

AMENDMENT AGREEMENT

BETWEEN

- (1) SCOTTISH MINISTERS of Victoria Quay, Edinburgh, EH6 6QQ (the "**Scottish Ministers**");
and
- (2) FIRST SCOTRAIL LIMITED whose registered number is SC185018 and registered office is at 395 King Street, Aberdeen AB24 5RP (the "**Franchisee**").

WHEREAS

- A By a Franchise Agreement dated 20 August 2004 (the "**Franchise Agreement**") the Strategic Rail Authority ("**the SRA**"), Strathclyde Passenger Transport Executive ("**the SPTE**") and the Franchisee recorded their agreement as to the provision of certain services for the carriage of passengers by railway.
- B The rights and obligations of the SRA and the SPTE under the Franchise Agreement, the Conditions Precedent Agreement, the Definitions Agreement and the SQUIRE Service Schedules Agreement have each been transferred to Scottish Ministers.
- C The parties wish to amend the Franchise Agreement and/or the Definitions Agreement and/ or the SQUIRE Service Schedules Agreement pursuant to paragraph 1.1(c) of Schedule 19 (Other Provisions) of the Franchise Agreement in the manner detailed in this Amendment Agreement.

Now therefore it is hereby agreed as follows:-

1 Interpretation

Except where the context otherwise requires, terms defined and references construed for the purpose of the Franchise Agreement shall have the same meanings and construction in this Amendment Agreement.

2 Amendments

- 2.1 The parties agree that the terms of the Franchise Agreement are amended to reflect the document attached marked Appendix 1. The other matters set out in that Appendix are agreed. *Unless expressly stated otherwise, each amendment to the Franchise Agreement shall have effect from the date of this Amendment Agreement.*
- 2.2 Those aspects in this Amendment Agreement which are predicated on the basis of the franchise extension occurring, shall cease to apply if the franchise extension is terminated by Scottish Ministers pursuant to paragraph 3.4 of Appendix 1 to this Amendment Agreement.

3 **Governing Law and Jurisdiction**

This Amendment Agreement shall be governed by and construed in accordance with the laws of Scotland and the parties irrevocably agree to prorogate the exclusive jurisdiction of the Court of Session to settle any disputes which may arise out of or in connection with this Amendment Agreement. The jurisdiction of the Sheriff Courts in Scotland is expressly excluded by the parties.

IN WITNESS WHEREOF the parties hereto have executed this Amendment Agreement as follows:-

Signed for and on behalf of **SCOTTISH MINISTERS**

At Glasgow

On the 2 day of April 2008

By 

ANGUS C. MCLAUGHLIN Name (printed)

Before this witness:-

S. Feeny Witness

Steven Feeny Full Name

Buchanan House Address

Glasgow G4 0HF

Signed for and on behalf of **FIRST SCOTRAIL LIMITED**

At Glasgow

On the 2 day of April 2008

By  Director

MARY A. DICKSON Name (Printed)

Before this witness:

 Witness

KENNETH A. MCPHAIL Name

..... Address

Appendix 1

It is agreed that the matters agreed in this Appendix have arrangements in them to ensure that they are cost neutral and this Amendment Agreement does not constitute a Qualifying Change.

All prices, sums of money and the like in this Amendment Agreement are, unless specifically stated otherwise, at 2004/05 Franchise Agreement prices and require to be inflated in line with RPI (as defined in schedule 8.2 of the Franchise Agreement).

1. "Cap and Collar"

1.1 Target Revenue

The parties agree to amend the tables forming Appendices 1 and 2 to Schedule 8.2 of the Franchise Agreement, re-setting Target Revenue to bring it in line with budgeted revenue for the fourth Franchisee Year, growing thereafter at the assumed rate from the financial model of RPI + 1, plus underlying growth of 1%. The new Appendices will be applied with effect from the Franchisee Year commencing 1 April 2007. The agreed new figures are set out in Table 1 below.

The change in Target Revenue will increase the amount of TRRPI in Appendix 2, this change will be counterbalanced by a new term in the formula for the calculation of Annual Franchise Payments (FRPI) such that the resulting calculation of AFP (the Annual Franchise Payments) shall be unaltered. The formula for the Annual Franchise Payments in Schedule 8.2 shall be replaced by the following formula

$$AFP = FXD + (VCRPI \times RPI) + (PRPI \times RPI) + (FRPI \times RPI) - (TRRPI \times RPI)$$

Where FXD, VCRPI, PRPI, and RPI have the same meaning and value as in the Franchise Agreement

TRRPI is the revised figure shown in Table 1

And FRPI has the value shown in Table 1

For the avoidance of doubt old TRRPI = new TRRPI – FRPI.

1.2 Cap and Collar

The parties have also agreed figures to replace the current Cap and Collar figures in the Franchise Agreement. In Schedule 8.1, para 3.2(c), A, (a) and (b), the figures "102" and "106" will be replaced with the figures "110" and "114" respectively.

1.3 Risk to Scottish Ministers

To hold constant Scottish Ministers' liability to pay revenue support to the Franchisee the parties agree figures to replace those in respect of the point at which the Collar becomes activated. The figures "98" and "94" in Schedule 8.1, para 4.6 and 4.9, A, (a) and (b) of the Franchise Agreement will be replaced with the figures "90" and "86" respectively.

1.4 Value of change

The consideration for the above changes will be payment of money, or in kind. Where Scottish Ministers require payment in money, the Franchisee shall make these (i) in accordance with Table 3 below on the Revenue Share Adjustment Date for the relevant Franchisee Year or (ii) at Scottish Ministers' discretion, exercised no later than the last day of

the relevant Franchisee Year, as a deduction or deductions from a Franchise Payment for any Reporting Period or Periods as Scottish Ministers shall nominate which date shall be no earlier than the Revenue Share Adjustment Date for the relevant Franchisee Year and/or, alternatively as full or part payment, the Franchisee shall carry out a number of new or existing Priced Options. Scottish Ministers shall at their absolute discretion determine which of the additional or existing Priced Options will be called.

As a result of the franchise being extended under paragraph 3.1 of Appendix 1 to this Amendment Agreement, the Franchisee agrees to bring forward expenditure for in kind benefits. Table 3 contains the profile of expenditure which will apply to the franchise as so extended. It is recognised that the parties may agree to reprofile the expenditure. If they do, it may be necessary to take into account the impact on forecast profit of the Franchisee against the profit share in paragraph 3.2.2 of this Appendix 1.

Notwithstanding the above Scottish Ministers have already determined that they wish to call a number of the Priced Options and these are set out in the Annex and this Amendment Agreement is the notice of the call off of those options to the Franchisee on the agreed terms.

1.5 Annual Expenditure and Underspend

To the extent that the value of the relevant Franchisee Year set out in the table is not paid in money or is not due to be paid in money in accordance with (i) and (ii) of paragraph 1.4 above, and has not been expended on a Priced Option, then annual expenditure and any underspend in the value of Priced Options in any year shall be treated in the same manner as underspend on Committed Obligations as detailed in paragraph 4 of Appendix 1 to Part 2 of Schedule 1.6 (except that the limit of 20% shall not apply) and paragraph 3 of Appendix 2 to Part 2 of Schedule 1.6 of the Franchise Agreement.

The parties agree that the reference in paragraph 3.1 of Appendix 2 to Part 2 of Schedule 1.6 to "15 October 2011" shall be deleted and replaced with the following:

"the last date of the Reporting Period in which the tenth anniversary of the Franchise Commencement Date occurs."

If the franchise extension is terminated by Scottish Ministers pursuant to paragraph 3.4 of this Appendix 1, the reference in paragraph 3.1 of Appendix 2 to Part 2 of Schedule 1.6 shall revert to 15 October 2011.

