persons;
- Advise as to the most economic way in which accessibility for disabled persons, in the Bidder's reasonable opinion, could be improved at stations;
- 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
- Use all reasonable endeavours to secure sources of grant funding (other than itself or an Affiliate) for improving accessibility for disabled persons at stations in addition to any funding secured through Transport Scotland, including from local authorities, Regional Transport Partnerships or others.

Development of the Minor Works Programme should include consultation with the Mobility Access Committee Scotland ("**MACS**") and/or the Disabled Persons Transport Advisory Committee and Passenger Focus.

In addition, any new, or refurbished, rolling stock introduced to the Scottish Rail Network will need to comply with the European Standards set out in the Technical Specification for Interoperability for People with Reduced Mobility ("**TSI PRM**"). This is dealt with in more detail in Delivery Plan 2 (*Ongoing Running of the Railway*).

Planned physical works and rolling stock enhancements must comply with the standards provided for in "Train and Station Design for Disabled Persons: A Code of Practice" (2012), unless otherwise agreed with the prior consent of the Department for Transport.

#### 2.3.2.3. *Providing assistance to passengers*

In terms of providing assistance for passengers, the Franchisee will be required to implement procedures necessary to 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 Assist reporting system; record whether such seating accommodation and/or assistance is actually provided; and provide such records to Transport Scotland on request.

The Bidder is required to consider how, through efficiencies and the application of innovative technology they can, over as short a time as possible, reduce the time needed for logistical staffing planning for passenger assistance to allow for an as seamless as possible passenger assistance offering. The aim is to allow disabled passengers to give the minimum practically feasible amount of advance notice of travel where they will need the passenger assistance service. The ultimate aim is to have arrangements in place that will enable disabled passengers to travel on the passenger services in as similar a way as practically feasible to those that apply to passengers who are not disabled so all passengers can enjoy the freedom to make flexible and immediate use of the Scottish Rail Network.

The Franchisee will need to ensure that staff are familiar with these commitments and reflect them at all times in their dealings with customers/passengers including the Passengers' Charter.

#### 2.3.2.4. Provision of alternative transport for disabled persons

In addition, the Franchisee will be required to make provision for providing alternative transport (normally an accessible taxi) to the nearest accessible station for those eligible passengers, and their companions, who cannot access services because a station or service is inaccessible to that person as a result of their disability. The service will be provided free of charge to the passenger with the cost being met by the Franchisee.

#### 2.3.3. Additional outcomes

Under this Section 2.3.3 (Additional outcomes), Bidders are free to propose additional outcomes that demonstrate that they will tackle accessibility issues beyond the legal / contractual minimum. Bidders may also wish to demonstrate ways in which they will build on the existing level of engagement with the disabled community to proactively protect and enhance the journey experience for disabled passengers.

Additional funding of initiatives in this sub-plan, over and above the £350,000 per annum mandated, may be proposed but only where this is committed from third party sources. Bidders are encouraged to engage with community and stakeholders to gain access to additional sources of funding.

### 2.4. Managing Disruption

#### 2.4.1. Background

The Scottish Ministers are committed to improving the overall passenger experience on Scottish railways. The Scottish Ministers have initiated a programme of major infrastructure upgrades during the course of the next ScotRail franchise. These include schemes such as the Edinburgh – Glasgow Improvement Programme and on-going Network Rail improvements which involves major works on the line, as well as the major re-development of Queen Street Station. A key element of improving passenger experience is related to the provision of passenger information and customer service during these periods of construction, and other instances of planned and unplanned disruption. See paragraph 8 of Schedule 1.2 (*Operating Obligations*) of the Franchise Agreement for further details.

#### 2.4.2. Transport Scotland requirements

##### 2.4.2.1. Major Infrastructure Projects

##### Edinburgh-Glasgow Improvement Project (EGIP)

Network Rail is currently progressing the Edinburgh to Glasgow Improvement Project (“**EGIP**”). This project is a major investment project for rail in Scotland, with a cost estimate of £650million, which will provide increased capacity and faster rail services between Scotland’s two principal cities. It essentially comprises two major elements of infrastructure improvement – the electrification of the line between Glasgow and Edinburgh via Falkirk High and a major redevelopment of Queen Street Station in Glasgow. The electrification of the Dunblane-Alloa-Stirling lines is planned for completion by December 2018 as part of the Scottish Government’s CP5 electrification programme.

More information on EGIP is provided in the Data Site. This includes engineering drawings, testing and commissioning plans, Track Access Agreements and detailed operating information. The material in the Data Site is the best available at this time but may change. The successful Bidder, as operator, will be expected to monitor, adapt to (and where possible influence) such change, working closely with Network Rail

The draft timeline for delivery of the EGIP and related parts of the HLOS infrastructure programmes are given below:

Date	Output
<b>December 2016</b>	Electrification of the core Edinburgh to Glasgow via Falkirk High route complete.  New Edinburgh Gateway Station open on the Fife line at Gogar outside Edinburgh.  No changes to the existing timetable.  It is required that a 7 23m car electric train* operates (or an electric train of equivalent length which delivers the required capacity for the service) in each direction in each peak period by December 2016.
<b>December 2017</b>	Phased introduction during 2017 - the ScotRail franchise will require that new electric trains be introduced to the Edinburgh to Glasgow via Falkirk High route, including 7 23m car formations, with an all electric fleet* in place by December 2017.  A revised timetable should be in place for December 2017 achieving some journey time benefits, including a headline of 44 minutes or better but not necessarily the ultimate 42 minute target which is due for delivery 12 months later.  7 23m car formations should be run during 2017.
<b>December 2018</b>	Dunblane/Alloa/Stirling electrification complete.  Electric trains should be run on all services* (Edinburgh-Glasgow via Falkirk High and Dunblane/Alloa/Stirling).  Introduction of 42 minute headline timetable for Edinburgh-Glasgow.  Completion of Queen Street Station redevelopment.  Introduction of 8 23m car formations to follow on Edinburgh to Glasgow via Falkirk High route using the lengthened platforms.

\* Bidders should note that the Franchisee may operate diesel trains in exceptional circumstances for occasional, temporary or other valid operational reasons, agreed in advance with Transport Scotland.

#### EGIP – Infrastructure works

The electrification of the route between Glasgow Queen Street Station and Edinburgh Waverley (via Falkirk High) involves enhancing the existing service of four trains per hour by the introduction of new Electric Multiple Units (“**EMUs**”), strengthened to operate as double formations during peak periods. In addition, there will be infrastructure changes to Haymarket Station (already being progressed), a new station at Edinburgh Gateway with connections to the Fife line and enhancements to Edinburgh Waverley and Glasgow Queen Street in CP5.

Bidders should specify how they plan to co-operate and engage with Network Rail (and other parties) to ensure the safe and efficient completion of the Edinburgh-Glasgow via Falkirk High Improvement Programme. This includes plans for periods of service disruption and integration with the testing and commissioning procedures for the new rolling stock (cross referenced to Delivery Plan 6 (Service Development)).



EGIP – Glasgow Queen Street redevelopment

Proposals for improvements to passenger experience and capacity at Glasgow Queen Street station are being developed in conjunction with the EGIP requirement to extend a number of the platforms to accommodate longer trains. Concept plans have been developed and are contained within the Data Site.

Bidders should describe how they plan to co-operate and engage with Network Rail (and other parties) to ensure the safe and efficient completion of the Glasgow Queen Street redevelopment. This includes plans for periods of disruption, including the management of services that may need to be curtailed or diverted during construction works.

Bidders should note that when the redevelopment of Glasgow Queen Street station progresses, the Franchisee will lose all the then existing commercial retail income. Whether or not the redeveloped station will become a Major Station has yet to be determined.

Dunblane/Alloa/Stirling Electrification

The extension of electrification works to Dunblane, Alloa and Stirling will allow journey time reductions for those suburban services terminating at these stations and will also facilitate EGIP journey time improvements on the Edinburgh to Glasgow via Falkirk High route.

Bidders should describe how they plan to co-operate and engage with Network Rail (and other parties) to ensure the safe and efficient completion of the Dunblane/Alloa/Stirling improvement. This includes plans for periods of disruption, including the management of services that may need to be curtailed or diverted during construction works.

Other planned / unplanned works

There are a number of other infrastructure projects that are being planned that may impact upon the ScotRail franchise. These include the Highland Main Line upgrade and the improvements to the Inverness to Aberdeen Line. These projects are much less defined than the EGIP and initial HLOS example highlighted above, so the Franchisee will be in a much stronger position to influence the planning of works on these projects so as to minimise disruption. Any information relating to these projects contained on the Data Site is provided purely as background information.

In addition, there are likely to be a series of other planned and unplanned works during the course of the ScotRail franchise associated with items such as renewals and repairs including Queen Street High Level Tunnel slab track renewal.

Bidders should specify how they plan to co-operate and engage with Network Rail (and other parties) to deal with planned and unplanned works in relation to other infrastructure upgrades, renewals management and other works. Transport Scotland looks to Bidders to work with Network Rail to optimise delivery of Network Rail's work as committed for CP5 in a manner which minimises adverse impacts on passengers and revenue.

*2.4.2.2. Managing the passenger experience during disruption*

The Franchisee will be an organisation that recognises that it is crucial to provide accurate information in times of delay and disruption. They will work proactively with other transport information providers to integrate rail travel information to facilitate access to Scottish public transport overall and work to minimise the impact of disruption on passengers and potential passengers.

Bidders shall demonstrate their commitment to minimising the effects of disruption by demonstrating how they will provide passenger information during disruption (planned or otherwise) in a timely, reliable and consistent manner; how they will communicate this information to front-line customer-facing staff and train them to handle passenger and potential passenger enquiries; and demonstrate how they will embrace developing technologies and utilise it to maximise the delivery of information for passengers and potential passengers.

In order to comply with revised ORR licensing conditions (Passenger Information During Disruption – PIDDD), Bidders shall provide details of their communications plans for passengers during times of service disruption (including planned and un-planned service alterations) within a draft 'Dealing with Disruption Plan'; provided as part of their Bid. This Plan should consider how to utilise developing technologies ensuring one accurate source of information that feeds through simultaneously to:

- Station, train and call centre staff (e.g. smart phones or other similar technology);
- Station information screens;
- Station announcements;
- Social networking media;
- Websites, including their own and Traveline Scotland;
- Customer mobile devices – text services and apps; and
- Any new technology that is developed during the lifetime of the ScotRail franchise and becomes commonly used.

Bidders shall include details of how they will seek to provide alternative transport during times of service disruption. Bidders should consider the provision of alternative transport as a passenger requirement during service disruption, whenever it is practicable to do so, and when other public transport is not available.

The 'Dealing with Disruption Plan' shall also detail what steps will be taken to negotiate with other public transport providers in an effort to have a valid train ticket accepted as the passenger having "paid their fare" for a journey completed via other means.

Linked with the other front-line customer services staff elements outlined in this Delivery Plan, Bidders should outline their plans to ensure that those staff are equipped with knowledge to provide passengers with details of the alternative transport appropriate to a particular route and details of alternative modes of transport available in the locale.

The Franchisee will prepare realistic contingency plans in conjunction with Network Rail and other operators, that cater for widespread disruption, e.g. as seen during the severe winter of 2010-11. At all times, the focus will be on providing the optimum service for passengers and potential passengers, overriding any perverse incentives that might be encountered in performance regimes. This should be cross-referenced with Section 2.4 (*Weather Resilience*) in Delivery Plan 2 (*Ongoing Running of the Railway*).

Bidders will also detail how they will work with other TOCs and Network Rail in the event of disruption to their own or other TOC services to ensure passengers and potential passengers are kept informed throughout periods of disruption including expectations of return to normal service, alternative transport arrangements etc.

The Franchisee will be required to provide an appropriately trained and empowered member(s) of staff to attend the Scottish Government's Resilience Room when requested to do so. This is a co-ordination facility, run by the Scottish Government that is activated in cases of national emergency or crisis, or during events abroad with major implications for the UK.

The Franchisee will be required to make, and share with Transport Scotland, control logs concerning disruptive events on the Scottish Rail Network. The Franchisee should share lessons learned with Transport Scotland, put measures in place to minimise the risk of these disruptive occurrences in future and report to Transport Scotland, after major disruptive events, on the effectiveness of the mitigation measures.

How well the Franchisee performs at the 'Dealing with disruption' element of NPS will be monitored throughout the Franchise Term through management of the Franchisee's performance. There will be an absolute low threshold of 38% that, should the ScotRail franchise not achieve this, may result in a Remedial Plan followed by Termination at the discretion of the Scottish Ministers.

### 2.4.3. Additional outcomes

Under this section, Bidders are free to propose measures leading to additional outcomes that will further manage and minimise the disruption to passengers.

Credible plans should be prepared for working closely with Network Rail and other stakeholders to deliver valuable improvements in the approach to planning in a way that avoids the need for disruption, including during the construction of the EGIP and HLOS electrification programmes. Where disruption is unavoidable, then approaches which minimise the level of disruption should be pursued.

How well the Franchisee performs at the 'Dealing with disruption' element of NPS will be monitored throughout the Franchise Term through management of the Franchisee's performance. Where disruption is unavoidable, credit will be awarded for innovations or undertakings on information provided during periods of planned and unplanned disruption. Bidders should reinforce their proposed approach by providing Committed Obligations to meet higher targets for this measure than the standard contractual minimum of 38%. Bidders should provide defined financial penalties for failure to deliver on these commitments, sufficient to incentivise their efforts to achieve them.

## DELIVERY PLAN 6: Service Development

### 1. Introduction

Within this Delivery Plan, Bidders will be expected to outline how they will support service development initiatives. This will include the delivery of train services enabled by planned infrastructure projects during the Franchise Period, as specified in the Scottish Government Infrastructure Investment Plan 2011 and the Scottish Ministers' High Level Output Specification 2012. It will also include the achievement of better journey times for passengers, enabled by planned projects and to take other opportunities to achieve this aim.

Bidders must be flexible to accommodate emerging or new policy aspirations or project proposals developing or implemented before March 2014 and during the Franchise Period. The Franchisee must also work closely with Network Rail and Transport Scotland to develop and implement service improvements in line with the Scottish Government's three-tiered investment hierarchy:

- Tier 1 - To maintain and operate existing assets;
- Tier 2 - To make better use of existing capacity; and
- Tier 3 - To consider targeted infrastructure requirements.

The information contained within this Delivery Plan includes the latest service developments required at this time.

### 2. Franchise requirements

Delivery Plan 6 (*Service Development*) is presented as a series of sub-plans, each in three parts:

- Part 1 sets out background information relating to Transport Scotland's requirement for the sub-plan;
- Part 2 outlines "*Transport Scotland's requirements*" i.e. those proposals / initiatives which are considered to be a minimum contractual requirement and essential to the successful delivery and operation of the ScotRail franchise. In their response, Bidders must demonstrate a clear understanding of these contractual requirements and provide robust evidence to demonstrate their ability to deliver the requirements; and
- Part 3 refers to "*additional outcomes*" which provides Bidders with the opportunity to present additional outcomes which go beyond the minimum requirements and demonstrate added-value towards the delivery of Franchise Objectives. In developing proposals, it should be noted that Transport Scotland expects a priority and emphasis on good practice, innovation and successful management rather than directly on additional operating expense or investment, except where the value of modest additional expenditure is fully explained and makes a compelling contribution to the Franchise Objectives.

#### 2.1. EGIP & HLOS rolling stock initiatives

##### 2.1.1. Background

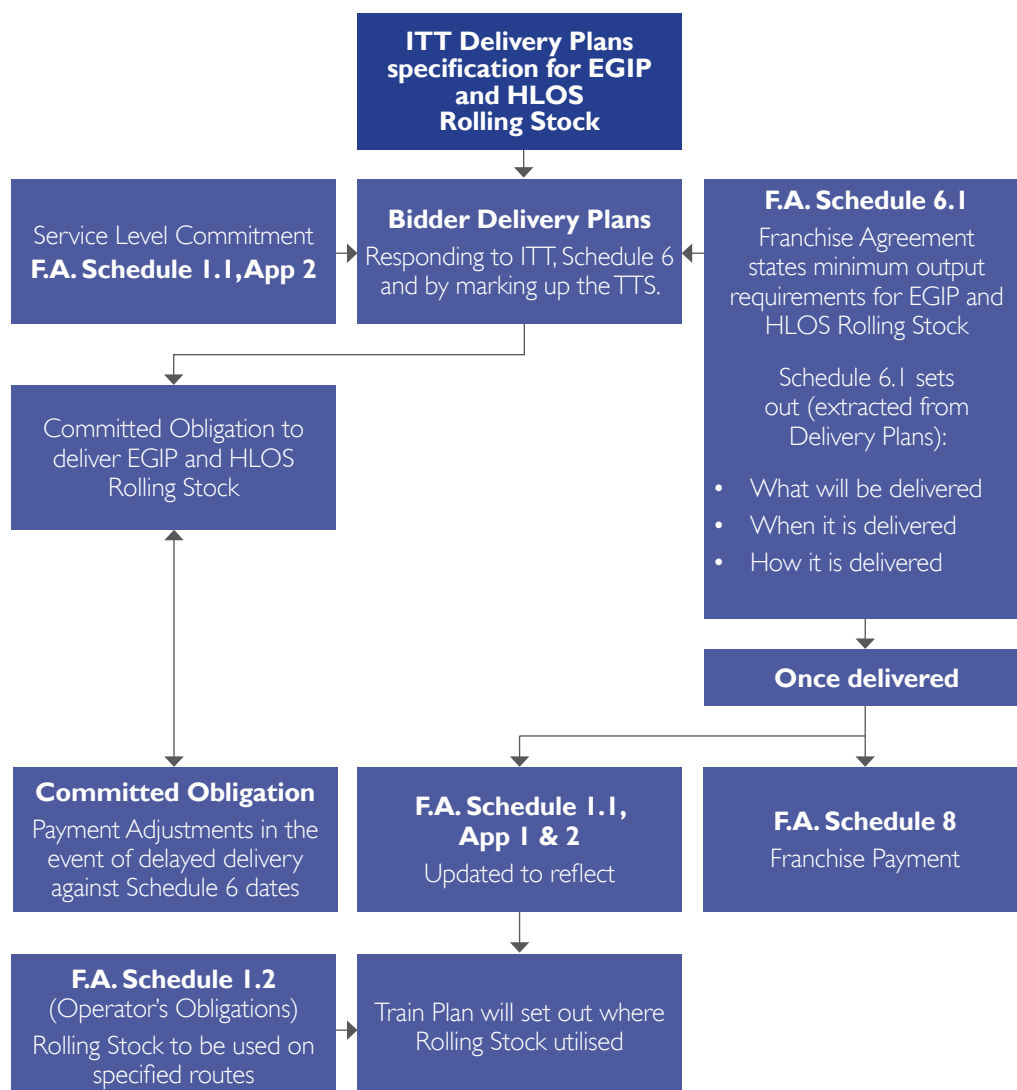
The Scottish Ministers have initiated a programme of major upgrades to the Scottish Rail Network during the course of the next ScotRail franchise. These schemes include the EGIP and the subsequent HLOS Electrification scheme to Dunblane, Alloa and Stirling. To deliver the capacity and timetable improvements enabled by these infrastructure enhancements, the Franchisee will be expected to procure and successfully introduce rolling stock to deliver the benefits of the upgraded infrastructure.