1.6 Current Obligations

Nothing in this Amendment Agreement, nor in its implementation shall, in any way, dilute the Franchisee's whole or individual obligations in respect of the obligations in Schedules 1.6 or 3 of the Franchise Agreement as formulated immediately prior to the date hereof.

Table 1

The following are the changes required to Appendix 1 and Appendix 2 of Schedule 8.2. Increases in Target Revenue and TRRPI shown below to be added to those figures as a result of this Amendment Agreement. FRPI being a new term and to be included in appendix 2 at the level shown below.

Appendix 1	
Column 1	Column 2
Franchisee Year	Increase In Target Revenue
Year 4	11,313,162
Year 5	11,483,266
Year 6	12,464,125
Year 7	13,387,879
Year 8a	8,100,208
Year 8b	6,348,766
Year 9	16,267,335
Year 10	18,148,992
Year 11a	11,797,003
7 Prd Ext (aft 7 yrs)	7,406,893
7 Prd Ext (aft 10 yrs)	10,443,985

Appendix 2		
Franchisee Year	New Term FRPI	Increase in TRRPI
Year 4	11,313,162	11,313,162
Year 5	11,483,266	11,483,266
Year 6	12,464,125	12,464,125
Year 7	13,387,879	13,387,879
Year 8a	8,100,208	8,100,208
Year 8b	6,348,766	6,348,766
Year 9	16,267,335	16,267,335
Year 10	18,148,992	18,148,992
Year 11a	11,797,003	11,797,003
7 Prd Ext (aft 7 yrs)	7,406,893	7,406,893
7 Prd Ext (aft 10 yrs)	10,443,985	10,443,985

1. Table 2 – this table applies if the franchise extension is terminated by Scottish Ministers pursuant to paragraph 3.4 of this Appendix 1

2.2.1 Agreed Value to be allocated	2007/08	2008/09	2009/10	2010/11	2011/12	Total
	£	£	£	£	£	£
Value at 2004/05 (FA) prices	3,602,383	4,004,926	4,783,729	5,457,420	3,496,180	21,344,637

With 7 period extension.

2.2.1 Agreed Value to be allocated	2007/08	2008/09	2009/10	2010/11	2011/12	7 Period Ext.	Total
	£	£	£	£	£	£	£
Value at 2004/05 (FA) prices	3,602,383	4,004,926	4,783,729	5,457,420	3,496,180	3,460,865	24,805,502

2. Table 3

2.2.1 Agreed Value to be allocated	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	Total
	£	£	£	£	£	£	£	£	£
Value at 2004/05 (FA) prices	4,510,617	4,891,008	5,648,199	6,300,805	7,864,919	8,422,202	9,857,247	6,077,324	53,572,321

With 7 period extension.

2.2.1 Agreed Value to be allocated	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	7 Period Ext.	Total
	£	£	£	£	£	£	£	£	£	£
Value at 2004/05 (FA) prices	4,510,617	4,891,008	5,648,199	6,300,805	7,864,919	8,422,202	9,857,247	6,077,324	5,365,566	58,937,887

2. New Priced Options

The following section lists and summarises the new Priced Options Scottish Ministers may require the Franchisee to provide. The object of these options is to assist in the delivery of the vision of the Scottish Government as set out in Scotland's Railways. In particular the aims of improving journey times and connections, reducing emissions, and improving quality, accessibility and affordability.

For the avoidance of doubt all services and enhancements nominated as such by Scottish Ministers shall be Major Projects for the purposes of the Franchise Agreement and the definition of "Major Projects" in the Franchise Agreement shall be changed so that it is a definition of all such nominated services and enhancements.

The Annex to this Amendment Agreement provides the detail of each option listed below.

2.1 Project Management

2.1.1 Project Manager

The parties recognise that in order to deliver the amount of project work envisaged in these Priced Options it may be desirable for the Franchisee to appoint a full time project manager to ensure the Franchisee delivers the Priced Options and reports on progress as required by Scottish Ministers.

In addition, the Franchisee recognises that the additional work from reinvestment of the revenue share and the additional Major Projects as a result of the franchise being extended beyond the initial term under paragraph 3.1 below, will place considerable project management responsibility on the Franchisee. The Franchisee shall appoint a Projects Director who shall report to the Managing Director of the Franchise. The costs of the Project Director shall be met by the Franchisee. If the Priced Option for a project manager is called by Scottish Ministers, the project manager appointed in accordance with that option shall report to the Projects Director.

2.1.2 Rolling Stock Procurement.

It is proposed that the Franchisee shall obtain rolling stock to enable it to deliver the services required by Major Projects. The Franchisee and Scottish Ministers are currently discussing a Variation to the franchise which would require the Franchisee to manage the procurement of that rolling stock and possibly third party finance. The Franchisee may be funded to do this using money provided under paragraph 1.4 of Appendix 1 to this Amendment Agreement.

2.2 Priced Options supporting Scotland's Railways

2.2.1 Additional Passenger Train Services to improve journey times, connections, and quality of service and reduce emissions by modal switch:

- 2.2.1.1** Edinburgh Aberdeen corridor service enhancements including services to the reopened Laurencekirk Station with enhanced services to Fife and Perth.
- 2.2.1.2** Operation of Kilmarnock half hourly service with a recast of G&SW (being Ayr, Girvan, Stranraer) services.
- 2.2.1.3** 1 hour extension of the 15 minute service between Edinburgh & Glasgow.
- 2.2.1.4** Sunday local services between Glasgow, Stirling and Alloa.
- 2.2.1.5** Continuation of Sunday Services to Larkhall beyond December 2008.

- 2.2.1.6 Additional hourly limited stop service Glasgow to Edinburgh via Shotts.
- 2.2.1.7 Additional early morning services to allow travel from agreed stations in the central belt to arrive in London before 12.00 by train.
- 2.2.1.8 2 Additional services between Dunbar and Edinburgh.
- 2.2.1.9 Additional limited stop services between Glasgow and Perth.
- 2.2.1.10 Far North Re-cast (being late night Tain, fourth Wick service).
- 2.2.2 Priced Options to improve connectivity and accessibility
 - 2.2.2.1 Virtual Branch Line between Leuchars and St Andrews.
 - 2.2.2.2 Continuation of the interlink bus between Glasgow Central Station, Glasgow Queen Street Station and Buchanan Street Bus Station.
 - 2.2.2.3 Improved links between Rail services and Edinburgh Royal Infirmary.
 - 2.2.2.4 Staffing of Edinburgh Park station to improve interchange with the Tram.
 - 2.2.2.5 Projects to enhance public transport links to the Commonwealth Games.
- 2.2.3 Priced Options designed to reduce emissions
 - 2.2.3.1 Environmental Improvement Works budget.
 - 2.2.3.2 Delivering better efficiency, performance and sustainability. To be achieved by re-timetabling and other related proposals.
- 2.2.4 Priced Options designed to improve affordability and accessibility of tickets
 - 2.2.4.1 Pilot Schemes to incentivise modal shift of commuters.
 - 2.2.4.2 Additional ticketing facilities at Haymarket Station.
 - 2.2.4.3 Edinburgh Glasgow Smart Card Project.
- 2.2.5 Priced Options designed to improve quality of service
 - 2.2.5.1 Introduction of Scottish Rail Branding.
 - 2.2.5.2 Service strengthening with additional rolling stock.
 - 2.2.5.3 Costs of operating externally funded capital projects e.g. CCTV.
 - 2.2.5.4 Additional customer assistance staff at larger stations.
 - 2.2.5.5 Provision of Wireless Technology service to passengers on the Edinburgh Glasgow Service.
 - 2.2.5.6 A Stations Community Regeneration Fund.

2.3 Additional Priced Option

- 2.3.1 The Franchisee shall co-operate with, assist and advise Scottish Ministers on the development of the following additional Priced Option:-

A proposal to improve the Overnight Anglo Scottish Services product offer to passengers

- 2.3.1.1 The Franchisee based on previous work shall develop proposals to improve the Overnight Anglo Scottish rolling stock and service provision using that stock to better meet the needs of passengers including consideration of provision of suitable replacement stock for the MkII coaches in the fleet to ensure the trains can run for the life of the Overnight Anglo Scottish rolling stock. The Franchisee shall co-operate with Scottish Ministers to develop plans to run the service beyond 31st December 2019.
- 2.3.1.2 The Franchisee shall develop proposals to improve the product offer, retailing and ticketing systems to better reflect the expectations of passengers including:-
- a) options for an upgrade in service quality, to include a plan outlining likely revenue streams from improvements;
 - b) open access to passengers to seated accommodation on services from and to Inverness and Edinburgh in line with the facility currently available to passengers on the Fort William service;
 - c) availability of ticketing and reservation from anywhere upon the Scottish Rail network with necessary morning peak exceptions at lightly staffed stations;
 - d) exploring options for connectivity with other service providers including, if applicable, non-rail modes.

2.4 New Committed Obligation

- 2.4.1 In addition, the following Committed Obligation shall be added to Schedule 1.6 of the Franchise Agreement as a new committed obligation having effect from the date hereof:

2.4.1.1 Timetabling

The Franchisee shall, in applying its timetabling resource in terms of the Franchise Agreement and otherwise, look to ensure that journey times are, in line with Scottish Ministers' core objectives in Scotland's Railways, at least preserved and, where possible, are improved. The Franchisee shall use all reasonable endeavours in their planning and interactions with industry partners to promote, secure and operate improved journey times.

The Franchisee shall consider in all timetable changes all opportunities to improve journey times and implement such changes. Where any proposal is made by another operator to vary its services or any proposal is made by Network Rail to change access rights in a way which could adversely affect journey times the Franchisee shall as soon as reasonably possible inform Scottish Ministers and consult Scottish Ministers on its proposed response and shall carry out such actions as Scottish Ministers shall reasonably require to oppose such changes.

3 Extension Criteria

3.1 Agreement of Extension

3.1.1 Considering that the Franchisee, has demonstrated to date:

- (i) achievement and maintenance of train performance to at least the levels shown in the revised Schedule 7.1 benchmarks set out in the tables below (the "**Revised Benchmarks**");
- (ii) achievement and maintenance of the SQUIRE regime performance improvements achieved since franchise commencement;
- (iii) delivery of Priced Options and committed obligations under the Franchisee Agreement which have been, from time to time called off according to their terms or have fallen due to be delivered; and
- (iv) there is no outstanding Event of Default and no more than one Remedial Plan has been outstanding at any one time (excluding SQUIRE "proposals" under Schedule 7.2 of the Franchise Agreement);

Scottish Ministers hereby notify the Franchisee, pursuant to paragraph 1.1 of Schedule 18 (Franchise Continuation) of the Franchise Agreement (but subject always to the terms of this Amendment Agreement) that the Franchise Agreement shall continue after the Initial Expiry Date all according to its terms as hereby or otherwise amended until the last date of the Reporting Period in which the tenth anniversary of the Franchise Commencement Date occurs (the "**Extended Term**"), but subject always to Scottish Ministers' right of franchise continuation under the provisions of paragraphs 1.3 and 1.5 of Schedule 18 of the Franchise Agreement.

3.1.2 The Franchisee, in consideration of and in accordance with the terms of this Amendment Agreement, hereby notifies Scottish Ministers that it irrevocably waives its rights under paragraph 1.2 of the said Schedule 18 of the Franchise Agreement to serve counter notice terminating the franchise as at the Initial Expiry Date.

3.2 Terms and Conditions of Extension

The Franchise Agreement will continue according to its whole terms and conditions, as amended by the other terms and conditions of this Amendment Agreement and subject to the following, further amendments:

Performance

3.2.1 The relevant entries in the tables in Appendices 2 and 4 to Schedule 7.1 of the Franchise Agreement (ie the entries from the start of Year 5 onwards) shall be deleted and replaced with the Revised Benchmarks shown below.

Service Delivery Benchmark Table (Appendix 4 to Schedule 7.1)

Column 1	Column 2	Column 3	Column 4	Column 5
Reporting Period	Target Performance Level (Minutes Delay)	Improvement Plan Performance Level (Minutes Delay)	Breach Performance Level (Minutes Delay)	Default Performance Level (Minutes Delay)
Year 5 – Period 1	27900	30000	32100	33500
Year 5 – Period 2	27800	29900	32000	33400
Year 5 – Period 3	27800	29900	32000	33400
Year 5 – Period 4	27800	29800	31900	33300
Year 5 – Period 5	27700	29800	31900	33300
Year 5 – Period 6	27700	29700	31800	33200
Year 5 – Period 7	27600	29700	31800	33100
Year 5 – Period 8	27600	29600	31700	33100
Year 5 – Period 9	27500	29600	31700	33000
Year 5 – Period 10	27500	29600	31600	33000
Year 5 – Period 11	27500	29500	31600	32900
Year 5 – Period 12	27400	29500	31500	32900
Year 5 – Period 13	27400	29400	31500	32800
Year 6 – Period 1	27300	29400	31400	32800
Year 6 – Period 2	27300	29300	31400	32700
Year 6 – Period 3	27200	29300	31300	32700
Year 6 – Period 4	27200	29200	31300	32600
Year 6 – Period 5	27200	29200	31200	32600
Year 6 – Period 6	27100	29100	31200	32500
Year 6 – Period 7	27100	29100	31100	32500
Year 6 – Period 8	27000	29100	31100	32400
Year 6 – Period 9	27000	29000	31000	32400
Year 6 – Period 10	26900	29000	31000	32300
Year 6 – Period 11	26900	28900	30900	32300
Year 6 – Period 12	26900	28900	30900	32200
Year 6 – Period 13	26800	28800	30800	32200
Year 7 – Period 1	26800	28800	30800	32100
Year 7 – Period 2	26700	28700	30700	32100
Year 7 – Period 3	26700	28700	30700	32000
Year 7 – Period 4	26700	28700	30700	32000
Year 7 – Period 5	26600	28600	30600	31900
Year 7 – Period 6	26600	28600	30600	31900
Year 7 – Period 7	26500	28500	30500	31800
Year 7 – Period 8	26500	28500	30500	31800
Year 7 – Period 9	26400	28400	30400	31700
Year 7 – Period 10	26400	28400	30400	31700
Year 7 – Period 11	26400	28300	30300	31600
Year 7 – Period 12	26300	28300	30300	31600

Column 1	Column 2	Column 3	Column 4	Column 5
Reporting Period	Target Performance Level (Minutes Delay)	Improvement Plan Performance Level (Minutes Delay)	Breach Performance Level (Minutes Delay)	Default Performance Level (Minutes Delay)
12				
Year 7 - Period 13 to Year 10				
Period 8	26300	28300	30200	31500

Capacity Benchmark Table (Appendix 2 to Schedule 7.1)