The timelines for the delivery of the EGIP and HLOS infrastructure programmes are given in the following table:

Date	Output
<b>December 2016</b>	<p>Electrification of the core Edinburgh to Glasgow via Falkirk High route complete.</p> <p>New Edinburgh Gateway Station open on the Fife line at Gogar outside Edinburgh.</p> <p>No changes to the existing timetable.</p> <p>It is required that a 7 23m* (or an electric train of equivalent length which delivers the required capacity for the service) operates in each direction in each peak period by December 2016.</p>
<b>December 2017</b>	<p>Phased introduction during 2017 - the ScotRail franchise will require that new electric trains be introduced to the Edinburgh to Glasgow via Falkirk High route, including 7 23m car formations, with an all electric fleet* in place by December 2017.</p> <p>A revised timetable should be in place for December 2017 achieving some journey time benefits, including a headline of 44 minutes or better but not necessarily the ultimate 42 minute target which is due for delivery 12 months later.</p> <p>7 23m car formations should be run during 2017.</p>
<b>December 2018</b>	<p>Dunblane/Alloa/Stirling electrification complete.</p> <p>Electric trains* should be run on all services (Edinburgh-Glasgow via Falkirk High and Dunblane/Alloa/Stirling.</p> <p>Introduction of 42 minute headline timetable for Edinburgh-Glasgow.</p> <p>Completion of Queen Street Station redevelopment.</p> <p>Introduction of 8 23m car formations to follow on Edinburgh to Glasgow via Falkirk High route using the lengthened platforms.</p>

\* Bidders should note that the Franchisee may operate diesel trains in exceptional circumstances for occasional and temporary operational reasons.

The specification for EGIP rolling stock set out in this ITT must be read in conjunction with Schedules 1.1 (*Service Development*) and 6.1 (*EGIP & HLOS Rolling Stock*) of the Franchise Agreement to develop the corresponding Bidder Delivery Plan. The Committed Obligations, scope, programme and specification offered in the Bidder Delivery Plan will be contractualised into Schedule 6 (*Rolling Stock*) of the Franchise Agreement. Once delivered, the EGIP rolling stock will be added to the Train Plan and the revised Service Level Commitment. This process is depicted in the diagram below.



The remainder of this Section 2.1 sets out Transport Scotland's requirements for the rolling stock procurement and the subsequent successful introduction of this rolling stock. Bidders will need to set out in detail their proposals to achieve Transport Scotland's requirements.

## 2.1.2. Transport Scotland's requirements

### 2.1.2.1. EGIP rolling stock

Bidders shall be responsible for procurement of a fleet of electrical multiple units for operation of services on the Edinburgh – Glasgow via Falkirk High route, with staged introduction of the electric service to meet the timelines in the table in Section 2.1.1 (*Background*) above. It is expected that this will need to be a new-build fleet. Alternatives to new trains would have to be equivalent to new quality in all respects and Bidders will have to give compelling assurance that alternatives to new trains will meet the delivery deadlines. The key dates for the procurement and introduction of the EGIP Rolling Stock are as follows:



- **December 2016** – start of electrified services with a minimum of one 7 23m-car electric train formation (or an electric train of equivalent length which delivers the required capacity for the service) operating in each direction during the peaks, to the existing diesel timings. This is to be operated with a limited number of trains of 7 23m-car electric train formations (or an electric train of equivalent length which delivers the required capacity for the service) which are either newly built for the purpose or which have recently been refreshed to 'as new' interior and exterior standard and delivers the required capacity for the service (a minimum of 2 in-service sets and 1 spare are required);
- **December 2017** – all services on the route to be operated by new electric trains with 7 23m car electric train formations, with a basic 4tph service pattern as at present, but with journey times improved as far as practicable given timetabling constraints. Bidders are required to state what the minimum, maximum and average journey times that they believe can be committed to are and should include a headline journey time of 44 minutes or better; and
- **December 2018** – new electric EGIP timetable introduced with 42 minute headline journey time with 3 intermediate stops – assumed to be Haymarket, Falkirk High and Croy (subject to completion of Glasgow & Edinburgh – Dunblane/Alloa/Stirling electrification). The current timetabling work suggests that the services will run between the two cities at 43 minutes in the peak period and at 42 minutes in the off-peak period. This is to be operated with the new electric rolling stock procured for the Glasgow – Edinburgh via Falkirk High services operating in 8 23m car electric train formations, (subject to completion of redevelopment of Glasgow Queen Street station by this date).

The key activity and date outlined above is that a full new fleet procured for the Glasgow – Edinburgh via Falkirk High services is in service and operating the route by December 2017. Transport Scotland wishes Bidders to provide confidence in delivery by this date, with consideration given to delivery, testing, commissioning and introduction to passenger service, noting that some of these activities may need to be planned to align with Network Rail delivery of the electrification and other infrastructure works. Assurance of complete introduction to passenger operations by this date is critical (see Section 2.1.3 (*Additional Outcomes*) below).

Information relating to the EGIP project has been placed on the Data Site including infrastructure specification from Network Rail. The material in the Data Site is the best available at this time but may change. The successful Bidder, as Franchisee, will be expected to monitor, adapt to (and where possible influence) such change, working closely with Network Rail. Bidders should note that they are required to interface with Network Rail directly on systems integration issues.

The trains proposed shall:

- have the necessary characteristics to meet the above requirement and those set out in more detail in Appendix 3 (*Rolling stock quality specification (passenger facing element)*) and Schedule 6 (*Rolling Stock*) of the Franchise Agreement and associated SLC;
- comply with Network Rail's Train-Infrastructure Interface Specification ("**TIIS**") specifying the infrastructure interface, a version of which is available to Bidders in the Data Site Section 14. Bidders should take account of this version and seek a common understanding with Network Rail during the Bid preparation period on how this will be finalised between them prior to contract signature;
- make best use of the upgraded infrastructure on the route to provide the maximum capacity and journey time, subject to the requirements for passenger facing elements set out in Appendix 3 (*Rolling stock quality specification (passenger facing element)*) and Schedule 6 (*Rolling Stock*) of the Franchise Agreement; and
- meet the technical characteristics that Transport Scotland requires for this new build rolling stock, as set out in Schedule 6.1 (*EGIP & HLOS Rolling Stock*) of the Franchise Agreement.

Bidders should also note that there are expectations that a high-quality passenger environment will be provided.

Bidders should set out how any risks around delivery timing and any associated rolling stock cascades will be managed – any significant availability dependence on the timing of projects or rail franchising elsewhere will not be acceptable.

Transport Scotland has provided Bidders with a specimen EGIP Rolling Stock Train Technical Specification which is available in the Data Site (the “**Specimen Specification**”).

The Specimen Specification has been provided to Bidders in order to assist them in interpreting Transport Scotland's requirements for the new EGIP Rolling Stock as set out in Appendix 2 to Schedule 6.1 (*EGIP & HLOS Rolling Stock*) (the “**Output Requirement**”) and reflected in the criteria for the quality and deliverability assessment of Delivery Plan 6 (*Service Development*).

As part of Delivery Plan 6, Bidders are required to confirm that they will meet the Output Requirement and will be required to submit a Train Technical Specification for the EGIP Rolling Stock which will be an Agreed Form document in terms of the Franchise Agreement (the “**Bidders Technical Specification**”).

Bidders are not required to procure EGIP Rolling Stock which complies with the Specimen Specification and may depart from the terms of the Specimen Specification, subject to complying with the requirements set out below.

The Specimen Specification has been prepared in good faith but if Bidders are considering procuring the EGIP Rolling Stock using the Specimen Specification, they must satisfy themselves as to its adequacy, sufficiency and completeness. Bidders must satisfy themselves that the Specimen Specification will achieve the Output Requirements and all the other requirements of the Franchise Agreement. Any reliance on the Specimen Specification is entirely at the Bidder's risk. No warranty or undertaking (express or implied) is or will be given by Transport Scotland that the Specimen Specification meets the Output Requirements or is otherwise fit for purpose. Transport Scotland, its officers, employees, agents or advisers accept no liability or responsibility for the Specimen Specification.

Bidders are required to consult with Transport Scotland in relation to any departure from the Specimen Specification and details in relation to the departure must be provided to Transport Scotland no later than 8 weeks prior to Bid submission. All departures must be notified by Bidders to Transport Scotland as a confidential clarification request through the Data Site by no later than 20 February 2014. Transport Scotland will consider all departures and will use all reasonable endeavours to provide comments at a meeting within 2 weeks of receiving the submitted details from the Bidder. Comments made at that meeting will be recorded in writing.

All departures from the Specimen Specification must be clearly marked in Bidders' submissions and accompanied by a clear explanation of the rationale behind the departure. This explanation should identify the benefit to Transport Scotland in accepting the departure with reference in particular to delivery of the Franchise Objectives.

Departures will be evaluated in accordance with the criteria for the quality and deliverability assessment for Delivery Plan 6 (*Service Development*), with particular reference to the explanation for the departure provided by the Bidder. Comments made by Transport Scotland at the meeting or in writing (whether positive or negative) shall not restrict Transport Scotland's right to evaluate such departures and score them as it sees fit having undertaken the full evaluation of the Bidder's submission.

Any material departure:

- which is not clearly marked in Bidders' submissions; or
- in respect of which Transport Scotland was not consulted on; or
- which is not equal to or better than the base line provided in the Specimen Specification in terms of delivery of the Franchise Objectives, may result in a Bid submission being rejected on the grounds of non-compliance.

All fleets proposed by Bidders for EGIP (for introduction in the year to December 2017 and for operating the timetable from that date) and HLOS are required to meet the detailed minimum requirements set out in Appendix 3 (*Rolling stock quality specification (passenger facing element)*) and Schedule 6.1 (*EGIP & HLOS Rolling Stock*) of the Franchise Agreement, including:

- High quality and safe passenger environment consistent with modern passenger rolling stock in the UK and Europe;
- 2+2 seating in standard class;
- If the Franchisee proposes to include First/Business Class, there should be a clear differentiation between the quality of First/Business and standard class accommodation;
- Comfortable seats aligned with windows where practicable and where this does not lead to a significant loss in capacity;
- Air conditioning;
- Toilet provision;
- Facilities for storing large items of luggage and overhead racks for smaller luggage;
- Flexible space for pushchairs/prams and cycle storage facilities;
- 230V power sockets per pair of seats;
- Tables at all seats (may be fixed or folding);
- No more than 50% of the seats should be “airline” style;
- Accessibility provision;
- CCTV coverage; and
- Wi-Fi provision.

All rolling stock needs to be able to work safely and reliably in the ambient winter/summer weather conditions experienced in the Network Rail Scotland area. Any trains newly introduced to Scotland (whether newly built for the purpose or redeployed from elsewhere) shall, as a minimum, comply with the TSI PRM requirements that will be in force post December 2019, when they enter service.

The delivery of this rolling stock is critical to the success of EGIP and delivering the associated passenger benefits. As a minimum, it is expected that all Bidders will be able to demonstrate that they will be capable of delivery of these units into traffic to meet the December 2017 timetable change. Bidders should note that in the event of late delivery, Transport Scotland will not enter into any discussion on changes to the ScotRail franchise. Any Liquidated Damages that the Franchisee receives will be subject to a flow through to Transport Scotland; and the financial effects of any late delivery will be excluded in any revenue support and profit share calculations all to the effect that the financial risks for late delivery will be solely at the Franchisee’s risk. Bidders will be expected to provide this commitment to timely delivery regardless of any reasonable variation of the date of Franchise contract signature from the timeline stated in this ITT. Bidders should state the latest date of Franchise contract signature for which they are able to hold this commitment open, which should be not earlier than 19 December 2014.

Due to the critical nature of the rolling stock delivery Transport Scotland will award additional marks for Bidders whose plans demonstrate a thorough understanding of rolling stock service entry, the risks associated with new rolling stock deployment and have a detailed risk mitigation plan for delivery to maintain the full fleet introduction for the 2017 timetable change. For Bidders to demonstrate their ability as a minimum they should include:

- A delivery plan for service entry for the rolling stock from order placement to timetable launch in December 2017;
- A detailed plan showing how any new infrastructure interface equipment can be pre tested for service introduction;
- A public communication plan, reflecting the importance of this major infrastructure project, detailing how the Bidder would communicate the progress of delivery of the units to Transport Scotland and other interested parties involved with the EGIP programme;
- A risk matrix with detailed actions to mitigate late service entry for the rolling stock;
- A management plan detailing how the Bidder will manage the process of acceptance of the new trains;

- A process for modification management for early introduction teething faults;
- A spares management plan detailing how delivery of early units will be supported through the warranty phase;
- A detailed unit acceptance procedure detailing the process for qualified acceptance, full acceptance and the processes for removing snagging lists by the manufacturer;
- A detailed unit acceptance plan detailing how the fault free running period of the train would be managed including the strategy and routes proposed to be used for train testing;
- A depot migration plan to show how the new units will fall seamlessly into an on-going maintenance regime for unit delivery into service post;
- A detailed maintenance plan for on-going delivery post unit acceptance;
- A management plan of how they intend to integrate the rolling stock delivery with Network Rail across the EGIP and HLOS work;
- Acceptance testing plan for integration with the infrastructure; and
- A performance demonstration and reliability growth plan.

As part of their overall Fleet Plan, Bidders shall set out their proposals for redeployment, hand back or sub-lease of the diesel fleet currently operating on the Edinburgh – Glasgow via Falkirk High route, after commencement of the full electric service in December 2017.

Bidders may offer their own proposals for maintenance and stabling of the EGIP fleet, supported by appropriate justification setting out the benefits for all stakeholders.

Bidders should note that previous work carried out by Transport Scotland concluded that a new depot on existing railway land at Millerhill would provide an option for maintenance of the EGIP fleet. Network Rail has submitted a detailed planning application to Midlothian Council which has been approved to safeguard such an option. Previous planning by Transport Scotland envisaged that a rolling stock manufacturer would design and build the depot on behalf of Network Rail who confirmed at that time that, subject to their acceptance procedures, they would be prepared to accept such a depot upon completion. Bidders may propose alternative maintenance strategies where they can demonstrate that these are in the long term interests of the Scottish Ministers.

Previous work carried out by Transport Scotland indicated that additional stabling facilities will be necessary at the eastern end of the route, and the EGIP Project is providing stabling at Millerhill (East of Edinburgh) for this purpose. At the Western end, there is a particular constraint, being the inability of the Eastfield stabling site in Glasgow to currently accept 4 23m car units due to the headshunt only accommodating 3 23m car units. Bidders should set out their proposed arrangements for stabling of the EGIP fleet and demonstrate how this delivers optimum benefits for stakeholders over the long term.

#### 2.1.2.2. *Procurement of additional HLOS rolling stock*

Following on from the EGIP scheme, the first HLOS electrification project is the electrification of the Dunblane/Alloa/Stirling route. Bidders shall be responsible for the procurement of a fleet of electrical multiple units for operation of services on the Dunblane/Alloa/Stirling routes, with staged introduction of the electric service to meet the timelines in the table in Section 2.1.1 (*EGIP and HLOS Rolling Stocks Initiatives Background*) above.

The key dates for the procurement and introduction of the HLOS Rolling Stock are to have the fleet in service and fully operational in time for the December 2018 timetable.

Bidders will need to highlight how they will procure and ensure the successful introduction of services. This will include, but not be limited to, the ability of the train characteristics to meet the requirements of the peak and off-peak timetabling report for EGIP, any associated cascade plans, and plans for maintenance and stabling of the fleet. Bidders should note that a number of these items are only applicable if a new-build fleet is procured, but should be taken to mean any analogous processes if refurbished stock is utilised.

- A delivery plan for service entry for the rolling stock from order placement to timetable launch in December 2018;
- A detailed plan showing how any new infrastructure interface equipment can be pre tested for service introduction;

- A public communication plan detailing how the Bidder would communicate the progress of delivery of the units to Transport Scotland and other interested parties involved with the HLOS programme;
- A risk matrix with detailed actions to mitigate late service entry for the rolling stock;
- A management plan detailing how the Bidder will manage the process of acceptance of the new/refurbished trains;
- A process for modification management for early introduction teething faults;
- A spares management plan detailing with regard to new/refurbished trains how delivery of early units will be supported through the warranty phase;
- A detailed unit acceptance procedure detailing the process for qualified acceptance, full acceptance and the processes for removing snagging lists by the manufacturer;
- A detailed unit acceptance plan detailing how the fault free running period of the train would be managed including the strategy and routes proposed to be used for train testing;
- A depot migration plan to show how the new/refurbished units will fall seamlessly into an on-going maintenance regime for unit delivery into service post;
- A detailed maintenance plan for on-going delivery post unit acceptance; and
- A management plan of how they intend to integrate the rolling stock delivery with Network Rail across the HLOS work.

Bidders should also explain any interaction that there may be between the procurement of rolling stock for EGIP and the Dunblane/Alloa/Stirling scheme. Achieving the desired journey time on EGIP is dependent upon the inter-workings with trains on Dunblane/Alloa/Stirling, so the interaction between the two routes is a crucial part of achieving the desired outcomes.

Any fleets proposed by Bidders are required to meet the minimum requirements set out in Appendix 3 (*Rolling stock quality specification (passenger facing element)*) and Schedule 6.1 (*EGIP & HLOS Rolling Stock*) of the Franchise Agreement.

Rolling stock procured for future HLOS projects shall meet the applicable requirements set out in Schedule 6.1 (*EGIP & HLOS Rolling Stock*) of the Franchise Agreement for the route or group of services upon which the fleet will be deployed.

#### 2.1.2.3. Section 54 undertaking

Transport Scotland is prepared to offer a Section 54 undertaking in support of the procurement of new build rolling stock. Bidders are free to decline this offer if they wish, but must set out their rationale for accepting or declining a Section 54 undertaking and demonstrate how their Bid ensures best value is delivered.

The Section 54 undertaking that Transport Scotland is prepared to offer will be on the basis of capped lease costs beyond the life of the ScotRail franchise and classified as off balance sheet. The undertaking will be a usage rather than a revenue guarantee and will only guarantee that the fleet will not become an off lease fleet at the expiry of the lease period when the undertaking is in force (for example, it will not guarantee capital rentals in the event of a customer default but rather gives access to a succession of future franchisees).

#### 2.1.3. Additional outcomes

In relation to the procurement and introduction of electric rolling stock for the EGIP infrastructure project, Bidders should demonstrate their commitment and ability to successfully deliver to the key date of December 2017, when it is expected that a full electric rolling stock fleet is in service and operating along the Glasgow – Edinburgh via Falkirk High route. Surety of delivery is a key requirement for Transport Scotland and evidence will be required of this ability to deliver. Where bidders are able to offer a greater degree of resilience of this timely delivery to the date of Franchise contract signature, they should state this as a commitment (including any limits on it) and this will be credited proportionately, as a valuable additional outcome.

In relation to both the EGIP and HLOS electrification projects, Transport Scotland is also interested in more ambitious proposals to decrease stated end-to-end journey time targets, the achievement of which will be taken into account in the evaluation process. Transport Scotland accepts in principle that, in order to optimise the benefits for passengers of the EGIP timetable from December 2018, minor increases to journey times (defined as being +3 minutes or +10% of journey time, whichever is the smaller) may be required for services on other routes where these are inter-diagrammed (share infrastructure) with the E&G route. However, the overall requirements for maintaining journey times and the objective of journey time improvement, especially on inter-city routes, should be noted as set out in other Delivery Plans.

Bidders must use the Query Process (detailed in Section 2.7 (*Query Process*)) to test any proposals for flexing the SLC in these areas ahead of submitting their Bid. Transport Scotland will not confirm outright whether proposals are acceptable until it sees the full proposition contained in the Bid but may identify proposals that are not acceptable in themselves.