Column 1	Column 2	Column 3	Column 4	Column 5
Reporting Period	Target Performance Level (%)	Improvement Plan Performance Level (%)	Breach Performance Level (%)	Default Performance Level (%)
Year 5 – Period 1	0.40%	0.45%	0.50%	0.55%
Year 5 – Period 2	0.40%	0.45%	0.50%	0.55%
Year 5 – Period 3	0.40%	0.45%	0.50%	0.55%
Year 5 – Period 4	0.40%	0.45%	0.50%	0.55%
Year 5 – Period 5	0.40%	0.45%	0.50%	0.55%
Year 5 – Period 6	0.40%	0.45%	0.50%	0.55%
Year 5 – Period 7	0.40%	0.45%	0.50%	0.55%
Year 5 – Period 8	0.40%	0.45%	0.50%	0.55%
Year 5 – Period 9	0.40%	0.45%	0.50%	0.55%
Year 5 – Period 10	0.40%	0.45%	0.50%	0.55%
Year 5 – Period 11	0.40%	0.45%	0.50%	0.55%
Year 5 – Period 12	0.40%	0.45%	0.50%	0.55%
Year 5 – Period 13	0.40%	0.45%	0.50%	0.55%
Year 6 – Period 1	0.40%	0.45%	0.50%	0.55%
Year 6 – Period 2	0.40%	0.45%	0.50%	0.55%
Year 6 – Period 3	0.40%	0.45%	0.50%	0.55%
Year 6 – Period 4	0.40%	0.45%	0.50%	0.55%
Year 6 – Period 5	0.40%	0.45%	0.50%	0.55%
Year 6 – Period 6	0.40%	0.45%	0.50%	0.55%
Year 6 – Period 7	0.40%	0.45%	0.50%	0.55%
Year 6 – Period 8	0.40%	0.45%	0.50%	0.55%
Year 6 – Period 9	0.40%	0.45%	0.50%	0.55%
Year 6 – Period 10	0.40%	0.45%	0.50%	0.55%
Year 6 – Period 11	0.40%	0.45%	0.50%	0.55%
Year 6 – Period 12	0.40%	0.45%	0.50%	0.55%
Year 6 – Period 13	0.40%	0.45%	0.50%	0.55%
Year 7 – Period 1	0.40%	0.45%	0.50%	0.55%
Year 7 – Period 2	0.40%	0.45%	0.50%	0.55%
Year 7 – Period 3	0.40%	0.45%	0.50%	0.55%
Year 7 – Period 4	0.40%	0.45%	0.50%	0.55%
Year 7 – Period 5	0.40%	0.45%	0.50%	0.55%
Year 7 – Period 6	0.40%	0.45%	0.50%	0.55%
Year 7 – Period 7	0.40%	0.45%	0.50%	0.55%
Year 7 – Period 8	0.40%	0.45%	0.50%	0.55%
Year 7 – Period 9	0.40%	0.45%	0.50%	0.55%
Year 7 – Period 10	0.40%	0.45%	0.50%	0.55%
Year 7 – Period 11	0.40%	0.45%	0.50%	0.55%
Year 7 – Period 12	0.40%	0.45%	0.50%	0.55%
Year 7 – Period 13 to Year 10 Period 8	0.40%	0.45%	0.50%	0.55%

Profit Share

- 3.2.2 Should the Profit of the Franchisee exceed £27.247 million plus any Profit derived from the exercise of any Priced Options (PRPI) in any Franchisee Year after Franchisee Year 4, the Franchisee shall pay to Scottish Ministers a sum or sums or carry out further "Priced Options" to the value of 50% of such excess (the "Investment Sum"). The Franchisee shall provide Scottish Ministers with its reasonable view of the Investment Sum within one Reporting Period of the end of the Franchisee Year and shall if requested implement Priced Options to the value of the Investment Sum based on that view. Where the view is in error this shall be reversed in the following Franchisee Year. Alternatively Scottish Ministers may require the Franchisee to pay the Investment Sum to Scottish Ministers and the Franchisee shall do so on or before the 31st December in the following Franchisee Year. Any part of the Investment Sum which remains unspent or is not repaid at the end of the Franchisee Year following the one in which the profit arose shall be treated as underspend in accordance with paragraph 1.5 of this Amendment Agreement. In the 11th Franchisee Year the Investment Sum shall be 50% of any profit in excess of £16.348 million. For the avoidance of doubt, the figures in this paragraph are to be inflated in line with RPI (as defined in schedule 8.2 of the Franchise Agreement).

"Profit" shall mean operating profit as defined in the Franchisee's management accounts plus any payments to Affiliates which are not a) payments for providing alternative transport arrangements required to be provided in accordance with the Franchise Agreement, b) payments for providing Franchise Services on the basis of an arms length contract, c) payments for the provision of the Customer Contact Centre and associated services in accordance with an arms length contract, d) purchasing costs of goods and services acquired from third parties who are not Affiliates through joint contracting arrangements with Affiliates where the payments to be made by the Franchisee are contained in the contract and are reasonable, e) made for management and other services which are no greater, allowing for RPI inflation, than the payments which prevailed in the 4th Franchisee Year as witnessed by the management accounts of the Franchisee or f) such other payments as are agreed to be excluded.

Each year the Franchisee shall provide Scottish Ministers with a reconciliation to the reasonable satisfaction of Scottish Ministers of the differences between the profit of the Franchisee as stated in the statutory financial accounts and the operating profit as contained in the management accounts of the Franchisee. For the avoidance of doubt the only anticipated differences shall be, interest, and statutory accounting adjustments (e.g. pension adjustments). Always remembering the definition of profit for the purposes of this Amendment Agreement is before corporation tax. The Franchisee agrees to prepare the management accounts on a basis consistent with that used in management accounts as at Franchisee Year 4. Any change in the basis of the preparation of the management accounts by the Franchisee must be agreed by Scottish Ministers.

Long Form Reporting

- 3.2.3 The Franchisee shall assist and co-operate with the preparation of an earlier and fuller long form report as reasonably required by Scottish Ministers to assist with the re-letting of the franchise or otherwise the transfer of the Franchise Services at the end of the Franchise Term. The Franchisee recognises this may not be to a Successor Operator and that the structure and responsibilities of a Successor Operator or another person as appropriate may be very different from those of the Franchisee.

The Franchisee shall offer every reasonable assistance to Scottish Ministers and will co-operate with the Successor Operator or another person, as appropriate, to ensure any transfer is successful and does not affect the operation or performance of the services, including:

- Advising on new organisational structures for the franchise company.
- Consulting Trade Unions to ensure that the changes occur with the staff's interests considered appropriately.
- Carrying out the transfer of staff in accordance with TUPE regulations.
- Assisting in the negotiation and design of revised contracts between the franchised company and other industry parties to reflect any transfer of responsibilities.

- Preparing financial accounts which reflect the Franchisee's fair view of the affects of the split on income and expenditure for inclusion in the handover package
- Preparing such other reports as Scottish Ministers may reasonably require to assist in the restructuring of the franchise company and its transfer to a Successor Operator
- Working with Scottish Ministers to ensure that there is a transfer from the Franchisee, with any necessary licence, let or similar back to the Franchisee, of the rights under the Track Access Agreement in respect of the Franchise Services
- Carrying out any work necessary to allow the splitting out of or re-formulation of service groups to tailor the same to the specific performance and reporting concerns of Scottish Ministers at re-franchise.

For the avoidance of doubt reasonable assistance shall not include the use of external advisors or other support but the Franchisee shall cooperate with such advisors as Scottish Ministers shall engage.

Scottish Ministers acknowledges that the Franchisee shall not be liable to Scottish Ministers or any Successor Operator in respect of the content of any report or accounts prepared by it under this paragraph 3.2.3, or for any consequences resulting from any works carried out or other action taken by it, pursuant to this obligation to provide reasonable assistance, unless and to the extent that the Franchisee was demonstrably negligent and/or is in breach of clause 4 of the Franchise Agreement in carrying out its obligations under this paragraph 3.2.3 and/or is otherwise in breach of an existing obligation under the terms of this Amendment Agreement and/or the Franchise Agreement.

Major Projects

3.2.4 The Franchisee shall use all reasonable endeavours to support the planning and implementation of Major Projects and Scotland's Railways as detailed in their High Level Output Specification (together the "projects"), including to the extent that the introduction and/or operation of services following the implementation of the projects may occur after the expiry of the Franchise Term.

3.2.4.1 Examples of the type of projects envisaged to be included are:

- a) The Airdrie to Bathgate Rail line.
- b) The Glasgow Airport Rail Link (GARL).
- c) The Borders Railway.
- d) The redevelopment of Haymarket Station by Network Rail following a feasibility study being carried out by the Franchisee.
- e) Additional Electrification projects.
- f) Additional major service enhancements e.g. the initiatives around Edinburgh-Glasgow service enhancements and service improvements to Kilmarnock and Ayrshire.

3.2.4.2 The Franchisee shall, in particular, assist when Scottish Ministers request that they do so:

- a) In the development of the business cases of the projects.
- b) In the project planning and construction design and build phases of the projects.
- c) In the service preparation and implementation phases of projects, in line with the "Major Projects: Operating Activities" table appended below.
- d) Take such other actions of a similar nature as support the delivery of the projects on time and to budget, including assisting the projects and the scoping, planning and delivery of necessary supports for these such as recruitment and retention policies and the implementation of plans and schemes on these and similar topics.
- e) Respond to all consultations from Network Rail, to support the best interests of the operator of the Franchise Services and any new services that are proposed by Scottish

Ministers and carry out such actions as is required by its Access Agreements with Network Rail, whether or not the project is to be implemented before the expiry of the Access Agreement.

- f) Negotiate and implement such changes to its Access Agreements with Network Rail and other Facility Owners as are necessary to allow any new services that are required to be delivered by Scottish Ministers pursuant to their strategy.

3.2.4.3 The Franchisee shall in particular carry out the following activities as reasonably required by Scottish Ministers in support of the projects:

- a) Develop timetables and resource requirements for the new services..
- b) Recruit and train the necessary personnel required to operate the services.
- c) Develop maintenance strategies for the new rolling stock and project manage any new works required to implement such strategies.
- d) Prepare a marketing plan for each New Service, propose new fares where necessary, and work with Scottish Ministers to agree the revenue calculations for input to the Financial Model to enable Scottish Ministers to vary the Franchise Agreement as contemplated by paragraph 1.1 (a) of Schedule 19 of the Franchise Agreement to include the new services as Franchise Services.
- e) Where new stations are required or variations to existing stations, the Franchisee shall ensure that it specifies to Network Rail the facilities required to meet the operational needs of the service and negotiations around them, including as to changes to long term, lease or other charges to secure best value.
- f) For the avoidance of doubt all services and enhancements will be Major Projects for the purposes of the Franchise Agreement.

Provided the Franchisee has carried out its obligations under this paragraph 3.2.4 and done so in accordance with the provisions of clause 4.1 of the Franchise Agreement and was not demonstrably negligent, the Franchisee shall not be liable to Scottish Ministers in terms of the Franchisee's obligations under this paragraph 3.2.4.

3.2.4.4 The approach to be taken by the Franchisee, including through the Major Projects Manager and Director, and Scottish Ministers in respect of the development of the projects shall be the methodology, process and open book approach applied in the formulation of this Amendment Agreement, including, without limitation those principles set out in paragraph 4.2 of this Appendix 1.

Projects to Enhance Public Transport to the Commonwealth Games

3.2.5 Commonwealth Games

The provisions of paragraph 7 of Schedule 1.3 of the Franchise Agreement shall apply mutatis mutandis to the preparations for and staging of the Commonwealth Games in Glasgow in 2014. This is without prejudice to Priced Option 17. The costs and revenue effects of the Franchisee's implementation of that option are not a financial effect of a Commonwealth Games Service Delivery Plan for the purpose of paragraph 7 of Schedule 1.3 of the Franchise Agreement.

Fare Setting at New Stations

3.2.6 Where, from time to time, any development or project on the railways shall result in the opening of a new station for which the Franchisee shall be responsible under industry processes for fare setting, the Franchisee shall seek to fix a fare level by agreement with Scottish Ministers, such agreement not to be unreasonably withheld and, barring agreement, at a level or levels specified by Scottish Ministers, acting reasonably.

Added Value

3.2.7 In consideration of the added value and costs avoided of the Franchisee from the extension of the franchise the Franchisee agrees to provide an additional £5.4994 million at the rate shown in the table below (£2.7247 million of which shall be dependent on the Priced Options listed below being called off according to their respective terms) to Scottish Ministers as payment in money or in kind. Where Scottish Ministers require payment in money, the Franchisee shall make these payments (i) in accordance on the Revenue Share Adjustment Date for the relevant Franchisee Year; or (ii) at Scottish Ministers' discretion, exercised no later than the last day of the relevant Franchisee Year, as a deduction or deductions from a Franchise Payment for any Reporting Period or Periods as Scottish Ministers shall nominate which date shall be no earlier than the Revenue Share Adjustment Date for the relevant Franchisee Year and/or, alternatively as full or part payment, the Franchisee shall carry out a number of new or existing Priced Options. Scottish Ministers shall at their absolute discretion determine which of the additional or existing Priced Options will be called. In addition the Franchisee shall to the extent that the values shown in Table 3 are spent by Scottish Ministers on additional Priced Options, increase those values by 2.5% to be realised at Scottish Ministers' discretion as payment in money or in kind all on the same terms as for the remainder of the £5.4994m narrated above. For the avoidance of doubt, the figures in this paragraph are to be inflated in line with RPI (as defined in schedule 8.2 of the Franchise Agreement).

The Priced Options for triggering the £2.7247million additional expenditure are as follows:

- (i) Edinburgh Glasgow Smart Card Project (Priced Option 22).
- (ii) Projects to Enhance Public Transport to the Commonwealth Games (Priced Option 17).
- (iii) The Stations Community Regeneration Fund (Priced Option 28).

Franchisee Added Value Profile of Expenditure							
	Year 5	Year 6	Year 7	Year 8a	Year 8b	Year 9	Year 10
	£	£	£	£	£	£	£
Priced Option 22	908234						
Priced Option 17							908234
Priced Option 28	454,117	454117					
Additional							
£2.7247m	454,117	454,117	454,117	245,223	208,894	454,117	454,117

3.3 Finance upon extension

On the occasion that there is next a run of the Financial Model the inputs will be revised to reflect the relevant changes set out in this Amendment Agreement. For the avoidance of doubt the parties have agreed that this Amendment Agreement shall not be a Qualifying Change and there shall be no requirement for a Run of the Financial Model pursuant to Schedule 9.1 of the Franchise Agreement. It shall also not be treated as a Change for the purposes of paragraph 3.1 of Schedule 9.1 of the Franchise Agreement.

3.4 Extension Trial Period and Interim Events of Default

3.4.1 Where, from and after the date hereof, but before 1 October 2009:

- (i) There is an Event of Default; or
- (ii) the Franchisee shall fail to:
 - (a) maintain train performance to at least the Target Performance Levels shown in the Revised Benchmarks; or

- (b) maintain SQUIRE performance of not more than 1,586,000 million Performance Points in any period of 13 consecutive Reporting Periods; or
 - (c) deliver the Committed Obligations and the Priced Options under the Franchise Agreement (as amended by this Amendment Agreement) which have been, from time to time, called off according to their terms or have fallen due to be delivered; or
- (iii) at no time during the period has there been more than one Remedial Plan Notice for which the Franchisee has not submitted a Remedial Plan to Scottish Ministers within the time period specified in the Remedial Plan Notice and/or for which the parties have not within a reasonable period of the date of delivery to Scottish Ministers of the relevant Remedial Plan agreed a Remedial Agreement.

then Scottish Ministers may elect, notwithstanding the agreement of an extension under paragraph 3.1 hereof, to terminate the Franchise Agreement as at the Initial Expiry Date and may serve a notice upon the Franchisee to that effect, but subject always to Scottish Ministers' right of franchise continuation under the provisions of paragraphs 1.3 and 1.5 of Schedule 18 of the Franchise Agreement.