Transport Scotland is also interested in achieving longer term value / efficiencies over the lifetime of the ScotRail franchise by adopting a whole-life costs approach to the rolling stock procurement. Whole-lifecycle costs leading to optimal long term value will be acknowledged as a positive additional outcome in the Delivery Plan evaluation where it can be committed and verified.

#### 2.1.4. Supporting information required

As part of the Bidder's submission, the following supporting information should be provided separately in a form suitable for inclusion and contractualisation within Schedule 6 (*Rolling Stock*) of the Franchise Agreement, to complement the Delivery Plan:

- Compliance with requirements for the rolling stock to operate the electrified Glasgow – Edinburgh via Falkirk High and Dunblane/Alloa/Stirling services;
- A Train Technical Specification document for the rolling stock to operate the electrified Glasgow-Edinburgh via Falkirk High and Dunblane/Alloa/Stirling services (whether new or fully refurbished rolling stock is offered a Train Technical Specification is required to be provided); and
- Working Timetables and Diagrams (fully resourced) for each of the stages of introduction of the Glasgow-Edinburgh via Falkirk High services and Dunblane/Alloa/Stirling electrified services that are in a form that can be verified by Network Rail.

Any additional supporting information that provides assurance around surety of delivery, assists in the assessment of faster journey times, and provides evidence of efficiencies in whole-life costs, should also be provided as part of the submission.

## 2.2. Inter-city initiatives

### 2.2.1. Background

The Scottish Ministers are committed to improving inter-city services as part of the new ScotRail franchise. This includes a desire to improve the passenger environment by increasing the quality and comfort of the rolling stock operating inter-city services. The Scottish Ministers are also committed to reducing journey times between the key cities and have committed to a series of infrastructure schemes to this end, which will be delivered in CP5 and CP6.

The key stakeholder ambitions for the inter-city routes and perceptions of the current provision by existing passengers are set out in the consultation document "Rail 2014" as well as the "Extended Tay Estuary Rail Study" ("**TERS**") and passenger surveys undertaken by Passenger Focus in September 2011 – "Passenger Priorities and Drivers of Satisfaction (Scotland)". Copies of these documents are included within the Data Site. The outcomes from these documents suggest that some passengers are unhappy with elements of the current provision by the Class 170 (and also Class 158) units in operation on inter-city services.

Within this sub-plan (*Inter-city initiatives*), the term "inter-city" services are defined as those services operated by ScotRail between Glasgow and Aberdeen; Glasgow and Inverness; Edinburgh and Inverness; Edinburgh and Aberdeen; and Aberdeen and Inverness.



Services between Edinburgh and Glasgow via Falkirk High are excluded from the inter-city definition as they have been dealt with separately elsewhere in Delivery Plan 6 (*Service Development*). Bidders should note that “inter-city” is not a term that ScotRail uses or that Transport Scotland intends to use publicly, but is simply a shorthand term used to define a collection of services. For the avoidance of doubt, Bidders should not use the registered InterCity brand or a variant since the Scottish Ministers do not wish to compromise the value of the strong and popular ScotRail Brand.

Other services operate on these routes from/to Glasgow and Edinburgh from/to Dundee and Perth (amongst other intermediate stops). Except where such services extend to Aberdeen and Inverness, they do not need to form part of this inter-city initiatives sub-plan.

## 2.2.2. Transport Scotland’s requirements

Transport Scotland wishes to improve the passenger experience on the Scottish inter-city network. This desire for improvement relates to all aspects of the inter-city journey experience, including improvements to the passenger environment, on-board services and increased frequency. Transport Scotland is also looking for reductions to journey times between key cities, particularly Inverness to the Central Belt and Aberdeen to the Central Belt.

The operating and passenger demand characteristics of Aberdeen to Inverness services are different from those of the Inverness to Central Belt and Aberdeen to Central Belt routes. Transport Scotland expects the passenger facing features of the rolling stock to be comparable for all these routes, but recognises that the rolling stock used may be different.

This plan will be evaluated using the RADAR® approach as adopted in the remainder of the Delivery Plan sections of this ITT. Bidders should note however, that for the avoidance of doubt, any journey time savings will receive credit separately in an add-on to this sub-plan, as they will feed into an adjustment to the NPV of the Bid. For the purpose of the main plan, the minimum requirement on journey times will be a situation no worse than that which currently exists. Assessment of journey time savings is considered in more detail in Section 2.2.4 (*Journey Time Savings*) below.

### Improvements to the passenger environment

Bidders shall ensure that on all inter-city services they only use rolling stock that, in addition to all the existing passenger facilities, complies with the following minimum specification. The full requirements are set out in Appendix 3 (Rolling stock quality specification (*passenger facing element*)) and Schedule 6.2 (*Inter-city Rolling Stock*) of the Franchise Agreement.

- High quality and safe passenger environment consistent with modern inter-city passenger rolling stock in the UK and Europe. This condition is to be maintained throughout the Franchise Term, by means of an interior refresh if necessary;
- Bogied vehicles;
- Standard Class accommodation with a seating density no greater than a 2+2 seat configuration;
- Where First / Business Class is provided, a clear differentiation between quality of First / Business and Standard Class accommodation;
- Seats aligned with windows where practicable and where this does not lead to a significant loss in capacity or unacceptable leg room;
- Air conditioning and appropriate heating, including during station stops;
- Toilet provision: where routes and services in Scotland are operated currently with rolling stock that have controlled emission toilets installed, this must continue. Where routes and services in Scotland are operated currently with rolling stock that do not have controlled emission toilets installed, Bidders must provide evidence of a plan to provide rolling stock for that route and service that will have CET retention tanks installed on or before 1 January 2020. Any rolling stock which does not have CET retention tanks installed from the commencement of the ScotRail franchise shall have a reliable means by which toilets are prevented from emptying whilst the train on which they are equipped is stationary within stations until 1 January 2020;

- Facilities for storing large items of luggage within sight/proximity of passengers when seated – which in terms of capacity should be taken to be the same as provided currently on a ScotRail Class 170 with the addition of an extra luggage stack in each carriage which will occupy the space of approximately two seats; overhead racks for airline cabin style luggage, flexible space for pushchairs/prams and cycle storage facilities (minimum 2 cycles per 3 car multiple unit or equivalent);
- Wi-Fi (capability fully compatible with modern standards);
- 230V power sockets (one per pair of seats) capable of charging a laptop, mobile phone or similar device;
- Tables at all seats (may be fixed or folding);
- No more than 50% of the seats to be 'airline' style layout;
- Design to maximise comfort for standing passengers at peak times, e.g. space and handhold provision;
- Bodyside door locations / width and interior layout to facilitate rapid boarding and alighting; and
- Ability to support at least an at-seat catering service which is available to all passengers.

In an effort to avoid specifying these facilities in detail and thereby limiting the opportunity for Bidders to innovate, Bidders are required to demonstrate to the reasonable satisfaction of Transport Scotland why their proposals match the minimum specification above. For guidance, Bidders should note that, in the opinion of Transport Scotland, the existing Class 170 vehicles as currently fitted out would not comply, but if suitably refurbished they would be capable of being compliant. Bidders should not take this to mean, however, that Transport Scotland does or does not endorse the continued use of the existing Class 170s or 158s. Bidders may choose to use re-fitted, alternative or new vehicles.

The Franchisee will be expected to ensure that the whole fleet providing inter-city services shall be compliant as early as possible but by no later than from the end of CP5, which is in March 2019

All rolling stock needs to be able to work safely and reliably in the ambient winter/summer weather conditions experienced in the Network Rail Scotland area. Any trains newly introduced to Scotland (whether newly built for the purpose or redeployed from elsewhere) shall, as a minimum, comply with the TSI PRM when they enter service.

Transport Scotland requires Bidders' plans to provide their proposals for, and demonstrate a thorough understanding of, the requirements of passengers for enhancements to the rolling stock.

Transport Scotland expects Bidders to demonstrate that their plans are credible and give Transport Scotland assurance over delivery. This applies to both new-build stock and fleets cascaded from elsewhere. To demonstrate deliverability, as a minimum, Bidders should include in this plan:

- A delivery plan for service entry for the refurbished, redeployed or new inter-city rolling stock;
- A communication plan detailing how the Bidder will communicate the progress to Transport Scotland and other interested parties;
- A risk matrix with detailed actions to mitigate lateness;
- A management plan detailing how the Bidder will manage the process of acceptance including route acceptance where relevant;
- A process for modification management for early introduction teething faults;
- A spares management plan detailing how any units will be supported, including through any warranty phase; and
- A maintenance plan.

#### Section 54 undertaking

Transport Scotland does not anticipate offering a Section 54 undertaking in support of procurement of the refurbishment or redeployment of existing inter-city vehicles. However, should Bidders make a case that Transport Scotland finds, at its own discretion, to be compelling Transport Scotland may be willing to offer a Section 54 undertaking. Bidders are required to submit any such proposals to Transport Scotland as a confidential clarification request through the Data Site by no later than 20 February 2014.

Transport Scotland is prepared to offer a Section 54 undertaking in support of the procurement of new-build inter-city vehicles. Bidders are free to decline this offer if they wish, but must set out their rationale for accepting or declining a Section 54 undertaking and demonstrate how their Bid ensures best value is delivered.

Any Section 54 undertaking that Transport Scotland may be prepared to offer is required to be classified as off balance sheet. The undertaking will be usage rather than a revenue guarantee and will only guarantee that the fleet will not become an off lease fleet at the expiry of the lease period when the undertaking is in force (for example, it will not guarantee capital rentals in the event of a customer default but rather gives access to a succession of future franchisees).

#### Infrastructure proposals

The Scottish Government is currently promoting a number of infrastructure schemes to deliver journey time improvements on the Scottish inter-city network. Information on these schemes will be available in the Data Site but any such information should be treated as background information only and not as a bidding assumption. Transport Scotland may provide a bidding assumption in terms of expected improvements to infrastructure but otherwise Bidders should assume the current network unless Transport Scotland explicitly does so, or unless Bidders are able to develop firm proposals with Network Rail and demonstrate their confidence in Network Rail's timely delivery of these. Proposals relying on infrastructure having a new, additional funding requirement other than through the CP5 Scottish Final Determination funding settlement for Network Rail or franchise subsidy will be considered as being undeliverable.

Network Rail is expected to produce a GRIP 3 report on improvements to the line between Inverness and Aberdeen by 31 December 2013. The GRIP 2 report is in the Data Site. The GRIP 3 report will be placed in the Data Site when it is completed by Network Rail and signed off by Transport Scotland. This is expected to consider the impact of new stations and infrastructure works to increase track speeds and other improvements so that those trains stopping at these new stations do not suffer from any increased total journey time between Inverness and Aberdeen. These improvements are expected to be completed by 31 March 2019 at the latest but no later than the commencement of services to these new stations. Network Rail at the moment is designing the scheme on the assumption that the service will be operated by Class 170s.

Network Rail is expected to produce a GRIP 3 report on phase two of the Highland Main Line Improvements project by 30 June 2014 detailing the options to improve average journey times (by an average of approximately 10 minutes for a Class 170 between Inverness and the Central Belt) and capacity (to accommodate an hourly passenger service and improved opportunities for freight). Parts one and two of Network Rail's GRIP 2 report will be available in the Data Site along with the draft timetable report for the section of the route between Perth and Inverness. Bidders are requested to speak with the Network Rail team directly for further details. The infrastructure work is expected to be completed by 31 March 2019. A provisional sum has been included within the current determination for the next control period relating to Network Rail's investment.

In addition further improvement works are proposed, mainly on the Dundee – Aberdeen mainline. The scope of these works is uncertain and funding for implementation will not be agreed with Network Rail prior to 31 March 2019. Bidders are not required to include any journey time benefit from this or any other infrastructure scheme. If they do so the impact shall be counted as an additional outcome and be contracted.

Bidders are required to work with Network Rail in the development of all of these proposals and to demonstrate that any plans relating to inter-city services will not jeopardise Network Rail's ability to deliver the required improvements in addition to any achieved from the Bidder's proposed initiatives. Bidders shall highlight their approach to working with Network Rail during the term of the ScotRail franchise to develop these proposals.

#### **2.2.3. Additional outcomes**

Bidders are free to propose more ambitious or widespread proposals which exceed the minimum requirements stated above and which contribute to the key objective to deliver better services than the minimum specification currently provides for.

In relation to rolling stock initiatives, there are some areas for potential improvement noted by passengers that have not been included within the minimum rolling stock specification outlined in Section 2.2.2 (*Transport Scotland's requirements*). These include the noise and vibration of the existing vehicles and draughts caused by the current configuration of the passenger doors within the vehicles. Transport Scotland will award additional credit to Bidders whose plans address these areas.

Other passenger-facing areas where Transport Scotland will award additional credit to Bidders whose plans demonstrate an understanding and commitment to appropriate enhancements are:

- Improved seat comfort;
- Improved seat space;
- Improved ride quality;
- Improved catering quality; and
- Improved control of heat/ventilation.

Part of the rationale for infrastructure enhancements is to provide frequency improvements between the Scottish cities. Any proposals for improving frequencies in advance of the infrastructure being improved will also be considered in the evaluation.

Transport Scotland will also award credit for proposals to improve journey times.

Bidders should note that any journey time savings offered as part of their inter-city initiatives will not be credited as additional outcomes in this sub-plan. Instead, they will be considered discretely, and if sufficient evidence is provided that it is deliverable, will trigger an adjustment to the Bid NPV. This is discussed in more detail in Section 2.2.4 (*Journey time savings*) below.

#### **2.2.4. Journey time savings**

Demand and revenue modelling by Transport Scotland has indicated that there is a significant financial case and economic case for journey times to be reduced on the inter-city network.

In addition to the infrastructure driven improvements that are being delivered by Network Rail, there are other additional opportunities for improving journey times that are within the control of the Bidder. These include rolling stock driven improvements and those possible through changes to the timetable structure, such as provision of additional services and/or changes to calling patterns. If any infrastructure proposals are put forward in advance of the Network Rail schemes being delivered it is expected that the cost of such schemes will be funded through the ScotRail franchise. It is understood that Network Rail may propose to Bidders a joint approach to improvement of journey times on inter-city services with shared financial incentives but Bidders must seek this information and agreement directly with Network Rail.

Bidders are free to offer journey time savings on the inter-city network early in the ScotRail franchise to help Transport Scotland achieve a better service between the Scottish cities sooner than currently expected on the basis of infrastructure schemes alone. It may also be possible for Bidders to offer more time savings than currently planned for with the infrastructure schemes.

Bidders should note that the provision of journey time savings is not mandated in this element of the sub-plan. If the Bidder decides not to offer any journey time savings then this does not constitute a failure, and the overall Bid will not be disqualified.

However, if journey time savings are included in the Bidders' proposals then they will, subject to a deliverability assessment, benefit through a mechanism to adjust the NPV of subsidy used in the Price evaluation. This will be valued at £0.84 million per annum (expressed in real terms in 2013 prices) for each minute of reduction to the average train journey time. Any NPV adjustment awarded will be applied on an annual basis (using the same discount rate and further reduction factor applied in the price evaluation as detailed in Section 3.4.5 (*Financial Assessment*)), to coincide with the years for which the savings are achieved, capped at a maximum of 10 minutes.

Transport Scotland will require assurance that the journey time savings proposed are reasonably deliverable. This will be assessed by re-scoring the plan by means of the RADAR® approach, this time with the journey time reductions proposed by the Bidder treated as the Results for the RADAR assessment. This will then be assessed on a pass/fail basis. If the planned journey time savings are considered to be deliverable then the NPV adjustment will apply. However, the Bidder will be contracted to return, via a reduction in the subsidy payment, the level of credit awarded in evaluation (prior to NPV discounting) for any proportion of journey time savings included in the Bid but not realised, or not realised as scheduled. The extent to which these potential reductions in the subsidy payment affect the financial robustness of the Bid will be taken into account in Transport Scotland's assessment of the adequacy of the size of the Bidders' Inter Company Loan Facility.

Journey time improvements will be assessed against the public timetable in operation from 8 December 2013.

The remainder of this section details how the journey time metric will be calculated. It then provides further information on the possible approaches to achieving journey time savings.

#### Journey time metric

Journey time savings will be recognised through a journey time metric on average journey times on the routes in question. Bidders shall propose an average inter-city journey time. This shall be calculated from the average journey time of the fastest 82 ScotRail inter-city services including a minimum of 23 trains on Inverness routes and 40 trains on Glasgow routes; that is those services on routes between Glasgow/Edinburgh and Aberdeen/Inverness having the shortest end-to-end journey time, subject to those quotas. The inclusion of only 82 trains - see Appendix 4 (*Inter-city services*) - is to allow Bidders to operate extra trains without these having to count towards the average. Bidders should identify and set out in their bid the 82 fastest trains for each proposed timetable but including a minimum of 23 trains in total on the routes between Inverness and Glasgow/Edinburgh and including a minimum of 40 trains in total to or from Glasgow, both of which must be included on the list over other trains, with the total number of trains remaining 82.

The journey time will be calculated using the public timetable times. Bidders shall not use the Working Timetables.

Bidders shall produce an average inter-city journey time for each year of the ScotRail franchise including the base year. This average will include the total journey time from start station to end station for the fastest 82 inter-city services divided by 82 expressed in minutes. Note that a few inter-city trains included within the 82 services do not start from Glasgow, Edinburgh, Aberdeen or Inverness. In calculating the average journey time, no more trains in number beyond those shown in Appendix 4 (*Inter-city services*) may be included that start from stations other than Aberdeen, Edinburgh, Glasgow and Inverness.

#### Rolling stock improvements

Transport Scotland recognises that one of the key methods to achieve journey time savings is through the deployment of more powerful rolling stock on the inter-city routes. If this method is selected, then Bidders should include in their Delivery Plan a description of how rolling stock improvements might improve journey times, point-to-point and also end-to-end journey times. Bidders should also demonstrate how such improvements could be delivered without impacting on existing passengers, in particular where Bidders have chosen not to provide new rolling stock. If a rolling stock solution is offered then Bidders should cross-reference the elements of the Delivery Plan related to the delivery of passenger facing facilities and rolling stock comfort, rather than repeat the descriptions again.

#### Service frequencies and amendments to calling patterns

Transport Scotland recognises that in order to improve journey times, some Bidders may propose to run new services or extend existing services. These new or extended services could give Bidders the opportunity to reduce the station stops on existing services subject to delivering an equivalent service for passengers as set out in the initial SLC (see Section 2.5 (*Train Compliance with SLC*) of Delivery Plan 2 (*Ongoing Running of the Railway*)).

For inter-city routes, Transport Scotland would, in principle, accept changes to calling patterns along the inter-city routes where improved inter-city journey times are proposed, resulting in reductions in the number of direct services from intermediate stations to the main cities provided that:-

- the frequencies and total numbers of trains calling at intermediate stations remain equal to those implied by the SLC;
- that good connections are provided to the inter-city services; and
- that no stations are left entirely devoid of direct services to the main cities where these exist today.

Transport Scotland would also, in principle, accept minor increases to journey times (defined as being +3 minutes or +10% of journey time, whichever is the smaller) for other services inter-diagrammed or otherwise sharing infrastructure with the inter-city services benefiting from journey time reductions. However, Bidders must use the Query Process (detailed in Section 2.7 (*Query Process*)) to test any proposals for flexing the SLC in these areas ahead of submitting their Bid. Transport Scotland will not confirm outright whether proposals are acceptable until it sees the full proposition contained in the Bid but may choose to respond that proposals are not acceptable.

Bidders are required to demonstrate that there is sufficient capacity for such extra services. It is acceptable for Bidders to cross reference where such trains are included in sections of the Bid relating to performance as part of the on-going running of the railway (Delivery Plan 2 (*Ongoing Running of the Railway*)) but should include sufficient detail within this Delivery Plan such that Transport Scotland can be assured that such extra trains can operate. At a minimum Transport Scotland requires that any extra services be included within the timetable to be reviewed by Network Rail.

Bidder should note that any new services do not have to operate as inter-city services but may be other services.

### 2.2.5. Additional supporting information required

The following additional supporting information should be provided separately to compliment the Delivery Plan:

- Details of any rolling stock refurbishment or new train specification including all relevant commercial matters;
- Evidence of route clearance compliance;
- Demonstration of compliance with the SLC;
- Relevant correspondence and assurance from Network Rail (or ORR if appropriate). If Network Rail will not provide assurance about the deliverability of proposals, Bidders should provide compelling evidence why Transport Scotland should consider the proposals are deliverable; and
- Working Timetables and Diagrams for all inter-city initiatives.

## 2.3. Timetable changes to reduce journey times / improve connections

### 2.3.1. Background

The Scottish Ministers are keen to see improvements to journey times and connections on the Scottish Rail Network. These improvements include the reduction of end-to-end journey times and improved connections within the Scottish Rail Network.

### 2.3.2. Transport Scotland's requirements

Transport Scotland considers there is significant opportunity to improve journey times across the Scottish Rail Network, particularly on long-distance routes as well as, importantly, inter-city routes so that rail is competitive with travel by car. Transport Scotland also considers that substantial improvements can be made at key connections on the network to facilitate integrated rail journeys both within Scotland and beyond, particularly in respect of the first and last train to destinations.



Additionally, as part of the new ScotRail franchise, Transport Scotland is keen to see some immediate improvements in end-to-end journey times on routes, and in some key connections. Transport Scotland is also keen to foster a culture of on-going improvement in end-to-end journey times on the Scottish railway.

In order to maintain end-to-end journey times in the new ScotRail franchise, there will be a maximum value of 'minutes per train mile', averaged across all services in each performance sector. Bidders will be required to comply with this metric in all timetable plans for the new ScotRail franchise. The metric will be calculated as follows:

**Journey Time Metric (mins per train mile) = Total Planned Journey Time (mins) / Total Planned Distance (miles)**

A table of example values is given below, calculated using the May 2012 timetable. The values at the Franchise Commencement Date will be calculated based upon the December 2014 timetable, once this becomes available. Please note that all journey time metrics must be calculated to three decimal places.

Journey Time Metric	Express (E&G)	Express (Other)	Suburban West Off Peak	Suburban West Peak	Suburban East	Rural	Whole ScotRail
Minutes per Train Mile	1.090	1.175	1.954	2.003	1.710	1.467	1.651

Each sector matches the definition in the existing performance regimes. Services which cross Edinburgh, Glasgow Central, Glasgow Queen Street and Aberdeen will be split for the purposes of this calculation, i.e. the dwell time at these stations is not included in the metric.

The values to be contracted as maximum permissible minutes per train mile will be calculated on this same basis, using the December 2014 timetable as a base, before the Franchise Agreement is signed. Adjustments to these values will only be made to reflect any known and agreed changes to the network / service offering which will necessarily alter journey times (in either direction). This may include, for example, EGIIP, the Borders Line and the Highland Main Line upgrade. It is proposed that the metrics are re-based to reflect the improvements to the network, thus resulting in revised average minutes per train mile at a number of points in the ScotRail franchise.

Transport Scotland has undertaken modelling to understand the scale of potential improvements that might be achieved. The all services average journey time might, without any other improvements, reduce from 1.651 minutes to 1.627 minutes or better as a result of the December 2018 timetable following EGIIP and HLOS electrification. Bidders should note that it may reduce further to less than 1.62 minutes by December 2019 due to Network Rail's commitments to deliver a 10 minute journey time saving on the Highland Main Line.

### 2.3.3. Additional outcomes

It is anticipated that there will be a number of areas where immediate improvements in end-to-end journey times can be achieved. Bidders should aim to provide these savings, bearing in mind the requirements of the initial SLC, and they should be detailed in the Bidders submissions. For these immediate improvements, Transport Scotland is particularly interested in Bidders making noticeable journey time savings on discrete routes, rather than small reductions in parts of minutes across the network.

It is also anticipated that there are a number of areas in which connections at key nodes can be achieved, including for first and last trains to and from London. Bidders should aim to provide these better connections, bearing in mind the requirements of the initial SLC. Again, the sources of these savings should be articulated in the Bidders' submissions. Transport Scotland is also keen to see a more proactive approach taken to the management of these connections, both in terms of passenger information and timetabling approaches.

Transport Scotland also believes that an integrated approach with key stakeholders (including Network Rail and other TOCs) could deliver on-going improvements in end-to-end journey times throughout the ScotRail franchise if this is underpinned by a culture of seeking improvements through a joint approach to operations, maintenance and renewals. However, greater credit will be given for earlier improvements where the delivery is likely to be more certain than for 'drip feeding' of improvements throughout the ScotRail franchise life.

Improvements to the 'whole ScotRail' minutes per train mile metric should be proposed by Bidders, and will be contracted.

The 'whole ScotRail' minutes per train mile trajectory proposed should reflect improvements to Express (E&G) and other inter-city journey times proposed elsewhere in this Delivery Plan 6 (Service Development) relating to inter-city (Section 2.2 (*Inter-city Initiatives*)) and EGIP ((Section 2.1 (*EGIP rolling stock*)). Those improvements should be treated as a baseline within this sub-plan and credit will be given in this sub-plan for further proposed improvements in the other sectors.

#### **2.3.4. Supporting information required**

Timetable planning will be required to back up any one-off improvements in journey time.

## DELIVERY PLAN 7: Long Term Value/Efficiency

### 1. Background

Transport Scotland is committed to generating improvements to the longer-term value of the ScotRail franchise for both the taxpayer and passengers and is prepared to invest in proposals that will deliver savings to the Scottish Ministers over a period which is longer than the committed Franchise Term (7 years). Transport Scotland has supported investments made by the current ScotRail franchisee which will extend beyond the term of the existing ScotRail franchise and is open to consideration of proposals that it will continue with this approach under the new ScotRail franchise.

Within this Delivery Plan, Bidders will be expected to draw together how longer term value has been promoted in the planning of initiatives from each Delivery Plan. This plan will therefore not be assessed using RADAR®.

Long term savings to the Scottish Ministers beyond the committed Franchise Term will only be considered as part of the evaluation where:

1. the Bidder demonstrates that the relevant initiatives will result in a lower overall cost to the Scottish Ministers of the railway beyond the term of the ScotRail franchise, irrespective of the identity of the Franchisee at that time;
2. the savings already begin to accrue by year 7 and are captured in the Models to be submitted by the Bidder for the 10 year Franchise Term; and
3. they have been included in Delivery Plans 1–6.

Bidders should note that whole lifecycle costs of EGIP/HLOS rolling stock will only be treated as an additional outcome in the relevant sub-plan of Delivery Plan 6 (*Service Development*) and will not be further credited in this Delivery Plan 7.

Savings from Alliancing initiatives will also not be considered in this Delivery Plan 7.

### 2. Transport Scotland's requirements

Bidders shall provide a detailed description of how the initiatives they propose across their plans generate long term savings and the coverage and scale of those savings.

Bidders shall provide evidence to demonstrate that their cost reduction forecasts are robust and realistic.

To be awarded points under this Delivery Plan, Bidders are required to offer Committed Obligations in respect of the critical aspects of their initiatives that will generate the savings for the Scottish Ministers and a detailed explanation of how these initiatives will deliver savings beyond the committed Franchise Term.

Bidders should also note that long term value initiatives will not be considered if they are not reflected in the Models in accordance with the relevant Model Constraint.

For the avoidance of doubt, Bidders should consider long term value across all ScotRail franchise areas; that is, Bidders should not restrict their response to this Delivery Plan to identifying long term value associated with the Part B Delivery Plans.

### 3. Evaluation of Long term value

The table below sets out how scoring of this Delivery Plan 7 will be undertaken:

	Very Poor	Poor	Fair	Good	Very Good
POINTS	0 – 5 – 10 – 15	20 – 25 – 30 – 35	40 – 45 – 50 – 55 – 60	65 – 70 – 75 – 80	85 – 90 – 95 – 100
<b>Coverage</b> <b>25%</b>	Little or no demonstrated appreciation of the current situation.  No opportunities for improvement identified and no significant initiatives proposed.	Some limited appreciation of the current situation in areas where initiatives address long term value.  One or more of the initiatives proposed as part of Delivery Plans are planned to address improvements in long term value.	Appreciation demonstrated of a number of key issues around the residual life cost of the current asset base or whole system operational efficiency.  About ½ of the initiatives proposed as part of Delivery Plans are planned to address improvements in long term value.	Good appreciation of a wide range of issues around the current situation with opportunities considered and addressed as part of most proposed initiatives across a number of Delivery Plans.	A comprehensive appreciation of the current situation demonstrated leading to long term value being addressed routinely in the planning of all initiatives.
<b>Scale</b> <b>25%</b>	Materiality of projected savings for long term value initiatives cited is trivial and/or unspecified.	For some of those initiatives where long term value is addressed, the scale of projected long term value savings is not demonstrated as being material in proportion to the cost area to which they relate.  OR Most of the areas where long term value is considered are of relatively small scale in proportion to the overall ScotRail franchise.	For about ½ of those initiatives where long term value is addressed, the scale of projected long term value savings is demonstrated as being material in proportion to the cost area to which they relate.	For most of those initiatives where long term value is addressed the scale of projected long term value savings is demonstrated as being material in proportion to the cost area to which they relate and those areas addressed appear to prioritise opportunities with most potential.	For all initiatives where long term value is addressed, the scale of projected long term value savings is demonstrated as being material in proportion to the cost area to which they relate and these initiatives present a comprehensive range of both large and small scale opportunity.
<b>OVERALL SCORE TO BE LIMITED BY EVIDENCE/EXPERIENCE SCORE FORMED BY THE COMBINED REALISATION / IMPLEMENTATION SCORE</b>					
<b>Realisation</b> <b>25%</b>	No evidence provided which demonstrates, supports and justifies the realization by the Scottish Ministers (beyond the committed Franchise Term) of projected savings from long term value initiatives. OR  Scale of projected savings dwarfs the evidenced level of potential.	For some of the initiatives where long term value is addressed, insufficient or unconvincing evidence is provided which fails to demonstrate, support or justify the realization by the Scottish Ministers (beyond the committed Franchise Term) of projected savings from long term value initiatives.	Evidence is provided, adequate to demonstrate, support and justify the realization by the Scottish Ministers (beyond the committed Franchise Term) of projected savings from long term value initiatives.	For some initiatives where it is addressed, especially strong evidence is provided which demonstrates, supports and justifies the realization by the Scottish Ministers (beyond the committed Franchise Term) of projected savings from long term value initiatives.	Especially strong evidence is provided for all long term value initiatives which demonstrates, supports and justifies the realization by the Scottish Ministers (beyond the committed Franchise Term) of projected savings from long term value initiatives.
<b>Implementation</b> <b>25%</b>	Either fails to provide evidence of ability to implement outcomes or fails to present a structured deployment plan such that certainty in the achievement of critical aspects of the approach planned in support of long term value for the ScotRail franchise is materially compromised.	Some omissions in the demonstration of ability to implement outcomes, or in the description of resources and delivery timescales.	Presents evidence of ability to implement the critical aspects of the approach planned in support of long term value for the ScotRail franchise. The Bid describes the systems for implementation including who is responsible for achieving the outcomes, the resources (skills / financial) required, evidence that these are appropriate and a clear implementation timescale.	Within a number of areas that are most material or where the approach is most innovative, a thorough provision of evidence of ability to implement the critical aspects of the approach planned in support of long term value for the ScotRail franchise, and systematic approach to doing so.	Consistently thorough provision of evidence of ability to implement the critical aspects of the approach planned in support of long term value for the ScotRail franchise, and systematic approach to doing so, across the plans.



Invitation to Tender  
**TENDER REFERENCE:**  
**TS/RD/SER/2013/04**  
B/4855286/45







# 5. Priced Options

Bidders are to give a Priced Option in each of the following five areas (as further detailed below in Sections 5.1 (*Improved Services between Edinburgh and Berwick-upon-Tweed/Newcastle*) to 5.5 (*Calls at a new Winchburgh Station*)):

- Improved Services between Edinburgh and Berwick-upon-Tweed/Newcastle;
- Improved Services between Stranraer and Glasgow;
- New station at Winchburgh;
- Operating Dunbar Station as the Station Facility Owner;
- New Station at Robroyston.

In developing their Priced Options, Bidders are to consider; discuss and review options with Network Rail, Local Authorities and any other relevant stakeholders to identify the impact, if any, of accommodating the new services.

The development of any Priced Option should not be contingent on any other Priced Option being selected.

Part of Transport Scotland's consideration of whether it wishes to buy any Priced Option will be the extent to which Bidders, where required, have secured appropriate contributions from stakeholders.

When projects are developed and implemented, there will need to be close liaison and cooperative working between the Franchisee, Network Rail, local authorities, other operators and relevant stakeholders.

Bidders shall demonstrate that they have sufficient resources to manage changes of the type that might be expected to be implemented and provide details as to how such interfaces would be managed to ensure the close liaison needed to deliver projects.

Bidders should provide a delivery plan for each of these Priced Options. There is no page limit for these Priced Option delivery plans. The Financial Model should include pricing for each Priced Option as options that can be switched on and off. These options should be turned OFF in the Financial Model as submitted.

## 5.1 Improved services between Edinburgh and Berwick-upon-Tweed/Newcastle

Bidders are asked to find a solution to increase services between Edinburgh and Berwick-upon-Tweed, incorporating services to potential new stations at Reston and East Linton, by extending existing services between Edinburgh and Dunbar. Bidders may be informed by the recent appraisal carried out on behalf of SESTrans, available on the Data Site. There may be scope for these services to extend further to Newcastle, through an agreement with the DfT and appropriate sponsored rail franchisees.

Bidders are required to include the following:

- A full description of the 7-day timetable for the services affected;
- A full description of rolling stock diagram changes; and
- An explanation of the revenue and cost impacts of the proposals.

In addition, Bidders should outline how they will work with Network Rail, local support groups and any DfT sponsored rail franchises.

## 5.2 Improved services between Stranraer and Glasgow

Bidders are invited to propose an alternative timetable solution for services between Glasgow and Stranraer to that specified in the Service Level Commitment (SLC).

The requirements of this option are as follows:

- This option must be approximately resource neutral and is therefore expected to have minimal or no marginal cost;
- There should be an increased number of services between Stranraer and Ayr, calling at Barrhill, Girvan and Maybole;
- These services shall connect with direct services to and from Glasgow and Kilmarnock. Connections should be at Ayr for Glasgow, and Girvan or Ayr for Kilmarnock. Waiting time shall not exceed 10 minutes for Glasgow and 15 minutes for Kilmarnock;
- The number of journey opportunities (which may be with one connection at Ayr) between Stranraer/Barrhill/Girvan/Maybole and Glasgow shall be more than the number of existing direct services between these stations and Glasgow;
- Services specified in Routes D9a and D14b in the SLC must not be adversely affected; and
- The proposed timetable should suit local needs for commuting and encourage leisure travel.

Bidders are required to include the following:

- A full description of the 7-day timetable for the services affected;
- A full description of rolling stock diagram changes and other operational impacts;
- An assessment of the impact on generalised journey time for passengers on different flows; and
- An explanation of the revenue and cost impacts of the proposals.

## 5.3 New station at Winchburgh

A new station is planned at Winchburgh (located west of Edinburgh on the route from Edinburgh towards Falkirk High, between Winchburgh tunnel and Winchburgh Junction) to support a residential development. Supporters of the scheme, West Lothian and the scheme developer, expect that it will be open in 2018 or 2019, subject to finalisation of the business case and funding arrangements. Transport Scotland requests Bidders to provide a Priced Option which would be held open so that it could be instructed by Transport Scotland at any time before or during the Franchise Period. The option should include calling at the station, operating the station as the Station Facility Owner (SFO) as well as coordinating and facilitating the commissioning of the station. The option should be priced on the basis that the station is unstaffed.

2 services per hour should be provided between Winchburgh and Edinburgh. Calls at Winchburgh may be inserted into services between Edinburgh and Dunblane/Alloa (Route C2). Journey time neutrality should be achieved, where possible through using up pathing time. Where this is not possible journey time increases should be kept to a minimum. Calls at Winchburgh must not be inserted into services between Edinburgh and Glasgow Queen Street via Falkirk High, (Route A1) where achieving the headline journey times of 42 minutes is important to the EGIP business case. Additional services may be proposed to cater for the calls where this can be justified by reduction in journey times on other services i.e. Edinburgh / Dunblane.

In Bidders' financial models, this option should be able to be 'switched on' at the time when the station becomes operational (at any time during the Franchise Period) so that the model would be used with the option on to calculate franchise payments thereafter. If there are genuine operational reasons why the pricing of this option must be dependent on the time when the option is instructed by Transport Scotland then multiple options may be used in the Financial Model to represent this, provided that these are clearly identified and fully rationalised in the delivery plan for this Priced Option. Bidders are required to include the following:

- A full description of the 7-day timetable for the services affected;
- A full description of rolling stock diagram changes and other operational impacts; and
- An explanation of the revenue and cost impacts of the proposals.

## 5.4 Operating Dunbar Station as the Station Facility Owner

The East Coast franchisee is currently the SFO at Dunbar Station. Transport Scotland requires Bidders to provide a Priced Option for taking over as the new SFO for the station, which would include but not be limited to changing station signage and colours to the ScotRail Brand. The option would be held open so that it could be instructed by Transport Scotland at any time before or during the Franchise Period. In Bidders' Financial Models, this Option should be able to be 'switched on' at any time during the Franchise Period so that the Model would be used with the Option on to calculate Franchise Payments thereafter. Bidders should provide full details of the revenue and cost impacts of the proposals.

## 5.5 New Station at Robroyston

A new station is being proposed at Robroyston to support a planned residential and leisure development. A Park & Ride facility is also planned for the station. This scheme is supported by Glasgow City Council, Strathclyde Partnership for Transport and the developer. Transport Scotland requires Bidders to provide a Priced Option which would be held open so that it could be instructed by Transport Scotland at any time before or during the Franchise Period. The Option should include calling at the station, operating the station as the SFO as well as coordinating and facilitating the commissioning of the station. The Option should be priced on the basis that the station is unstaffed. The option should assume the specification as described in Option 10 in the 'Robroyston / Millerston Community Growth Area STAG Appraisal' report. Bidders are advised to confirm further details such as planned opening date with the scheme promoters.

The standard hour service pattern requirement is as follows:

- If the station opens ahead of the December 2017 Timetable, one service per hour should call (the hourly service between Glasgow Queen Street High Level and Falkirk Grahamston). This route will be served by a diesel train until December 2018 and thereafter will be replaced by an electric train following the completed electrification of the Dunblane/Alloa/Stirling line.
- From the December 2017 Timetable onwards, one additional service per hour should call (the hourly service between Glasgow Queen Street High Level and Cumbernauld). This route will be served by an electric train.