- 3.4.2 Where Scottish Ministers shall elect to serve a notice under paragraph 3.4.1, corresponding adjustments will be required to release the Franchisee from any additional obligations undertaken in connection with the award of the extension, but not to compensate it to the extent that it has then incurred expenditure not able to be recovered in the reduced franchise term, which shall be at the Franchisee's risk. For the avoidance of doubt from the date Scottish Ministers serve a notice under paragraph 3.4.1, Table 2 shall apply for the purposes of paragraph 1 of this Appendix 1 in substitution for Table 3.

4 Scottish Ministers policy and specific initiatives

4.1 Notwithstanding the additional Priced Options contained in this Amendment Agreement, Scottish Ministers may include additional or alternative Priced Options in accordance with the process for Change detailed in Schedule 19 of the Franchise Agreement where they believe they offer value for money and such options may be funded using the funds provided under paragraph 1.4 of Appendix 1 to this Amendment Agreement providing the total cost of all Priced Options funded in this way is no greater in any Franchisee Year than the amount stated for that Franchisee Year in Tables 2 or 3 as appropriate.

4.2 Principles for calculating impact

The parties acknowledge that the overarching principles that have been applied by them in calculating the deliverability, desirability, values, costs, revenues, performance impacts and thus prices of any initiatives or in developing any workstreams under this Amendment Agreement are:

- a) that the same shall in the reasonable opinion of Scottish Ministers represent value for money to Scottish Ministers,
- b) that they shall be calculated using an open book approach, with opportunity to the other party to query and comment thereon;
- c) that they shall singly and in cumulo, not significantly alter the balance of risk in the franchise;
- d) that there shall not as a result of this Amendment Agreement be an increase in the overall charge to subsidy (except to the extent that award of an extension will, de facto, mean an increase in total subsidy payment under the franchise due to an increase in duration);
- e) that they shall be prepared to a sufficient level of detail to allow for an independent audit on the same principles; and
- f) all on the basis of the best evidence available at the time any agreement is made, such agreement being on a fixed price basis save where otherwise indicated. Once made, the risks shall lie in accordance with the Franchise Agreement.

Annex - Priced Options

Priced Option 1: Dedicated Project Manager

1. Description Objectives and Specification

- 1.1 Scottish Ministers wish to require the Franchisee to appoint a full time Project Manager to assist in the delivery of their rail major projects and Priced Options.
- 1.2 The Project Manager's prime role will be to ensure that the Franchisee takes all actions necessary for Scottish Ministers to receive the anticipated benefits of the projects in a timeous and efficient manner.
- 1.3 The Project Manager will work with Scottish Ministers and, within 4 Reporting Periods produce a report establishing the contribution that the Franchisee is required to make and can additionally offer to make, whether as further Priced Options to the major projects or otherwise, with a SWOT analysis of the current position. Then, within 2 further periods, produce a plan (the "plan") for carrying out those actions the Franchisee is required to take and such other actions as Scottish Ministers have indicated they may wish the Franchisee to take forward including further Priced Options. The plan shall include milestone targets. Where possible the plan shall include tables or similar in respect of the appropriate level of involvement of the Franchisee, which is similar in detail to that appended in respect of operating activities and which describes the activities in the preparation and implementation phase of each project.
- 1.4 The plan shall also include as a minimum:
 - a) cost/benefit analysis of any additional actions proposed beyond those which the Franchisee is required to take, by reason of the provisions of the Franchise Agreement or otherwise;
 - b) a demonstration of the approach which the Franchisee shall take to the development of a project management regime for the support and implementation of the projects including securing train planning and other operational resources;
 - c) targets and timescales for the agreement of fixed prices (and where possible for agreement of further Priced Options for inclusion in the Franchise Agreement); and
 - d) any further proposed solutions for either capital or non-capital investment by or in the Franchisee which would enable them to do more in respect of the projects.
- 1.5 The Franchisee shall be required to support all developments of new Franchise Services. The following service changes are anticipated to be taken forward:
 - a) a new line between Airdrie and Bathgate will enable a new service to run between Glasgow Queen Street Low level and Edinburgh via Airdrie and Bathgate. The targets for the service are a 73 minute journey time and a 15 minute frequency. It is anticipated that the service will commence in 2010;
 - b) a new line between Paisley and Glasgow Airport will enable trains to run between Glasgow Central and Glasgow Airport every 15 minutes. It is anticipated that this service will operate from 2011 and will become a Franchise Service during the Extended Term;
 - c) the operation of a Borders Rail link from Edinburgh Waverley along the previously closed route as far as Tweedbank. If this major project is progressed it is anticipated the service will commence during the Extended Term;
 - d) revised Edinburgh Glasgow via Falkirk services for Electrification and a link to Gogar for Edinburgh Airport interchange via a tram service. This service revision is aimed at achieving the objectives set out in Scotland's Railways for improved journey times and connections. It is anticipated that this project will be completed during the Extended Term;
 - e) refinement of Dundee-Aberdeen local services to speed up express services, where these refinements can be achieved without additional resources or infrastructure improvements; and

- f) reduced journey times, Glasgow-Ayrshire, including improved availability and accessibility through additional services to Irvine

(All running times and frequencies are dependent on the capabilities of the infrastructure and rolling stock available and the services provided will be as fast as is reasonably possible within these constraints).

- 1.6 The plan shall then, to the extent that is agreed and appropriate, be implemented and reviewed at least quarterly and updated to reflect, for example, the outcomes of work on the rolling stock and network output programmes being taken forward by Scottish Ministers and Priced Options which are called off, and the Franchisee shall make such revisions as the parties between them think reasonable to allow the Franchisee to be more effective (cost or otherwise) in their interactions with Scottish Ministers and promoters..
- 1.7 The Project Manager shall provide reports no less than once in each Reporting Period of the progress and anticipated delivery of each Priced Option called for by Scottish Ministers in such a style and with such detail as Scottish Ministers shall reasonably require.
- 1.8 The Franchisee shall ensure that the Project Manager is a competent and skilled project manager and that the standard of performance is such as would be expected of such a person.
- 1.9 The Project Manager shall report to a Director of the Franchisee or such other executive officer as is agreed by Scottish Ministers, such agreement not to be unreasonably withheld or delayed.
- 1.10 The Franchisee shall ensure that the Project Manager has all the authority and access to information, staff, contractors and agents of the Franchisee as is necessary for the performance of the duties of the Project Manager.
- 1.11 This Priced Option may be terminated by Scottish Ministers by giving the Franchisee 6 months' notice.

2 Price for exercising the Priced Option

Table for Priced Option							
Dedicated Project Delivery Manager							
	FXD	VCRPI	FRPI	TRRPI	PRPI	Total	Target Revenue
Year 1b	0	0	0	0	0	0	0
Year 2	0	0	0	0	0	0	0
Year 3	0	0	0	0	0	0	0
Year 4	0	0	0	0	0	0	0
Year 5	0	68,782	0	0	3,391	72,173	0
Year 6	0	69,453	0	0	3,424	72,877	0
Year 7	0	70,131	0	0	3,457	73,588	0
Year 8a	0	38,310	0	0	1,732	40,041	0
Year 8b	0	32,505	0	0	1,469	33,974	0
Year 9	0	71,506	0	0	3,232	74,738	0
Year 10	0	72,203	0	0	3,264	75,467	0
Year 11a	0	72,908	0	0	3,295	76,203	0
7 Prd Ext (aft 7 yrs)	0	37,923	0	0	1,714	39,637	0
7 Prd Ext (aft 10 yrs)	0	39,258	0	0	1,774	41,033	0

3 Timescale for implementing the Priced Option

3.1 Scottish Ministers shall provide at least 3 months notice of the date a Project Manager is required.

4 Other effects on the Franchise Agreement

4.1 There are no other effects on the Franchise Agreement.

5 Last date for exercising the Priced Option

5.1 There is no last date for calling off this Priced Option.

Table: Major Projects: Operating Activities

Activity	Description
Timetable planning	Timetable Principle Change Date is December each year and the Subsidiary Change Date is the following June.
Train Planning	Identify any additional rolling stock requirements and develop the necessary rolling stock diagrams.
Train crew diagrams	Develop and finalise the details of the necessary train crew diagrams.
Review operating staff requirements	Identify any additional operational staff requirements, including train drivers, conductors, station and support staff, looking to ensure best fit with principles of safety, efficiency and sustainability.
Review revenue collection measures	Procure revenue and patronage forecasts. Review revenue collection measures and identify necessary actions.
Contract management	Liaise with Network Rail and other industry partners to amend existing, or agree new; station, depot, track access contracts; station and depot leases; station, depot and operating licences. Deal with formal closure applications and change proposals.
Franchise Management	Update the Franchise Agreement as a consequence of the major project.
Update on-train systems	Update of on-train; PIS, including automatic announcements and visual displays, printed front of train destination blinds or update electronic displays and renew printed network maps to include new infrastructure.
Station management	Identify and plan for all operating activities, including maintenance, repairs, cleaning, winter working arrangements etc.
Update stations facilities	Update; CIS, LLPA, signage, poster frames, CCTV, lighting, seating and other station facilities.
Fares	Set fares for new services.
Retail management	Update such rail industry systems and documents as are reasonably required to be altered to facilitate a new service, including retail systems, customer information systems, timetable planning systems and railway operational systems. The Franchisee shall also undertake such staff briefings as are reasonably required to ensure that passengers can be informed of the new service and sold tickets
Marketing	Update timetable poster, timetable booklets, network maps. Assist in launch promotions and opening events.

Priced Option 2: Rolling Stock Procurement

- 1.1 It is proposed that the Franchisee shall procure the right to use rolling stock to enable it to deliver the services required by Major Projects. The Franchisee and Scottish Ministers are currently discussing a Variation to the franchise which may require the Franchisee to manage the procurement of that rolling stock and possibly third party finance. The Variation will also deal with the funding of the Franchisee's rights to use that Rolling Stock.
- 1.2 This work may be funded, to the extent required by Scottish Ministers in accordance with the obligations of Scottish Ministers in the Franchise Agreement using the funds provided under paragraph 1.4 of Appendix 1 to this Amendment Agreement and/or together with such other funds which Scottish Ministers may make available.

Priced Option 3: Edinburgh, Fife and Aberdeen service enhancements including services to and operation of the new Laurencekirk Station

1. Description Objectives and Specification.

1.1 Scottish Ministers require the Franchisee to deliver an improved service on the route between Edinburgh and Aberdeen and in Fife having the following attributes:

1. Revised stopping pattern on services between Edinburgh and Aberdeen offering reduced journey time.
2. An additional hourly frequency Edinburgh – Dundee service stopping at the intermediate stations in Fife omitted from the faster Edinburgh-Aberdeen service
3. An approximately half hourly Dundee-Aberdeen service pattern
4. An approximately-hourly Aberdeen-Inverurie service pattern
5. Operation of, and provision of a service to, the new Laurencekirk station
6. An additional Aberdeen to Inverness service and a return service.
7. An additional early morning service from Blair Athol to Perth
8. An Edinburgh to Perth hourly service
9. Two additional trains in the morning. A train departing Markinch for Edinburgh via Dunfermline, providing a service approximately 30 minutes earlier from Dunfermline than the current first train. A train from Kirkcaldy for Edinburgh departing at approximately 06.30.
10. Additional strengthening will be applied to Fife services using the additional trains in line with the Capacity Objective. It is anticipated that at first this will involve the current 07.11 Dunfermline Queen Margarets to Edinburgh having 6 vehicles instead of the current three, the current 06.15 Perth to Edinburgh having 5 vehicles instead of the current 3, and the current 06.37 Carnoustie to Edinburgh having 3 vehicles instead of the current 4.
11. The train departing Perth at approximately 07.15 for Glasgow Queen St shall be increased from 5 to 6 vehicles at the Passenger Change Date following the works at Bishopbriggs to accommodate a 6 vehicle train and the train departing Cumbernauld for Glasgow Queen Street at approximately 07.30 shall be increased from 3 vehicles to 4 vehicles at the same time.
12. From the 2008 December Timetable Change Date, the train departing Perth at approximately 06.30 for Edinburgh shall be increased in length from 4 vehicles to 6 vehicles.
13. Services shall be timed to maximise the journey opportunities by complementing other operators services wherever reasonably practicable while delivering the other service enhancements listed above.

1.2 The Franchisee shall assess the opportunities for providing additional facilities at Perth for Scottish Ministers, to reduce empty running of trains. Such assessment will include the business case for the facilities at Perth and providing a cost effective solution will be the over riding objective.

1.3 The operation of this service is dependent on the Franchisee amending and/or entering into such Access Agreements as may be necessary or desirable from time to time in order to obtain the timetable development rights that it requires in order to secure a timetable that enables it to operate the service. The Franchisee shall use all reasonable endeavours to obtain the necessary timetable development rights and to the extent that it is able to obtain them shall exercise those rights with the aim of securing the necessary timetable.

2 Price for exercising the option

The price of operating the service assumes that the Priced Option for a half hourly Kilmarnock Service is called off. The Franchisee shall agree to operate locomotive hauled coaching stock at the same price as the equivalent 3 class Porterbrook 158 units, and this is assumed below.

Table for Priced Option

Edinburgh Fife Aberdeen service enhancements

	FXD	VCRPI	FRPI	TRRPI	PRPI	Total	Target Revenue
Year 1b	0	0	0	0	0	0	0
Year 2	0	0	0	0	0	0	0
Year 3	0	0	0	0	0	0	0
Year 4	0	227,059	0	0	11,194	238,253	0
Year 5	489,685	2,614,673	0	960,833	91,582	2,235,107	960,833
Year 6	1,469,056	5,721,405	0	2,938,744	168,535	4,420,253	2,938,744
Year 7	1,469,056	5,759,018	0	2,996,086	168,863	4,400,851	2,996,086
Year 8a	794,735	3,136,146	0	1,652,459	83,947	2,362,370	1,652,459
Year 8b	674,321	2,660,973	0	1,402,087	71,228	2,004,435	1,402,087
Year 9	1,469,056	5,835,714	0	3,114,147	155,587	4,346,211	3,114,147
Year 10	1,469,056	5,874,810	0	3,174,911	156,054	4,325,010	3,174,911
Year 11a	1,469,056	5,914,413	0	3,236,860	156,576	4,303,186	3,236,860
7 Prd Ext (aft 7 yrs)	786,708	3,104,468	0	1,635,768	83,099	2,338,507	1,635,768
7 Prd Ext (aft 10 yrs)	791,030	3,184,684	0	1,742,925	84,310	2,317,100	1,742,925

From the total price shall be deducted any direct grant funding of the services from Scottish Ministers. It is anticipated that the grant funding shall be

	Grant Funding
Year 1b	0
Year 2	0
Year 3	0
Year 4	0
Year 5	1,059,606
Year 6	3,178,819
Year 7	3,178,819
Year 8a	1,719,689
Year 8b	1,459,130
Year 9	3,178,819
Year 10	3,178,819
Year 11a	1,933,419
7 Prd Ext (aft 7 yrs)	1,702,319
7 Prd Ext (aft 10 yrs)	1,711,672

3 Timescale for implementing the Priced Option

3.1 This service will be implemented on the first Passenger Change Date as is reasonably practicable after it is called off.