In Bidders' Financial Models, this Option should be able to be 'switched on' at any time during the Franchise Period so that the Model would be used with the Option on to calculate Franchise Payments thereafter. Bidders are required to include the following:

- A full description of the 7-day timetable for the services affected;
- A full description of rolling stock diagram changes and other operational impacts; and
- An explanation of the revenue and cost impacts of the proposals.



# 6. The Bid: Financial Elements

## 6.1 Introduction

This Section 6 (*The Bid: Financial Elements*) describes the requirement for Bidders to submit a Financial Model and Operational Models (together the “**Models**”). The Models must be supported by a comprehensive Record of Assumptions and an Operating Manual. The requirement to provide other financial information is also described.

The Models will be used during Bid evaluation to compare overall pricing, review detailed projections of revenues and costs and to test the financial resilience of Bidder proposals. The successful Bidder's Models will be subject to an independent Model Audit and Placed on Deposit after contract signature. It is expected that subsequent Changes will be priced by processing revised assumptions through the Models and in accordance with the Franchise Agreement.

The evaluation of the Bid will include a pass/fail assessment of the fitness for purpose of the Models, Record of Assumptions and Operating Manual to price Changes.

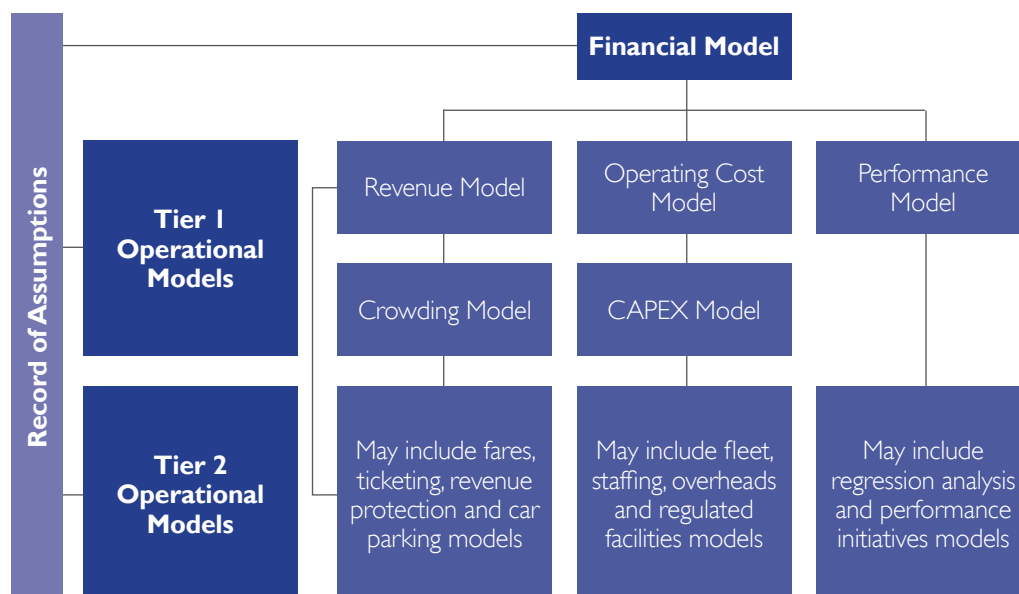
The output schedules of the Financial Model should be in the format of the Templates provided in Attachment G (the “**Templates**”). Bidders are required to follow modelling best practice requirements and other constraints that have been made clear in this Section 6 (*The Bid: Financial Elements*), for example, in relation to model size. Transport Scotland recognises that some flexibility in modelling requirements may produce the most effective overall solution; as a consequence the scope of the model audit has been restricted and the ability for Bidders to apply, prior to Bid submission, for derogations from specific elements of the instructions has been included.

## 6.2 Model Requirements and Constraints

### 6.2.1 General

Each Bidder is required to submit and include as part of their Bid a Financial Model and all Operational Models that support that Financial Model. These must demonstrate the financial consequences of the Bidder's business and operational plans over the Franchise Term. All Models will be Placed on Deposit as provided for in Schedule 9.2 (*Revised Inputs: Identity of the Financial Model, etc*) of the Franchise Agreement. Transport Scotland anticipates that Models will be structured as illustrated below. However, combining or disaggregating the components shown here is also acceptable provided that the process maps and operating manuals make it transparent how information flows through the modelling suite.





The minimum review standards that apply to each group of models are described in Section 6.8 (*Model sign-off – Terms of Reference*).

The Models should be presented in Microsoft Excel format, with workings and formulae intact (i.e. non input cells should not be 'hard-coded' with values), and be capable of running on Microsoft Office 2007 version software.

No rows, columns, cells or worksheets of the Models should be hidden or password protected. Protecting worksheets without passwords to avoid accidental changes to inputs or calculations is allowed, provided it does not reduce the transparency or usability of the Models. Grouping rows or columns is permissible, but hiding rows, columns or worksheets is not permissible.

Transport Scotland wishes to receive models that are efficient in their operation and use of memory. A maximum file size of 75MB is permitted, and smaller Excel workbooks are encouraged. Any workbook taking up more than 75MB of disk space will be deemed to be non-compliant unless derogation has been granted (see Section 6.7 (*Derogations*) below for more information on derogations).

The Templates and worksheets of Tier 1 Operational Models that directly interface with Financial Model or other Tier 1 Operational Models should also be submitted in PDF format. This should include the Financial Statements for all Priced Options (and Bidder Incremental Options if submitted). No hard copies of Models are required.

The Models submitted by Bidders must be in line with best practice in accordance with the requirements set out in Section 6.8.1 (*Modelling Best Practice Confirmation*) and employ the accepted principles of Separation, Consistency, Integrity and Linearity, unless a derogation has been granted.

Although best practice would dictate that a consistent formula is used in each column, there are a number of circumstances where a model can be made more transparent by changing the formulae across an array. Provided it is made clear (even when printed out and the formulae cannot be seen) that the calculation method is different, the following two cases have been identified when the formulae can differ:

- to allow a different approach to the treatment of forecasts before the ScotRail franchise commences (i.e. 1 April 2015), part years and any extensions as laid out in the Templates; and
- to allow units, indices and other useful modelling 'flags' to be included in the columns to the left of the first modelled year.



Bidders do not need to seek derogation from Transport Scotland should the Models deviate from Best Practice in either of the two cases described above.

Cross-links between the Models should not be formed using direct references. Rather, outputs from one Model should be copied to a dedicated paste area in the other, with the origins and destinations of transferred data clearly identified within the Models. All Operational Models that support the inputs to and calculations within the Financial Model are required to be submitted. It is anticipated that the full suite of Models will be maintained and updated together and submitted simultaneously as required to support any Change (as set out in Schedule 9.1 (*Variations and Financial Consequences of Change*) of the Franchise Agreement arising during the Franchise Term.

## 6.2.2 Financial Model

The calculations required to produce other outputs for inclusion in the Franchise Agreement are included in the Templates provided to Bidders. These outputs are calculated on the basis of the Financial Statements populated by Bidders:

- Target Revenue (as set out in Appendix 1 of Schedule 8.2 (*Annual Franchise Payments*) of the Franchise Agreement);
- Franchise Payments (Schedule 8 (*Payments*) of the Franchise Agreement);
- Modified Revenue and Actual Operating Costs (Schedule 12 (*Financial Obligations and Undertakings*) of the Franchise Agreement); and
- Performance Bond and Season Ticket and Smartcard Bond values (Schedule 12 (*Financial Obligations and Undertakings*) of the Franchise Agreement).

These outputs should change automatically following the running of any sensitivity or Revised Inputs. However, the Financial Model should have the functionality to freeze any Revenue Share/Support Thresholds (where appropriate) and the Annual Franchise Payments so as to allow simulation of Revenue Share/Support and Profit Share by revenue and cost or other sensitivities. The financial model should therefore incorporate the Revenue Share/Support and Profit Share mechanism as set out in the Franchise Agreement and in Section 6.8.4 (*Revenue Share/Support and Profit Sharing*) and the dividend lock up mechanism set out in Schedule 12 (*Financial Obligations and Undertakings*) to the Franchise Agreement.

Transport Scotland will specify and conduct sensitivity tests on the Financial Model as part of its evaluation process to aid understanding of the model. Transport Scotland requires Bidders to include within their modelling suite user-friendly functionality which allows basic sensitivities to be run. In particular, Transport Scotland would like to be able to apply a given percentage exogenous increase (decrease) to revenue and/or to costs (at the P&L3 level in the financial model) in:

- every year; and
- a specified range of years.

Sensitivities should be capable of being applied at the output level so that their effect on the P&L can be understood. Transport Scotland does not require Models to have the capability to run input level sensitivities.

Transport Scotland, in requiring this, is seeking to understand the way in which changes to costs and revenues flow through the financial model and impact profit levels, profit sharing, debt draw downs, financial ratios and dividend distributions.

In addition, where a Bidder (for internal purposes) uses an input to represent a drawdown of funds to ensure that the financial ratios (set out in Schedule 12 (*Financial Obligations and Undertakings*) of the Franchise Agreement) are met after application of sensitivity tests, we ask that this functionality remains in the model and is transparent.

Bidders should adopt an absolute sign convention in constructing their Financial Model, such that all revenues and assets are positive and all costs and liabilities are negative.

The Financial Model must have an index switch to allow the user to apply or remove the effect of RPI so as to view the Templates in both nominal and real terms.

The Financial Model should be self-contained within a single Excel Workbook, and should have the functionality to run Priced Options and Incremental Options (if submitted) by use of a switch and without recourse to the Operational Models. The Operating Manual and Record of Assumptions should clearly explain the method by which the switch selects the case of the different scenarios. The Financial Model should be presented in annual terms, with year-ends coinciding with Transport Scotland's 31 March accounting year-end (except in the case of the part-year periods) as demonstrated in the Templates.

Any changes to the Financial Model after Bid submission will need to be clearly logged and traceable, including an audit trail in the Financial Model itself, using the templated Version Control sheet. Although it is not a templated output, Bidders are required to incorporate a map illustrating the content and structure of the Financial Model.

Bidders are also expected, in either the Financial or Operational models, to show the financial impacts (costs, revenues, investments etc) of each initiative set out in the Delivery Plans. In particular, where a Bidder provides in a Delivery Plan a financial figure associated with an initiative, this should be properly referenced to the equivalent figure in the financial modelling suite, Record of Assumptions or Funding Plan.

### 6.2.3 Operational Models

The Operational Models are all models that contain calculations generating inputs either directly or indirectly to the Financial Model. An example of how these models may be structured as illustrated at Section 6.2.1 (*General*) above.

Below is an indicative list of the models which Transport Scotland would expect to see. However, Bidders may choose to amalgamate or disaggregate in order to increase ease of use or transparency.

- A Revenue Model. This demand / passenger revenue forecasting model must at least disaggregate demand and revenue into the ticket types and Service Groups contained in the Templates. Any further disaggregation of demand and revenue into more detailed flows or segments is at the discretion of the Bidder. The Revenue Model and its associated sub-models in Tier 2 also need to show clearly, and apply, all demand forecasting input assumptions and parameters and their impact on demand and revenue. This will include, but not be limited to, such factors as:
  - macro-economic factors, including (but not limited to) economic growth, population, employment and modal competition (disaggregated by mode);
  - timetable changes;
  - fare proposals;
  - fares policy;
  - operating performance;
  - service quality;
  - marketing;
  - revenue protection initiatives;
  - revenue / yield management initiatives; and
  - other investments or initiatives (such as station or rolling stock improvements).

The Revenue Model should explicitly disaggregate the revenue effects associated with the initiatives relevant to the Delivery Plans listed in Table 3-1 (*Delivery Plans for the ScotRail Franchise*) in Section 3 (*The Bid Submission and Evaluation*);

- A Crowding Model that is clearly linked to the Revenue Model. This should include a schedule of daily services and stops, with the relevant headcode, diagram and seat and standing capacity, covering individually each service for which crowding could have a material impact;
- An Operating Cost Model that should produce inputs to the Financial Model to the level of disaggregation required by the Templates. Any further disaggregation is at the discretion of the Bidder;

- A Performance Model, showing forecast average minutes lateness, attribution of average minutes lateness between the Franchisee and Network Rail, the impact on the Public Performance Measure and the basis upon which any performance receipts and payments are calculated. Performance receipts and payments between the Franchisee and Network Rail should be shown separately. All assumptions relating to the performance model and any performance improvement schemes and associated calculations should be clearly explained; and
- A capital expenditure/capital funding model, showing the detailed investment plan for each material incidence of funding of infrastructure, other works and schemes that support the Bidder's proposals and which reflects the precise details of their own funding arrangements.

The Models should have the capability to forecast the Other Revenue section of the Financial Model, to the level of disaggregation required by the Templates. Given that many of the items in this Section 6.2.3 (*Operational Models*) are secondary to forecasts generated by the Revenue and Operating Cost Models, Bidders may choose to provide this capability within the Financial Model, employ an additional Tier 1 Operational Model, or develop an alternative methodology. Bidders are requested to detail the approach adopted in their Operating Manual and/or Record of Assumptions.

## 6.3 Financial Model Templates

Transport Scotland requires that the output from the Models follow the Templates that will be made available in the Data Site. Transport Scotland realises that Bidders may wish to expand the level of detail provided within the Models beyond these minimum requirements and requires that this is done in such a way as to remain consistent with the format of the Templates. The level of detail provided should be sufficient to give full transparency of all components of costs and revenues but the spare rows provided can be used to accommodate additional detail. Deleting or inserting rows or columns to the Templates or overwriting line items currently defined in the Templates is not permitted and will be deemed to be non-compliant.

The outputs in the Templates should be linked to the input / calculation cells where appropriate and in such a manner as to facilitate both the understanding of the Financial Model and tracing of core assumptions used in the Financial Model. Bidders can either add worksheets to the Templates or copy the Templates into their own models. Bidders are required to ensure that the named ranges defined in the Templates are preserved.

The format of the profit and loss account, cash flow statement and balance sheet are required to be set out in the manner stipulated by the Templates.

Bidders should note that any types of revenues or costs that it wishes to include under a catch-all heading of 'Other' should not exceed £100,000 (in real terms) in any year. Where a Bidder anticipates that such revenues or costs will exceed this amount, they should each be separately identified in a separate spare row and not listed under the heading 'Other'.

The Templates shall be populated in full, with outputs from the Models specified in years that are consistent with the ScotRail franchise financial year. To this end relevant worksheets in the Templates are structured with columns that are headed with periods that represent the rail industry year to 31 March of each year.

Bidders may use the two blank columns inserted between the flag / labelling columns and the first modelled year as they see fit. The intention is that these columns will assist in the transfer of historic data to the Financial Model.

The Financial Ratios set out in Schedule 12 (*Financial Obligations and Undertakings*) to the Franchise Agreement are incorporated in the Templates and are based on the outputs contained in the templated financial statements. Bidders should take note of the drafting of Schedule 12 (*Financial Obligations and Undertakings*) of the Franchise Agreement.

The following table sets out the worksheets contained in the Financial Model Template and a brief summary of each worksheet's content and status:

Sheet	Content	Status
<b>Template Cover</b>	Properties, legend	Bidder free to use/update
<b>Template Control</b>	Contains real/nominal switch for templated calculations, option flag, print and group/ungroup macros	Bidder to link cells G21 and G30 to model control sheet.  Use functionality but do not alter structure.
<b>Version Control</b>	Version control record	Populate but do not alter structure
<b>Templated Inputs</b>	None	Divider Tab
<b>Timeline</b>	Define ScotRail franchise timeline and part year / optional extension adjustments	Populate blank column headers but do not alter structure
<b>Indices &amp; Rates</b>	Repository of indices and rates	Populate but do not alter structure
<b>Line Items</b>	Master definition of line items	Bidder may populate spare line items denoted by square brackets but must not alter pre-defined line items
<b>Templated Outputs</b>	None	Divider tab
<b>LENNON Revenue</b>	Template for forecasts of selected option	Populate but do not alter structure
<b>Journey Time Savings</b>	Space for Bidder entry of proposed journey time savings as part of the inter-city initiatives for Delivery Plan 6 ( <i>Service Development</i> )	Populate but do not alter structure
<b>Revenue Drivers</b>	Template for showing contribution of individual exogenous and endogenous revenue drivers to overall forecasts.	Populate but do not alter structure.
<b>Other Revenue</b>	Template for forecasts of selected option	Populate but do not alter structure
<b>Staff</b>	Template for forecasts of selected option	Populate but do not alter structure
<b>Other Opex</b>	Template for forecasts of selected option	Populate but do not alter structure
<b>RS Charges</b>	Template for forecasts of selected option	Populate but do not alter structure
<b>Infrastructure</b>	Template for forecasts of selected option	Populate but do not alter structure
<b>Performance</b>	Template for forecasts of selected option	Populate but do not alter structure
<b>TOC Capex</b>	Template for forecasts of selected option	Populate but do not alter structure

<b>Financial Statements</b>	None	Divider tab
<b>P&amp;L1</b>	Template for forecasts of selected option	Populate (row 340 and below) but do not alter structure
<b>P&amp;L2</b>	Template for forecasts of selected option	Contains formulae, do not alter
<b>P&amp;L3</b>	Template for forecasts of selected option	Contains formulae, do not alter
<b>CF</b>	Template for forecasts of selected option	Populate but do not alter structure
<b>BS</b>	Template for forecasts of selected option	Populate but do not alter structure
<b>Output Calculations</b>	None	Divider tab
<b>NPV</b>	NPV of Franchise Payments calculation (feed from Financial Statements)	Contains formulae, do not alter
<b>FAA</b>	Production of tables for Schedule 8 of the Franchise Agreement (feed from Financial Statements and Bidder model)	Populate (highlighted rows only) but do not alter structure
<b>FO&amp;C</b>	Schedule 12 Financial Ratio calculations (feed from Financial Statements)	Populate (highlighted rows only) but do not alter structure

## 6.4 Generic Bidding Assumptions

Bidders are to use the following assumptions in preparing their Bids:

- The ScotRail franchise will commence on 1 April 2015;
- The ScotRail franchise financial year commences on 1 April of each year;
- Financial forecasts are to include calculations of the tax liabilities of the subject company in accordance with any applicable tax law. Complete integrated tax computations should be included in the Financial Model to the extent that any group, consortium or other form of relief or sale of losses is clearly stated within such model;
- Bidders are free to adopt either UK GAAP or IFRS but the accounting basis chosen must be disclosed, consistent and once selected cannot be changed;
- The definition of those amounts to be excluded from profit relating to (1) non-cash pension adjustments in the statutory accounts and (2) amounts disallowed relating to intra-group trading are to be applied regardless of the accounting procedures followed.
- The units to be used in each Bid submission are clearly set out in the Templates provided;
- The default prices stated in the Financial Model should be nominal but when viewed in real terms, outputs should be deflated to 2015/16 prices;
- The tables listed below should be completed in 2015/16 prices:
  - Target Revenue table set out in Appendix of Schedule 8.2 (*Annual Franchise Payments*) (Target Revenue (expressed in real terms)) of the Franchise Agreement; and
  - Franchise Payment table set out in the Appendix to Schedule 8.2 of the Franchise Agreement (Figures for Calculation of Franchise Payments);

- Annual Retail Prices Index and Average Weekly Earnings indices assumptions will be made available to Bidders in the Data Site and shall apply from 1 April 2016 and annually thereafter
- The real discount rate to be applied is 3.5 per cent per annum;
- Net Present Values of the revenues, costs and Franchise Payments / subsidy will be discounted back to the start of the ScotRail franchise (1 April 2015);
- For the purposes of calculating Net Present Values, the templated calculation assumes a mid-year timing of cash flows (30 September) for all future franchise financial years;
- The Revenue Share/Support and Profit Share levels and thresholds are as per Schedule 8.1 (*Franchise Payments*) of the Franchise Agreement;
- There will be no changes to the Track Access Agreements and charging methodologies as a result of any reviews conducted by the ORR during the Franchise Term (Bidders should use CP5 rates until the end of CP5 and assume that they are held constant in real terms thereafter. Preliminary values are available in the Data Site); and
- For calculating Franchise Payments / subsidy the methodology should be applied consistently on an annual basis, in accordance with the Franchise Agreement.

## 6.5 Modelling Change, Record of Assumptions and Operating Manual, and Forecasting Robustness

The Record of Assumptions and Operating Manual(s) are required to accompany the Models and should be submitted as Microsoft Word documents.

The Record of Assumptions should contain all financial and operational assumptions used and shall explain and discuss the inputs of each Model, including the base unit cost for each input. Where contracted variable unit costs have the potential to change as a result of Change (e.g. maintenance contract charges which vary between mileage bands), Bidders shall include the full range of potential unit costs of their anticipated contracted agreements within the Record of Assumptions.

The Record of Assumptions should include assumptions used in the pricing of any proposed Incremental Options if submitted and assumptions used to price Priced Options required by Transport Scotland. A description of accounting policies, especially in relation to capital investment, as well as taxation assumptions should also be included. The Record of Assumptions should also make clear and explicit any costs and revenues associated with proposals for an additional level of service above the business level. It should also include a table setting out the percentage of total other revenues, other operating costs and rolling stock costs (totals in real terms over the Franchise Term) that are earned from or paid to HQ, group or other affiliates. Bidders should also note that any elements of a proposed alliance that are reflected in the Financial Model should be explained in the Record of Assumptions.

Transport Scotland requires that Bidders submit a copy of their modelled timetable and source codes (which have been developed within MOIRA or any other revenue or timetable development software capable of being verified by Network Rail) to calculate the likely passenger revenues that will be earned from the timetable submitted with their Bid and that have been utilised in the population of Bidders' Revenue Models. Transport Scotland will accept this information electronically in either CIP or SPG format as an appendix to a Bidder's Record of Assumptions.

The Operating Manual should provide detailed instructions for operating the Models and include the following:

- a description of each Model, its structure and capability;
- an explanation of the flow of data through the Financial Model and the interfaces with the Operational Models submitted. This may be presented diagrammatically with supporting narrative as appropriate;
- a description of the purpose and operational characteristics of each worksheet and how it interacts with the Models;



- instructions on how to input data, select assumptions and calculate the financial outputs;
- where macros (or other Visual Basic functions) have had to be used, a description of any macros used in the operation of the Models, the reason for their use and how they impact the results.

The Operating Manual should include two worked examples of Change. The Financial Model is not required to include a switch to allow these examples to be selected. The Operating Manual should contain a detailed description of the required changes to the inputs to the Models and the rationale for such changes alongside a clear description of how the Models have been used to produce the worked examples. The examples should show the changes in key numbers leading to change in the franchise payment.

The two worked examples to be included are:

1. VTAC for Class 170s increases by 20% in years 4, 5 and 6 only; and
2. A one-off 10% reduction in off-peak fares in 2015/16.

Modelling Change, Record of Assumptions and Forecasting Robustness will be assessed on a pass/fail basis in accordance with the scoring matrix set out in Part 2 of Attachment I (*Scoring Matrices*).

## 6.6 Priced Options, Incremental Options and 'Blank Option'

Transport Scotland is specifying five Priced Options, as set out in Section 5 (Priced Options), which should be presented separately but may also be combined where the combined effect differs from the individual impact. Bidders may also model combinations as an additional Incremental Option where they believe synergies can be achieved when options are amalgamated.

Should a Bidder propose any Incremental Options, Transport Scotland requires a consistent level of detail / information for each Bidder proposed Incremental Option, if submitted, and Priced Options to enable it to make an informed decision. Therefore financial outputs for each option should be produced automatically by use of a switch that will update the financial outputs automatically. Models should be capable of running multiple Incremental Options individually and also in combination, except where Options are mutually exclusive.

Bidders should note that:

- initiatives are not necessarily expected to be treated individually in the top-level Financial Model;
- revenue initiatives should be treated individually within the Revenue Model;
- cost impacts of individual initiatives may be treated individually within supporting models or not, at Bidders' discretion, provided that the impact of individual initiatives on Model inputs is fully explained within the Record of Assumptions.

To allow Transport Scotland to evaluate the specific initiative or commitment as a whole, Bidders should identify capital investment made, revenue/operating expenditure incurred as a result of the investment, cost and revenue cash flows and the NPV of the specific initiative or commitment. This approach will enable Transport Scotland to understand the initiative's impact on the overall subsidy granted.

The Models are expected to form a robust platform for the pricing of Change during the Franchise Term. To this end, Bidders are required to provide a 'Blank Option' within their Financial Model, this capability allowing pricing, and price comparison with the base case Franchise Specification in respect of at least one Change at some point during the Franchise Term.

Priced Options (and Incremental Options if submitted) should be indexed in accordance with the mechanism set out in Schedule 8.2 (*Annual Franchise Payments*) of the Franchise Agreement.

## 6.7 Derogations

Transport Scotland may grant derogations from the modelling requirements in the following three areas:

- Model size;
- Use of OFFSET and INDIRECT functions; and
- Modelling Best Practice.

Applications must be made electronically as a confidential clarification request through the Data Site by no later than late March 2014. It is not expected that derogations will be necessary for Financial Models.

### 6.7.1 Model size

Transport Scotland will consider applications to exceed the 75MB workbook size limit where it is demonstrated that adherence to this limit generates significant inefficiencies, or materially reduces the level of confidence in the resulting forecasts. However, we request that Bidders make every effort to adhere to size limits wherever possible so as to ensure models are practically usable both during evaluation and as required throughout the Franchise Term.

### 6.7.2 Use of prohibited functions

Transport Scotland will consider applications for use of the OFFSET and INDIRECT functions where the following are demonstrated:

- That the use of these functions generates significant savings in model run times and use of disk space or otherwise significantly assists the efficient pricing of Change;
- That the use of these functions is clearly explained and documented in the Operating Manual and Record of Assumptions; and
- It is not expected that these functions will be necessary for Financial Models.

### 6.7.3 Modelling Best Practice

Transport Scotland will consider applications to relax the principles of Modelling Best Practice on an individual basis, and considers that derogations may be more appropriate for elements of Tier 2 Operational Models, at the underlying input/assumption interface.

## 6.8 Model sign-off Terms of Reference

The minimum level of model audit or review required by Transport Scotland for each of the Models is summarised below:

	Independent Modelling Best Practice Confirmation	Model Audit	Calculation Review	Technical Review
Financial Model	✓	✓		
Tier 1 Operational Models	✓		✓	✓
Tier 2 Operational Models	✓			✓
Timescales and Requirements	Confirmation provided at Bid Submission	Model Audit Report following Transport Scotland instruction	Completed in parallel with Financial Model Audit following Transport Scotland instruction	Completed by Transport Scotland as part of its evaluation process

The Financial Model will be subject to a full Model Audit as described in Section 6.8.2 (*Model Audit*). Transport Scotland recognises that the accounting elements of the Model Audit are not relevant to the Tier 1 Operational Models, and therefore requires a review of the calculations only, to be conducted by the same party as the Model Audit, as set out in Section 6.8.3 (*Calculation Review*). Transport Scotland will conduct a technical review of the Operational Models and Tier 2 as part of its evaluation process. It is at Transport Scotland's discretion as to whether any aspect of the technical review is shared with the relevant Bidders.

Bidders are required to satisfy themselves as to the technical accuracy of all Models prior to submission, noting the allocation of risk with respect to errors within the Models described in Section 2.4 (*Cost of Bidding and Model Audits*).

Bidders shall bear the risk of errors within the Financial Model, the Record of Assumptions and any associated Operational Models and of any adverse impact that this may have on the subsidy payable. Further information on the requirements in relation to the Financial Model is provided in this Section 6 (*Financial Elements*).

### 6.8.1 Modelling Best Practice Confirmation

Each Bidder must provide an independent Modelling Best Practice Confirmation report on all sections of the Models, co-addressed to Transport Scotland and that Bidder, as part of their Bid submission, taking account of any derogations obtained (described in Section 6.7 (*Derogations*)). The Best Practice Confirmation is not considered to be an audit of the Models.

All costs associated with the preparation of the Modelling Best Practice Confirmation are for the Bidder's account only.

The Modelling Best Practice Confirmation must provide confirmation in adequate detail that the Models have or provide for:

**Separation**

- Data inputs, calculations and output areas should be completely separate and clearly labelled.
  - Inputs: should include data and assumptions but no calculations;
  - Calculations: should include individual calculations that support each line of all outputs and reports. There should be no duplication of calculations nor should input cells be hard-coded in the calculation sheets; and
  - Outputs: should not include any hard-coded input cells or calculations except for sums and check totals.
- The Modelling Best Practice Confirmation must document the high level patterns of data flow within the Models and include a flow chart of the main data flows between worksheets and workbooks;

**Consistency**

- Formulae should be consistently coded across rows and down columns, as well as across worksheets. The Models should have time periods across the columns and calculations down the rows. This should be consistent in all worksheets. There are two areas where consistency is most important:
  - Columns: the same column should be used for the same period in each worksheet; and
  - Rows: a row will contain only one formula, copied across all columns.
- The Modelling Best Practice Confirmation must provide a review of the Models' structures by means of spreadsheet maps, which give a visual representation of the worksheet structure and layout, highlighting elements of the worksheet layout that warrant further investigation (however, as this is not as detailed as a Model Audit, each individual formula is not checked).

**Integrity**

- Financial statements (should not use any balancing figures). The Modelling Best Practice Confirmation must provide an assessment of the extent and effectiveness of internal and/or error checks contained within the Models and detail any internal control checks that indicate errors.

**Linearity**

- The Models should not include any circular references.

**Macros**

- Bidders are to avoid the use of macros in order to aid model transparency. The use of macros should be limited to areas where their use adds to the user friendliness of the Models (e.g. print macro) or aids the achievement of other requirements of the Models (e.g. avoid circularity or to transfer data between Models). Where macros are required, their function should be clearly explained within the Operating Manual.
- In order to aid transparency, use of the INDIRECT and OFFSET functions is prohibited, except where derogation has been granted.

The Modelling Best Practice Confirmation must also provide confirmation that the 75MB size limit has been adhered to, and that the INDIRECT and OFFSET functions are not used except where derogations (described in Section 6.7 (*Derogations*)) are granted.

## 6.8.2 Model Audit

Following Bid submission and prior to contract award, Transport Scotland will request one or more Bidders to obtain an independent audit of the Financial Model (the "**Model Audit**") on all sections of the Financial Model. The Model Audit shall be prepared for the benefit of Transport Scotland and the Bidder and shall be co-addressed to them. All costs associated with the preparation of the Model Audit are for the Bidder's account only. Bidders must obtain Transport Scotland's acceptance (not to be unreasonably withheld) of their choice of independent model auditor and its agreement to the definition of the Financial Model for determining the scope of the audit. Transport Scotland will expect to receive the audit report within ten working days of it being requested of the Bidder.

Transport Scotland requires the Model Audit to confirm:

- Whether the Financial Model has been constructed appropriately so as to materially achieve the objective that it was designed to meet, insofar as its logical integrity under the base case Franchise Specification assumptions and input data is concerned, including the conversion of real values to nominal values;
- Whether the tax charge, liabilities and payments calculated by the Financial Model, on the basis of the assumptions made in the Operating Manual and Record of Assumptions are materially consistent with current understanding of existing UK tax legislation;
- Whether the key accounting assumptions in the Financial Model and the Operating Manual and Record of Assumptions are materially consistent with current understanding of UK GAAP/IFRS;
- Whether the calculation of the Annual Franchise Payments is in accordance with the terms of Schedule 8.2 (*Annual Franchise Payments*) of the Franchise Agreement;
- Whether the calculation of the financial ratios is in accordance with Schedule 12 (*Financial Obligations and Undertakings*) of the Franchise Agreement;
- Whether the Financial Model has been developed in a well structured manner to acceptable standards in line with modelling best practice;
- Whether assumptions and input data in the Operating Manual and Record of Assumptions have in all material respects been consistently reflected in the Financial Model.
- Priced Options (and Incremental Options if submitted): Transport Scotland will require an audit to be performed on all of the Options which have been, or may yet be, contracted. Any redundant Options should be removed from the Models at this point;
- For robustness purposes Transport Scotland may provide the Preferred Bidder with no more than five tests for the purposes of understanding robustness of the stress test. The Model Audit will test the logical integrity of the arithmetical operations in the Financial Model formulae and calculations under the assumptions and input data for the specified test. A robustness test is defined as a change in one or more variables.

Bidders should note the allocation of risk with respect to errors within the Models described in this Section 6.8 (*Model sign-off – Terms of Reference*).

## 6.8.3 Calculation Review

The independent party conducting the Model Audit will also conduct a review of the calculations employed in the Tier 1 Operational Models. The Calculation Review will be conducted to the same standard as the Model Audit, but will exclude the technical elements of this process relating to taxation and accounting practices. Transport Scotland requires the review to confirm:

- whether the Tier 1 Operational Models have been constructed appropriately so as to materially achieve the objective that they were designed to meet, insofar as their logical integrity under the base case Franchise Specification assumptions and input data are concerned;
- whether the Tier 1 Operational Models have been developed in a well structured manner to acceptable standards in line with modelling best practice; and
- whether assumptions and input data in the Operating Manual and Record of Assumptions have in all material respects been consistently reflected in the Tier 1 Operational Models.

For Priced Options (and Incremental Options if submitted): Transport Scotland will require a review of all of the Options that have been, or may yet be, contracted. Any redundant Options should be removed from the Models at this point.

#### 6.8.4 Revenue Share/Support and Profit Sharing

Schedule 8.1 (*Franchise Payments*) of the Franchise Agreement provides Bidders with information about the Revenue Share/Support and Profit Sharing mechanisms that are a feature of this competition. The main elements of the mechanism are:

- Transport Scotland will share 50% of the Franchisee's revenues to the extent that they are greater than 105% of the Target Revenue in any given year;
- Transport Scotland will provide 50% Revenue Support to the extent that the Franchisee's revenues are less than 95% of the Target Revenue for any given year after the fourth anniversary of the Franchise Commencement Date; and
- Transport Scotland will share 50% of the Franchisee's profits above a minimum prescribed level of £30m in 2015/16 prices in each year of the ScotRail franchise.

Profit and the thresholds and levels of sharing are set out in Schedule 8 (*Payments*) of the Franchise Agreement

The Franchisee will be required to maintain financial transparency at all times including in the following ways:

- The Franchisee should follow the principle of open book accounting;
- The Franchisee must ensure that there is no cross-subsidisation between the ScotRail services and any other service run by or activities of the Franchisee or between the Franchisee and any other Affiliate;
- The Franchisee must ensure that if any of their staff is engaged in providing services to or in connection with any other service run by any Affiliate that there is no cost to the Franchisee in connection with this;
- The Franchisee must have clear, separate and transparent accounting systems for the financing and operating of the ScotRail services (in accordance with Regulation (EC) 1370/2007) to ensure that the Franchise Payment is only used for the ScotRail services to be delivered pursuant to the Franchise Agreement and not for any other activity of the Franchisee;
- Where the Franchisee wishes to enter into a contract with any Affiliate confirmation from Transport Scotland will be required to the effect that Transport Scotland is satisfied the transaction or contract is on arm's length terms;
- The Franchisee should maintain a detailed ledger of Related Party Contracts, including the amount of the payment and the reason for the service. This should also confirm that the service is priced at arm's length (i.e. on a normal commercial basis) or if not, explain why the service is not priced as such;
- The Franchisee should prior to the Franchise Commencement Date prepare a schedule of services and transactions expected to be undertaken with Affiliates for Transport Scotland's approval. This listing should be maintained throughout the Franchise Term; and
- Transport Scotland may request that the auditors of the Franchisee review the Related Party Contracts and confirm that the transactions are at arm's length. If any contracts are entered into without Transport Scotland's consent which are not on an arm's length basis, Transport Scotland shall be permitted, for the purposes of profit share and profit support calculations, to disregard any expenditure that is considered to be in excess of that that would be incurred if the transaction was arm's length.



## 6.9 Financial Structure and Funding

Each Bidder is required to submit a Financial Structure and Funding document which should:

- Detail the total investment plan for all funding of infrastructure, other works and schemes that support their proposals, including explaining its linkage with the Financial Model;
- Provide precise details of their own funding arrangements and detail the exact nature of relationships with any funding partner or underlying financial securities provided by third parties;
- Provide details of the providers of the Performance Bond and Season Ticket and Smartcard Bond including term sheets from the Bond Provider(s) in order to demonstrate that the requirements set out in Schedule 12 (*Financial Obligations and Undertakings*) of the Franchise Agreement have been met;
- Provide a statement from the relevant Bond Provider accepting the form of the Performance Bond as set out in the Franchise Agreement (as an Annex if appropriate);
- Submit a statement from the relevant Bond Provider accepting the form of the Season Ticket and Smartcard Bond as set out in Schedule 12, Appendix 1 (*Form of Performance Bond*) of the Franchise Agreement (as an Annex if appropriate) and the Advance Payment Bond (if required);
- Provide details of how the Bidder intends to support any inter company loan as set out in the Inter Company Loan Facility Agreement;
- Demonstrate how on-going working capital requirements, as forecast in the Financial Model, will be funded;
- Include a funding plan for each franchise commitment made in the Bid (or groups of commitments if appropriate), submit a funding plan with full details of its linkage with the Financial Model, each source of funding, including rights and obligations of each type of funding and details of agreements with the organisations providing funding. For each source of funding, a letter of support and term sheet must be provided from the underwriting financial institution setting out the terms and conditions (including all conditions precedent, fees, repayment profile, basis of interest rate calculation) of the finance;
- Incorporate in their funding plans an investment profile as detailed in the Templates providing for each proposal category (i.e. base case Franchise Specification and Priced Options (and Incremental Options if submitted)) and by investment category;
- Include a letter from their financial adviser(s) confirming that:
  - the funding plans for all aspects of the Bid have been developed to a stage that will allow funding to be made available to the Franchisee on execution of the Franchise Agreement;
  - financial advisor support of the funding proposition has been provided in the knowledge of the terms and conditions set out in the term sheets of the finance providers;
  - the funding plans are accurately reflected in the Financial Model;
  - the risks to the Bidder's ability to meet its funding commitments have been identified and mitigated; and
  - the calculated financial ratios are calculated in accordance with the Franchise Agreement requirements.
- For any investment that Bidders anticipate will retain a realisable residual value payment from a successor TOC at franchise end (under the terms of the Franchise Agreement provisions), this value should be clear in its amount and derivation. The criteria that this valuation will be based on will be issued to Bidders alongside the Franchise Agreement;

- Confirm the interest rates and contractual terms of any inter-company debt funding, subordinated loans or other funding arrangements between or to be between the Franchisee and any affiliate or third party;
- Provide details and assumptions for interest earned on cash deposits; and
- Include a statement of day one funding available and any assumptions around the transfer of season ticket or advance ticket purchases from the incumbent.

## **6.10 Other Information Required**

Bidders should show separately the costs involved and assumptions made in relation to pension contribution rates, both employer and employees.

Trading with affiliated companies should be detailed where greater than £100,000 (nominal prices) per annum in the relevant plan(s) and Operating Manual and Record of Assumptions.

## **6.11 Inter Company Loan Facility (or equivalent form of liquidity)**

As a minimum, Transport Scotland requires an inter company loan facility of £25m to be available to the Franchisee from the beginning of the ScotRail franchise (see Section 3.3.4 (*Inter Company Loan Facility*)).

The Bidder shall be expected to enter into the template "Inter Company Loan Facility Agreement re: Share Capital and loan facility" provided at Attachment F, confirming in their Bids that they accept its terms and will be prepared to contractualise their funding proposals accordingly from the date of contract signature of the Franchise Agreement.



Invitation to Tender  
**TENDER REFERENCE:**  
**TS/RD/SER/2013/04**  
B/4855286/45



## 7. Further Information

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### ScotRail Franchise

Invitation to Tender

**TENDER REFERENCE:**  
**TS/RD/SER/2013/04**

B/4855286/45

Further information relating to the ScotRail franchise can be found in the Data Site (folder Common Data Room – ScotRail).



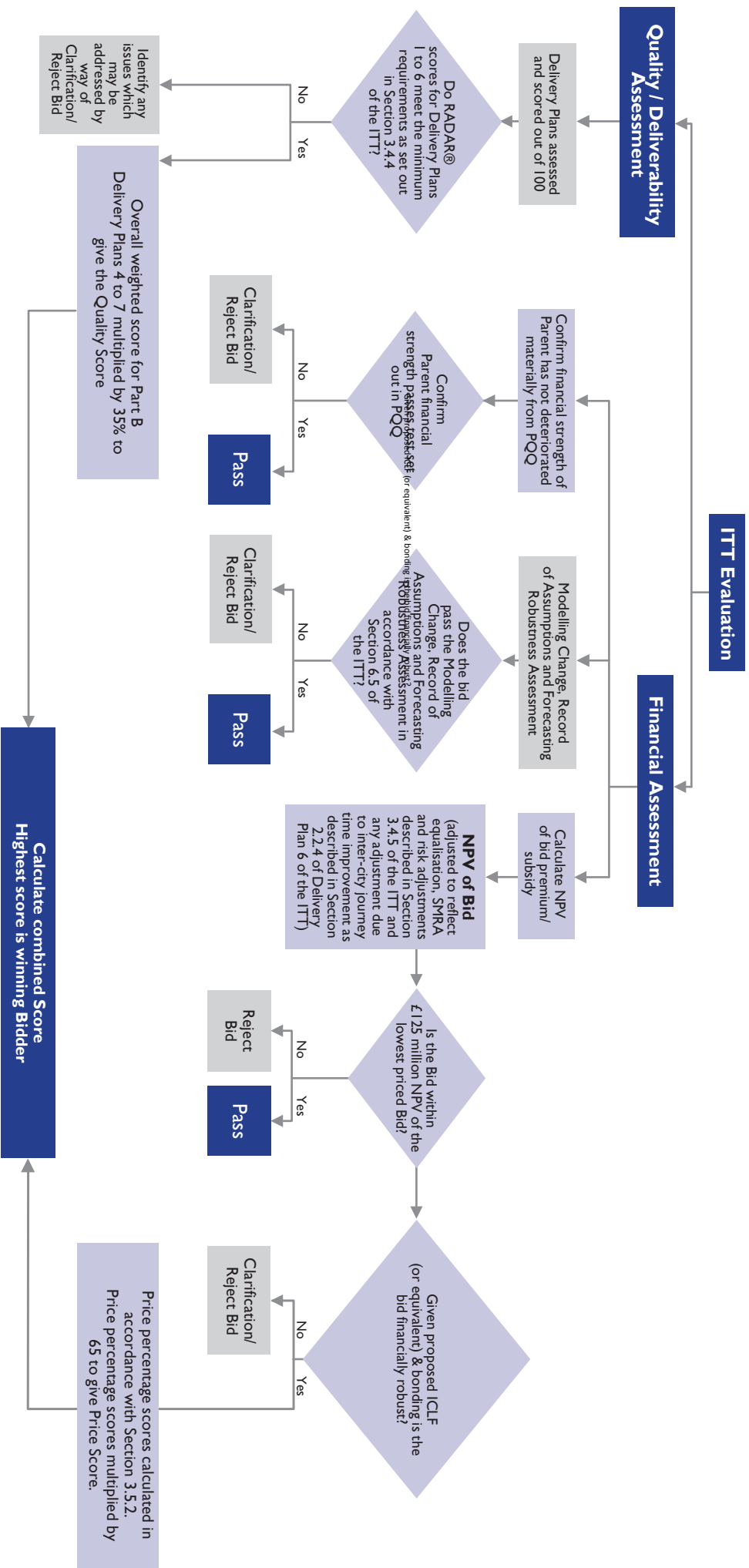




# Appendix I:

## Evaluation Process Chart









# Appendix 2:

## Summary of Known Timetable Changes

**Pre-Franchise Commencement Date (Operated by First ScotRail Limited)**

Service /Service Change	Timetable Change Date	Approximate timetable bid date and Bidder**	Track Access Rights obtained by
<b>Dalmarnock Station open on Sundays</b>	December 2013	February 2013 (First ScotRail)	First ScotRail Limited
<b>Improved Sunday services between Aberdeen and Inverurie</b>	December 2013	February 2013 (First ScotRail)	First ScotRail Limited
<b>Improved Sunday services on the Fife Circle</b>	December 2013	February 2013 (First ScotRail)	First ScotRail Limited
<b>Improved peak services between Aberdeen and Inverurie</b>	May 2014	August 2013 (First ScotRail)	First ScotRail Limited
<b>Additional Sunday services between Aberdeen and Glasgow</b>	May 2014	August 2013 (First ScotRail)	First ScotRail Limited
<b>Extension of Glasgow to Irvine service to Ayr.</b>	May 2014 (May 2013 for Saturdays)	August 2013 (First ScotRail)	First ScotRail Limited
<b>Cumbernauld electrification</b>	May 2014	August 2013 (First ScotRail)	First ScotRail Limited
<b>Improved services between Glasgow and Oban (including school service and connections with the Caledonian Sleeper services)</b>	May 2014	August 2013 (First ScotRail)	First ScotRail Limited
<b>Improved off-peak services between Glasgow and Gourock</b>	May 2014	August 2013 (First ScotRail)	First ScotRail Limited
<b>Whifflet electrification</b>	December 2014	February 2014 (First ScotRail)	First ScotRail Limited

**Notes:-**

The above services will be contained in the initial SLC



## Post Franchise Commencement Date (Operated by New Franchisee)

Service/Service Change	Timetable Change Date	Timetable Bid date and Bidder**	Track Access Rights obtained by
<b>Borders Railway</b>	To be confirmed	To be confirmed	First ScotRail Limited
<b>Edinburgh Gateway Station</b>	December 2016	February 2016 (New Franchisee)	First ScotRail Limited
<b>EGIP Stage 2* – full electric service</b>	December 2017	February 2017 (New Franchisee)	(New Franchisee)
<b>Electrification of routes to Dunblane/Alloa/Stirling and further journey time improvement on Edinburgh-Glasgow***</b>	December 2018	February 2018 (New Franchisee)	(New Franchisee)

### Notes:-

The above service changes will be detailed in the Annex of the SLC

\* EGIP Stage 1 is the gradual introduction of electric services but is not a timetable change

\*\* Production Schedule dates for all years are not available. Those published are subject to agreement and therefore can change, hence approximate dates.

\*\*\* This service change will not be detailed in the Annex of the SLC as Bidders are invited to propose journey time improvements as part of Delivery Plan 6 (Service Development)

Please refer to the Data Site for the production schedules or full requirements.



# Appendix 3:

## Rolling Stock Quality Specification (Passenger Facing Elements)

Service Type	Rolling stock minimum attributes
<b>Edinburgh to Glasgow via Falkirk High</b>	<ul style="list-style-type: none"> <li>• High quality and safe passenger environment consistent with modern inter-city passenger rolling stock in the UK and Europe. This condition is to be maintained throughout the Franchise Term, by means of an interior refresh if necessary.</li> <li>• Ability to work safely and reliably in the ambient winter / summer weather conditions experienced in the Network Rail Scotland area.</li> <li>• Bogied vehicles.</li> <li>• Standard Class accommodation with a seating density no greater than 2+2.</li> <li>• Where First/Business Class is provided, there should be a clear differentiation between the quality of First/Business and Standard Class accommodation.</li> <li>• Comfortable seats aligned with windows where this is practicable and does not lead to a significant loss of capacity or unacceptable leg-room.</li> <li>• Shoulder room and leg room should not be reduced from that currently provided on each route.</li> <li>• Air conditioning and appropriate heating, including during station stops.</li> <li>• Toilet provision on board which is no less than currently provided on each route and that avoids smell being noticeable in seated areas.</li> <li>• CET provision on-board toilets shall be in accordance with the environmental requirements of Section 2.2.2. (<i>Transport Scotland's Requirements</i>) of Delivery Plan 4 (<i>Sustainability</i>).</li> <li>• 90% of fleet PRMTSI compliant by 31/12/2018.</li> <li>• 100% of fleet PRMTSI compliant by 31/12/2019.</li> <li>• Real-time visual and audible passenger information system. PRMTSI compliance represents the minimum standard and proposals are invited for provision of additional information, e.g. train service information and infotainment.</li> <li>• Facilities for storing large items of luggage commensurate with business/leisure travel within sight/proximity of passengers when seated; overhead racks for smaller luggage, flexible space for pushchairs/prams and cycle storage facilities (minimum 2 cycles per unit).</li> <li>• Wi-Fi capability fully compatible with modern standards</li> <li>• 230V power sockets (one per pair of seats) capable of charging a laptop, mobile phone or similar device.</li> <li>• Tables at all seats (may be fixed or folding).</li> <li>• No more than 50% of the seats to be "airline" style layout.</li> <li>• CCTV coverage and on-board recording at a minimum of 2 fps normal and 25 fps for 2 mins before and 5 mins after a trigger event of all passenger areas (except toilets). System to include forward facing camera mounted in each driving cab.</li> <li>• Design to maximise comfort for standing passengers at peak times, e.g. space and handhold provision.</li> <li>• Bodyside door locations / width and interior layout to facilitate rapid boarding and alighting.</li> <li>• Ability to support an at-seat catering service which is available to all passengers.</li> </ul>

Service Type	Rolling stock minimum attributes
<b>Inter-city</b>  <b>Central Belt – Perth/ Stirling/Dundee/ Aberdeen and Inverness</b>  <b>Aberdeen – Inverness</b>	<ul style="list-style-type: none"> <li>High quality and safe passenger environment consistent with modern inter-city passenger rolling stock in the UK and Europe. This condition is to be maintained throughout the Franchise Term, by means of an interior refresh if necessary.</li> <li>Ability to work safely and reliably in the ambient winter / summer weather conditions experienced in the Network Rail Scotland area.</li> <li>Bogied vehicles.</li> <li>Standard Class accommodation with a seating density no greater than 2+2.</li> <li>Where First/Business Class is provided, there should be a clear differentiation between the quality of First/Business and Standard Class accommodation.</li> <li>Comfortable seats aligned with windows where this is practicable and does not lead to a significant loss of capacity or unacceptable leg room.</li> <li>Shoulder room and leg room should not be reduced from that currently provided on each route.</li> <li>Air conditioning and appropriate heating, including during station stops.</li> <li>Toilet provision on board which is no less than currently provided on each route and that avoids smell being noticeable in seated areas.</li> <li>CET provision for on-board toilets shall be in accordance with the environmental requirements of Section 2.2.2. (<i>Transport Scotland's Requirements</i>) of Delivery Plan 4 (<i>Sustainability</i>).</li> <li>90% of fleet PRM TSI compliant by 31/12/2018.</li> <li>100% of fleet PRM TSI compliant by 31/12/2019.</li> <li>Real-time visual and audible passenger information system. PRM TSI compliance represents the minimum standard and proposals are invited for provision of additional information, e.g. train service information and infotainment.</li> <li>Facilities for storing large items of luggage within sight/proximity of passengers when seated which in terms of capacity should be taken to be the same as provided currently on a class 170 with the addition of an extra luggage stack in each carriage which will occupy the space of approximately two seats, overhead racks for airline style cabin luggage, flexible space for pushchairs/prams and cycle storage facilities (minimum 2 cycles per unit).</li> <li>Wi-Fi capability fully compatible with modern standards.</li> <li>230V power sockets (one per pair of seats) capable of charging a laptop, mobile phone or similar device.</li> <li>Tables at all seats (may be fixed or folding).</li> <li>No more than 50% of the seats to be "airline" style layout.</li> <li>CCTV coverage and on-board recording at a minimum of 2 fps normal and 25 fps for 2 mins before and 5 mins after a trigger event of all passenger areas (except toilets). System to include forward facing camera mounted in each driving cab.</li> <li>Design to maximise comfort for standing passengers at peak times, e.g. space and handhold provision.</li> <li>Bodyside door locations / width and interior layout to facilitate rapid boarding and alighting.</li> <li>Ability to support an at-seat catering service which is available to all passengers.</li> </ul>

Service Type	Rolling stock minimum attributes
<b>East Coast Suburban</b>  <b>(e.g. Edinburgh – Dundee, Fife Circle)</b>	<ul style="list-style-type: none"> <li>• High quality and safe passenger environment consistent with modern inter-urban and regional passenger rolling stock in the UK and Europe. This condition is to be maintained throughout the Franchise Term, by means of an interior refresh if necessary.</li> <li>• Ability to work safely and reliably in the ambient winter / summer weather conditions experienced in the Network Rail Scotland area.</li> <li>• Bogied vehicles.</li> <li>• Standard Class accommodation with a seating density no greater than 2+2.</li> <li>• Where First/Business Class is provided, there should be a clear differentiation between the quality of First/Business and Standard Class accommodation.</li> <li>• Shoulder room and leg room should not be reduced from that currently provided on each route.</li> <li>• Air conditioning and appropriate heating including during station stops.</li> <li>• Toilet provision on board which is no less than currently provided on each route and that avoids smell being noticeable in seated areas.</li> <li>• CET provision for on-board toilets shall be in accordance with the environmental requirements of Section 2.2.2. (<i>Transport Scotland's Requirements</i>) of Delivery Plan 4 (<i>Sustainability</i>).</li> <li>• 90% of fleet PRMTSI compliant by 31/12/2018.</li> <li>• 100% of fleet PRMTSI compliant by 31/12/2019.</li> <li>• Real-time visual and audible passenger information system. PRMTSI compliance represents the minimum standard and proposals are invited for provision of additional information, e.g. train service information and infotainment.</li> <li>• Facilities for storing large items of luggage within sight/proximity of passengers when seated; overhead racks for smaller luggage, flexible space for pushchairs/prams and cycle storage facilities (minimum 2 cycles per unit).</li> <li>• Wi-Fi capability fully compatible with modern standards.</li> <li>• 230V power sockets (one per pair of seats) capable of charging a laptop, mobile phone or similar device.</li> <li>• Tables at all seats (may be fixed or folding).</li> <li>• No more than 50% of the seats to be "airline" style layout.</li> <li>• CCTV coverage and on-board recording at a minimum of 2 fps normal and 25 fps for 2 mins before and 5 mins after a trigger event of all passenger areas (except toilets). System to include forward facing camera mounted in each driving cab.</li> <li>• Design to maximise comfort for standing passengers at peak times, e.g. space and handhold provision.</li> <li>• Bodyside door locations / width and interior layout to facilitate rapid boarding and alighting.</li> </ul>



Service Type	Rolling stock minimum attributes
<b>Highland Rural</b>  <b>(e.g. Inverness – Wick/          Thurso/Kyle of Lochalsh,          West Highland Line)</b>  <b>South West Rural</b>  <b>(e.g. Glasgow – Carlisle,          Glasgow - Stranraer)</b>	<ul style="list-style-type: none"> <li>• High quality and safe passenger environment consistent with modern inter-urban and regional passenger rolling stock in the UK and Europe. This condition is to be maintained throughout the Franchise Term, by means of an interior refresh if necessary.</li> <li>• Ability to work safely and reliably in the ambient winter / summer weather conditions experienced in the Network Rail Scotland area.</li> <li>• Bogied vehicles.</li> <li>• Standard Class accommodation with a seating density no greater than 2+2.</li> <li>• Where First/Business Class is provided, there should be a clear differentiation between the quality of First/Business and Standard Class accommodation.</li> <li>• Comfortable seats aligned with windows where this is practicable and does not lead to a significant loss of capacity or unacceptable leg room.</li> <li>• Shoulder room and leg room should not be reduced from that currently provided on each route.</li> <li>• Appropriate heating and ventilation, including during station stops.</li> <li>• Toilet provision on board which is no less than currently provided on each route and that avoids smell being noticeable in seated areas.</li> <li>• CET provision for on-board toilets shall be in accordance with the environmental requirements of Section 2.2.2. (<i>Transport Scotland's Requirements</i>) of Delivery Plan 4 (<i>Sustainability</i>).</li> <li>• 90% of fleet PRMTSI compliant by 31/12/2018, 100% of fleet PRMTSI compliant by 31/12/2019.</li> <li>• Real-time visual and audible passenger information system. PRMTSI compliance represents the minimum standard and proposals are invited for provision of additional information, e.g. train service information and infotainment.</li> <li>• Facilities for storing large items of luggage within sight/proximity of all passengers when seated; overhead racks for smaller luggage, flexible space for pushchairs/prams and cycle storage facilities (minimum 2 cycles per unit).</li> <li>• Wi-Fi capability fully compatible with modern standards.</li> <li>• 230V power sockets (one per pair of seats) capable of charging a laptop, mobile phone or similar device.</li> <li>• Tables at all seats (may be fixed or folding).</li> <li>• No more than 50% of the seats to be "airline" style layout</li> <li>• CCTV coverage and on-board recording at a minimum of 2 fps normal and 25 fps for 2 mins before and 5 mins after a trigger event of all passenger areas (except toilets). System to include forward facing camera mounted in each driving cab.</li> <li>• Ability to support an at-seat catering service which is available to all passengers.</li> </ul>

Service Type	Rolling stock minimum attributes
<p><b>Strathclyde Electrics (except South Electrics)</b></p> <p><b>(e.g. Argyle Line, Glasgow – Ayrshire Coast, Glasgow North Electrics, Helensburgh - Airdrie - Edinburgh)</b></p>	<ul style="list-style-type: none"> <li>• High quality and safe passenger environment consistent with modern suburban passenger rolling stock in the UK and Europe.</li> <li>• Ability to work safely and reliably in the ambient winter / summer weather conditions experienced in the Network Rail Scotland area.</li> <li>• Bogied vehicles.</li> <li>• Standard Class accommodation with a seating density no greater than currently provided on each route.</li> <li>• Where First/Business Class is provided, there should be a clear differentiation between the quality of First/Business and Standard Class accommodation.</li> <li>• Shoulder room and leg room should not be reduced from that currently provided on each route.</li> <li>• Appropriate heating and ventilation, including during station stops.</li> <li>• Toilet provision on board which is no less than currently provided on each route and that avoids smell being noticeable in seated areas.</li> <li>• CET provision on-board toilets shall be in accordance with the environmental requirements of Section 2.2.2. (<i>Transport Scotland's Requirements</i>) of Delivery Plan 4 (<i>Sustainability</i>).</li> <li>• 90% of fleet PRMTSI compliant by 31/12/2018, 100% of fleet PRMTSI compliant by 31/12/2019.</li> <li>• Real-time visual and audible passenger information system. PRMTSI compliance represents the minimum standard and proposals are invited for provision of additional information, e.g. train service information and infotainment.</li> <li>• Facilities for storing large items of luggage within sight/proximity of passengers when seated; overhead racks for smaller luggage, flexible space for pushchairs/prams and cycle storage facilities (minimum 2 cycles per unit).</li> <li>• Wi-Fi capability fully compatible with modern standards.</li> <li>• 230V power sockets (one per pair of seats) capable of charging a laptop, mobile phone or similar device.</li> <li>• No more than 50% of the seats to be "airline" style layout.</li> <li>• CCTV coverage and on-board recording at a minimum of 2 fps normal and 25 fps for 2 mins before and 5 mins after a trigger event of all passenger areas (except toilets). System to include forward facing camera mounted in each driving cab.</li> <li>• On-board CCTV cameras and in-cab monitors for DOO.</li> <li>• Design to maximise comfort for standing passengers at peak times, e.g. space and handhold provision.</li> <li>• Bodyside door locations / width and interior layout to facilitate rapid boarding and alighting.</li> </ul>

Service Type	Rolling stock minimum attributes
<b>Glasgow South Electrics</b>	<ul style="list-style-type: none"> <li>• High quality and safe passenger environment consistent with modern suburban passenger rolling stock in the UK and Europe.</li> <li>• Ability to work safely and reliably in the ambient winter / summer weather conditions experienced in the Network Rail Scotland area.</li> <li>• Bogied vehicles.</li> <li>• Standard Class accommodation with a seating density no greater than currently provided on each route.</li> <li>• Where First/Business Class is provided, there should be a clear differentiation between the quality of First/Business and Standard Class accommodation.</li> <li>• Shoulder room and leg room should not be reduced from that currently provided on each route.</li> <li>• Appropriate heating and ventilation, including during station stops.</li> <li>• 90% of fleet PRMTSI compliant by 31/12/2018, 100% of fleet PRMTSI compliant by 31/12/2019.</li> <li>• Real-time visual and audible passenger information system. PRMTSI compliance represents the minimum standard and proposals are invited for provision of additional information, e.g. train service information and infotainment.</li> <li>• Facilities for storing large items of luggage within sight/proximity of passengers when seated; overhead racks for smaller luggage, flexible space for pushchairs/prams and cycle storage facilities (minimum 2 cycles per unit).</li> <li>• Wi-Fi capability fully compatible with modern standards.</li> <li>• CCTV coverage and on-board recording at a minimum of 2 fps normal and 25 fps for 2 mins before and 5 mins after a trigger event of all passenger areas (except toilets). System to include forward facing camera mounted in each driving cab.</li> <li>• On-board CCTV cameras and in-cab monitors for DOO.</li> <li>• Design to maximise comfort for standing passengers at peak times, e.g. space and handhold provision.</li> <li>• Bodyside door locations / width and interior layout to facilitate rapid boarding and alighting.</li> </ul>

Service Type	Rolling stock minimum attributes
<b>Strathclyde Diesel</b>  <b>(e.g. Glasgow QS – Anniesland, Glasgow – Cumbernauld, Glasgow – Dunblane/Alloa/Stirling Glasgow - Kilmarnock)</b>	<ul style="list-style-type: none"> <li>• High quality and safe passenger environment consistent with modern suburban passenger rolling stock in the UK and Europe.</li> <li>• Ability to work safely and reliably in the ambient winter / summer weather conditions experienced in the Network Rail Scotland area.</li> <li>• Bogied vehicles.</li> <li>• Toilet provision on board which is no less than currently provided on each route and that avoids smell being noticeable in seated areas.</li> <li>• CET provision on-board toilets shall be in accordance with the environmental requirements of Section 2.2.2. (<i>Transport Scotland's Requirements</i>) of Delivery Plan 4 (<i>Sustainability</i>).</li> <li>• Standard Class accommodation with a seating density no greater than 2+2.</li> <li>• Where First/Business Class is provided, there should be a clear differentiation between the quality of First/Business and Standard Class accommodation.</li> <li>• Shoulder room and leg room should not be reduced from that currently provided on each route.</li> <li>• Appropriate heating and ventilation, including during station stops.</li> <li>• 90% of fleet PRMTSI compliant by 31/12/2018, 100% of fleet PRMTSI compliant by 31/12/2019.</li> <li>• Real-time visual and audible passenger information system. PRMTSI compliance represents the minimum standard and proposals are invited for provision of additional information, e.g. train service information and infotainment.</li> <li>• Flexible space for storing large items of luggage or for pushchairs/prams; overhead racks for smaller luggage.</li> <li>• Dedicated cycle storage facilities (minimum 2 cycles per unit).</li> <li>• Wi-Fi capability fully compatible with modern standards.</li> <li>• 230V power sockets (one per pair of seats) capable of charging a laptop, mobile phone or similar device.</li> <li>• No more than 50% of the seats to be "airline" style layout.</li> <li>• CCTV coverage and on-board recording at a minimum of 2 fps normal and 25 fps for 2 mins before and 5 mins after a trigger event of all passenger areas (except toilets). System to include forward facing camera mounted in each driving cab.</li> <li>• Tables at all seats (may be fixed or folding).</li> <li>• Design to maximise comfort for standing passengers at peak times, e.g. space and handhold provision.</li> <li>• Bodyside door locations / width and interior layout to facilitate rapid boarding and alighting.</li> </ul>









# Appendix 4:

## Inter-City Services

The current inter-city services from the December 2013 timetable are shown below:

Direction	No	Origin	Dep time	Destination	Arr time
<b>Aberdeen to Edinburgh</b>					
<b>Southbound</b>	1	Aberdeen	05:46	Edinburgh	08:21
	2	Aberdeen	07:06	Edinburgh	09:31
	3	Aberdeen	09:07	Edinburgh	11:28
	4	Aberdeen	11:04	Edinburgh	13:31
	5	Aberdeen	12:06	Edinburgh	14:26
	6	Aberdeen	13:09	Edinburgh	15:34
	7	Aberdeen	14:04	Edinburgh	16:29
	8	Aberdeen	16:02	Edinburgh	18:32
	9	Aberdeen	17:06	Edinburgh	19:34
	10	Aberdeen	19:09	Edinburgh	21:31
	11	Aberdeen	20:09	Edinburgh	22:52
	12	Aberdeen	21:05	Edinburgh	23:49
	13	Aberdeen	21:31	Edinburgh	00:05
	14	Aberdeen	22:27	Perth	00:12
<b>Northbound</b>	15	Edinburgh	05:30	Aberdeen	08:14
	16	Edinburgh	07:30	Aberdeen	09:52
	17	Edinburgh	08:28	Aberdeen	10:54
	18	Edinburgh	09:29	Aberdeen	11:49
	19	Edinburgh	11:28	Aberdeen	13:49
	20	Edinburgh	12:28	Aberdeen	14:50
	21	Edinburgh	13:28	Aberdeen	15:46
	22	Edinburgh	15:28	Aberdeen	17:53
	23	Edinburgh	16:29	Aberdeen	18:58
	24	Edinburgh	17:37	Aberdeen	20:07
	25	Edinburgh	19:28	Aberdeen	21:54
	26	Edinburgh	21:40	Aberdeen	00:04

Aberdeen to Glasgow					
Southbound35	27	Aberdeen	05:26	Glasgow	08:34
	28	Aberdeen	06:33	Glasgow	09:16
	29	Aberdeen	07:39	Glasgow	10:14
	30	Aberdeen	08:42	Glasgow	11:14
	31	Aberdeen	09:35	Glasgow	12:15
	32	Aberdeen	10:38	Glasgow	13:14
	33	Aberdeen	11:42	Glasgow	14:14
	34	Aberdeen	12:40	Glasgow	15:14
	35	Aberdeen	13:38	Glasgow	16:14
	36	Aberdeen	14:39	Glasgow	17:18
	37	Aberdeen	15:33	Glasgow	18:15
	38	Aberdeen	16:37	Glasgow	19:16
	39	Aberdeen	17:36	Glasgow	20:15
	40	Aberdeen	18:30	Glasgow	21:14
	41	Aberdeen	19:47	Glasgow	22:20
	42	Aberdeen	20:42	Glasgow	23:19
Northbound	43	Perth	06:00	Aberdeen	07:47
	44	Glasgow	05:56	Aberdeen	08:46
	45	Glasgow	07:41	Aberdeen	10:17
	46	Glasgow	08:41	Aberdeen	11:24
	47	Glasgow	09:41	Aberdeen	12:32
	48	Glasgow	10:41	Aberdeen	13:12
	49	Glasgow	11:41	Aberdeen	14:15
	50	Glasgow	12:41	Aberdeen	15:14
	51	Glasgow	13:41	Aberdeen	16:26
	52	Glasgow	14:41	Aberdeen	17:15
	53	Glasgow	15:41	Aberdeen	18:15
	54	Glasgow	16:41	Aberdeen	19:15
	55	Glasgow	17:41	Aberdeen	20:36
	56	Glasgow	18:41	Aberdeen	21:22
	57	Glasgow	19:41	Aberdeen	22:15
	58	Glasgow	20:41	Aberdeen	23:22
	59	Glasgow	21:42	Aberdeen	00:23

Services also extend to Inverurie, Dyce, at Newcraighall at either end of the journey to fulfil local commuting requirements. Stopping services to Dundee have not been included in this table.

Direction	No	Origin	Dep time	Destination	Arr time
<b>Inverness to Edinburgh</b>					
<b>Southbound</b>	60	Blair Atholl	07:12	Edinburgh	09:24
	61	Inverness	06:50	Edinburgh	10:02
	62	Inverness	07:55	Edinburgh	11:17
	63	Inverness	09:41	Edinburgh	13:22
	64	Inverness	10:45	Edinburgh	14:22
	65	Inverness	12:53	Edinburgh	16:22
	66	Inverness	15:53	Edinburgh	19:21
	67	Inverness	18:46	Edinburgh	22:19
<b>Northbound</b>	68	Edinburgh	08:35	Inverness	11:57
	69	Edinburgh	10:36	Inverness	14:10
	70	Edinburgh	13:36	Inverness	16:54
	71	Edinburgh	16:32	Inverness	20:06
	72	Edinburgh	17:42	Inverness	21:01
	73	Edinburgh	19:44	Inverness	23:10
<b>Inverness to Glasgow</b>					
<b>Southbound</b>	74	Inverness	08:45	Glasgow	12:09
	75	Inverness	14:49	Glasgow	18:09
	76	Inverness	17:30	Glasgow	20:45
	77	Inverness	20:15	Glasgow	23:43
<b>Northbound</b>	78	Glasgow	07:10	Inverness	10:26
	79	Glasgow	10:10	Inverness	13:28
	80	Glasgow	12:10	Inverness	15:23
	81	Glasgow	15:10	Inverness	18:21
	82	Glasgow	18:11	Inverness	21:26



Invitation to Tender  
**TENDER REFERENCE:**  
**TS/RD/SER/2013/04**  
B/4855286/45





# Appendix 5:

## Guidance on Risk Adjustment

## 1. Introduction

As part of the technical Bid evaluation, Transport Scotland will undertake risk assessment of Bids received to:

- Determine whether, in Transport Scotland's view, the Bid presents the likelihood of an additional financial liability for Transport Scotland (alongside the payment of Bid subsidy) through the revenue support mechanism; and
- Inform the financial robustness testing undertaken as part of the financial evaluation.

This risk assessment may lead to the identification of risk adjustments, which will be applied to Bids (with the Bid subsidy level fixed) and may impact on the evaluated Bid price if the revenue share mechanism is triggered. Any risk adjustments will not affect the contracted level of compensation to be paid under the Franchise Agreement.

This Appendix provides guidance to Bidders on how Transport Scotland intends to undertake risk adjustment of Bids. Guidance on how adjustments will be made can never be complete or apply to all possible situations, as it is not possible to predict in advance of Bid submission how Bidders will construct their Bids and so what issues and risks may be identified with each submission. As such, when undertaking risk adjustment Transport Scotland will apply the following principles:

- Risk adjustment will be carried out in an open, transparent, non-discriminatory and proportionate manner.
- Transport Scotland's reasonable view of the most likely credible outcome will be the overriding factor.

## 2. Risk Adjustment

Transport Scotland has identified three areas where risk adjustment may be required:

1. Risk Adjustment of Endogenous Revenue Assumptions (relating to Bidders' initiatives);
2. Risk Adjustment of Cost Assumptions;
3. Risk Adjustment of Exogenous Revenue Assumptions (outside of Bidders' control).

Details of how risk adjustment will be identified and applied are set out at Paragraphs 3 to 6 below. Paragraph 7 provides details of how risk adjustment of exogenous revenue assumptions will apply.

## 3. Principles for Identifying and Applying Risk Adjustments

All Transport Scotland risk adjustments will be made on the basis of Transport Scotland's reasonable view of the most likely credible outcome. The following principles apply only to adjustment of costs and endogenous revenue factors.

Transport Scotland will only risk adjust a Bid if it concludes, based on the credibility of the evidence presented in the Bid, that there is a material risk of a materially different financial outcome to the one presented in that Bid.

Following evaluation of Part A and Part B Delivery Plans, the Bidder's submitted Models and Record of Assumptions and any other relevant parts of the Bidder's submission, Transport Scotland will identify whether it has concerns that any of the Bidders' proposals create a material risk of a materially different financial outcome. This could be due to:

- Concerns about whether a proposed initiative can be delivered as planned and therefore represents a material risk to associated costs and/or revenue;
- Concerns about the scale of forecast impacts on cost and/or revenue and therefore a material risk to these being realised; or

- Concerns about any other aspect of the Bidder's proposals that point to a material risk either of additional costs being incurred in order to deliver on the minimum franchise requirements or Committed Obligations, or of a shortfall in revenue from the forecast levels.

Where Transport Scotland identifies in its reasonable view a material risk of a materially different financial outcome from that projected in the Bidder's Models, whether with respect to cost or revenue, it may identify risk adjustments to either revenue, cost or both, as appropriate in order to reflect its reasonable view of the most likely credible outcome.

Risk adjustment will take into account risk mitigations or contingencies already identified by Bidders in relation to areas that are the subject of Transport Scotland's proposed risk adjustments, where these are included in their forecasts and are clearly explained in the Record of Assumptions.

However, where a Bidder includes generic, or high level contingency costs in its Financial Model (including in the form of reductions to forecast revenue), these will typically be removed from the Financial Model for the purpose of the risk adjustment process. Consideration of whether to adjust more specific areas will also be made on the assumption that these contingencies are absent.

Where Bidders assume cost savings or increased revenues in relation to a proposed alliance with Network Rail, then these will not be subject to risk adjustments provided they are labelled clearly as such and fall within the cap as set out in Paragraph 2.6 of Delivery Plan 1 (*Industry Alignment*) of the ITT. In this regard Bidders should also refer to Section 3 (in particular, Section 3.3.5 (*Alliancing Security*)) of the ITT. Where cost savings or increased revenues are assumed in relation to a proposed alliance with Network Rail (or which are otherwise dependent on the collaborative performance of another party such as Network Rail) and where these savings are not labelled as Network Rail alliance savings within the allowed cap, then a risk adjustment will be applied to remove these in full.

Where appropriate, any specific risk adjustment applied may be profiled by year to allow for delivery of an initiative later in the Franchise Term than envisaged in the Bid, or for slower 'ramp-up' of the response to initiatives.

Subject to these overall principles and limitations, the following sections describe principles which will be applied in risk adjustment of revenue and cost respectively.

## 4. Risk Adjustment of Endogenous Revenue Assumptions (relating to bidders initiatives)

In addition to review of the Part A and Part B Delivery Plans, the Bidder's submitted Models and Record of Assumptions and any other relevant part of the Bidder's submission, Transport Scotland may also take other sources into account in determining any risk adjustment to endogenous revenue growth assumptions. These include demand forecasting guidance in PDFH (versions 4.0 through to v5.1) as well as WebTAG Rail Passenger Demand Forecasting Methodology. Transport Scotland may take other sources into account to the extent that they are credible. Given Transport Scotland cannot commit to draw on a comprehensive range of relevant independent sources, Bidders should take care to support their proposals by including relevant research, analysis and explanation/calculations in their bid submission to justify the methodology and assumptions that they have used. Transport Scotland may also make an assessment of whether total projected revenue growth is credible, taking into account the aggregated impact of different factors and initiatives proposed.

Bidders should note that risk adjustments are likely to be identified in the following situations if Bidders have not provided clear and detailed explanation/justification in their RoAs, supported by robust – and ideally independent – analysis (cross referenced with Delivery Plans where appropriate):

- Departures from any relevant webTAG/PDFH guidance; and
- Areas with less extensive coverage in webTAG/PDFH (e.g. marketing).

## 5. Risk Adjustment of Cost Assumptions

Risk adjustments may be identified in respect of any of a Bidder's operating, financing or capital cost projections. These will be treated on a case by case basis.

Where costs do not depend on Bidder initiatives or management action (for example, electricity unit prices), Bidders' assumptions will not routinely be normalised to a common value. However, in the event that a risk adjustment is identified for any Bidder, consideration will be given to whether there is a material risk of a materially different outcome for other Bidders also, taking into account the credibility of the evidence presented in each Bid. Transport Scotland has developed a Comparator model to assist it in evaluating Bids. Where used, common values will therefore be based on Transport Scotland's Comparator model assumptions, unless Transport Scotland determines that there is credible alternate evidence that it should revise these assumptions.

## 6. Impact of Risk Adjustment

Risk adjustments will only be applied to a Bid if Transport Scotland concludes (either by observation prior to risk adjustment, or by an outline application of risk adjustments), that the risk adjustments would:

- lead to Transport Scotland expecting an additional liability through the revenue support mechanism; or
- lead to the possibility of a bid failing the financial robustness testing with the financial securities offered in the original bid.

Transport Scotland shall not undertake the risk adjustment process for Bids that are rejected for reasons that would be unaffected by the risk adjustments (for example, failing to meet minimum scores on Part A Delivery Plans.)

## 7. Risk Adjustment of Exogenous Revenue Assumptions (outside of Bidders' control)

Bidders should bid their own views of exogenous revenue factors and the impact of the same on their Financial Model.

However, because these factors are outside of Bidders' control, Transport Scotland will seek to normalise bids using a consistent set of assumptions for these factors as far as is practical for the purpose of the risk adjustment. To facilitate this, Transport Scotland requires Bidders to structure their Models to deal with exogenous factors explicitly and separately from endogenous factors.

Transport Scotland has developed a Comparator model to assist it in evaluating Bids and will adjust the level of exogenous growth within all Bidders' Models to the level contained in the Comparator Model, which may be updated with latest data during the Bid period.

For Bidder's information, the exogenous growth assumptions in the Comparator model are applied using PDFH 5.0 guidance except in relation to fares, where PDFH 4.0 is used. External forecasts are derived from sources including the following:

- CEBR
- OBR
- General Register Office, Scotland
- National Trip End Model (NTEM)
- National Transport Model (NTM)
- Bespoke assumptions in the absence of authoritative sources.

It is expected that normalising adjustments of exogenous revenue factors may represent either upwards or downwards adjustment of Bidder assumptions.

# Attachments:

- A ScotRail Franchise Agreement**
- B Service Level Commitment**
- C Conditions Precedent Agreement**
- D Definitions Agreement**
- E SQUIRE Service Schedules**
- F Inter Company Loan Facility Agreement**
- G ScotRail Financial Templates**
- H Declaration of Conformity Statement**
- I Scoring Matrices**



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