4 Other effects on the Franchise Agreement

4.1 Additional rolling stock is required to provide these services and other Priced Options improving services between Kilmarnock and Glasgow. The Franchisee has entered into a lease for 8 class 158 units and these units will be included in Table 1A in Appendix 1 to Schedule 1.1 of the Franchise Agreement. In addition the Franchisee shall arrange to hire up one set of loco hauled carriages consisting of a locomotive and 5 standard class coaches and a brake vehicle to operate two trains each way each day on the Fife Circle to release 3 further class 158 units. The Service Level Commitment shall be amended to reflect the use of Loco Hauled Coaches on the Fife Circle route.

4.2 The Service Level Commitment shall be amended to include these services.

4.3 Target Revenue will be adjusted to reflect the anticipated Revenue.

4.4 The performance benchmarks in Schedule 7.1 and 7.1 A will be amended to reflect the change in train performance as modelled due to the introduction of these services using the Railsys model.

5 Last date for exercising the Priced Option

5.1 There is no last date for exercising this Priced Option.

Priced Option 4: Operation of Kilmarnock half hourly service and recast of G&SW timetable being Ayr-Girvan and Stranraer-Glasgow services.

1 Description Objectives and Specification

- 1.1 Following line improvement works, including the construction of a loop at Lugton, Scottish Ministers require the Franchisee to deliver an improved service on the route between Kilmarnock and Glasgow having the following attributes.
- 1.2 The revised timetable will provide a half hourly frequency of service between Kilmarnock and Glasgow and requires amendments to other services out of Glasgow Central. A copy of the indicative timetable is shown below.
- 1.3 The additional rolling stock required for this Priced Option is provided by the exercise of Priced Option 3 of this Annex.
- 1.4 The operation of this service is dependent on the Franchisee amending and/or entering into such Access Agreements as may be necessary or desirable from time to time in order to obtain the timetable development rights that it requires in order to secure a timetable that enables it to operate the service. The Franchisee shall use all reasonable endeavours to obtain the necessary timetable development rights and to the extent that it is able to obtain them shall exercise those rights with the aim of securing the necessary timetable.
- 1.5 Delivery of this service is dependent on rolling stock released by the exercise of Priced Option 3.

2 Price for exercising the option

Table for Priced Option							
Operation of Kilmarnock half hourly service							
	FXD	VCRPI	FRPI	TRRPI	PRPI	Total	Target Revenue
Year 1b	0	0	0	0	0	0	0
Year 2	0	0	0	0	0	0	0
Year 3	0	0	0	0	0	0	0
Year 4	0	0	0	0	0	0	0
Year 5	0	258,755	0	0	12,757	271,512	0
Year 6	292,981	1,267,271	0	245,761	72,703	1,387,195	245,761
Year 7	319,616	1,345,506	0	273,334	77,158	1,468,946	273,334
Year 8a	172,907	734,797	0	150,754	38,421	795,370	150,754
Year 8b	146,709	623,464	0	127,913	32,599	674,860	127,913
Year 9	319,616	1,371,181	0	284,105	71,314	1,478,007	284,105
Year 10	319,616	1,384,269	0	289,648	71,623	1,485,860	289,648
Year 11a	319,616	1,397,526	0	295,300	71,946	1,493,789	295,300
7 Prd Ext (aft 7 yrs)	171,161	727,375	0	149,232	38,033	787,336	149,232
7 Prd Ext (aft 10 yrs)	172,101	752,514	0	159,008	38,740	804,348	159,008

Revised Public Timetable : Glasgow Cent. to East Kilbride, Barrhead and Kilmarnock – Saturdays Excepted

	SX	SX	SX	SX	SX	SX	SX	SX	SX	SX	SX	SX
		To NWC STLE 10:54			To CAR LILE 11:00			To CAR LILE 12:35				To NWC STLE 15:58
GLASGOW CENTRAL	06:30	07:09	07:37	08:07	08:37	09:12	09:42	10:12	10:42	11:12	11:42	12:12
Crossmyloof	06:36	--	--	--	--	--	--	--	--	--	--	--
Pollokshaws West	06:39	--	--	--	--	--	--	--	--	--	--	--
Thornliebank	--	--	--	--	--	--	--	--	--	--	--	--
Giffnock	--	--	--	--	--	--	--	--	--	--	--	--
Clarkston	--	--	--	--	--	--	--	--	--	--	--	--
Busby	--	--	--	--	--	--	--	--	--	--	--	--
Thorntonhall	--	--	--	--	--	--	--	--	--	--	--	--
Hairmyres	--	--	--	--	--	--	--	--	--	--	--	--
EAST KILBRIDE	--	--	--	--	--	--	--	--	--	--	--	--
Kennishead	06:42	--	--	--	--	--	--	--	--	--	--	--
Priesthill & Darnley	06:44	--	--	--	--	--	--	--	--	--	--	--
Nitshill	06:47	--	--	--	--	--	--	--	--	--	--	--
BARRHEAD	06:50	07:24	07:50	08:19	08:49	09:24	09:54	10:24	10:54	11:24	11:54	12:24
	06:50	07:24	07:51	08:19	08:50	09:25	09:54	10:24	10:54	11:24	11:54	12:24
Dunlop	07:02	07:36	08:03	08:31	09:01	09:37	10:06	10:36	11:06	11:36	12:06	12:36
Stewarton	07:06	07:40	08:07	08:35	09:05	09:41	10:10	10:40	11:10	11:40	12:10	12:40
Kilmaurs	07:11	07:44	08:11	08:39	09:09	09:45	10:14	10:44	11:14	11:44	12:14	12:44
KILMARNOCK	07:16	07:50	08:17	08:47	09:16	09:51	10:20	10:50	11:20	11:50	12:20	12:50
	--	07:51	--	--	09:16	--	--	10:51	--	--	--	12:51

	SX	SX	SX	SX	SX	SX	SX	SX	SX	SX	SX	SX
		To CAR LILE 15:35						To NWC STLE 20:03			6 cars To CAR LILE 20:11	
GLASGOW CENTRAL	12:42	13:12	13:42	14:12	14:42	15:12	15:42	16:12	16:42	17:12	17:37	18:12
Crossmyloof	--	--	--	--	--	--	--	--	--	--	--	--
Pollokshaws West	--	--	--	--	--	--	--	--	--	--	--	--
Thornliebank	--	--	--	--	--	--	--	--	--	--	--	--
Giffnock	--	--	--	--	--	--	--	--	--	--	--	--
Clarkston	--	--	--	--	--	--	--	--	--	--	--	--
Busby	--	--	--	--	--	--	--	--	--	--	--	--
Thorntonhall	--	--	--	--	--	--	--	--	--	--	--	--
Hairmyres	--	--	--	--	--	--	--	--	--	--	--	--
EAST KILBRIDE	--	--	--	--	--	--	--	--	--	--	--	--
Kennishead	--	--	--	--	--	--	--	--	--	--	--	--
Priesthill & Darnley	--	--	--	--	--	--	--	--	--	--	--	--
Nitshill	--	--	--	--	--	--	--	--	--	--	--	--
BARRHEAD	12:54	13:24	13:54	14:24	14:54	15:24	15:54	16:24	16:54	17:24	17:51	18:24
	12:54	13:24	13:54	14:24	14:54	15:24	15:54	16:24	16:54	17:24	17:52	18:24
Dunlop	13:06	13:36	14:06	14:36	15:06	15:36	16:06	16:36	17:06	17:36	18:04	18:36
Stewarton	13:10	13:40	14:10	14:40	15:10	15:40	16:10	16:40	17:10	17:40	18:10	18:40
Kilmaurs	13:14	13:44	14:14	14:44	15:14	15:44	16:14	16:44	17:14	17:45	18:15	18:44
KILMARNOCK	13:20	13:50	14:20	14:50	15:20	15:50	16:20	16:50	17:20	17:51	18:19	18:51
	--	13:51	--	--	--	--	--	16:51	--	--	18:22	--

	SX	SX	SX	SX	SX	SX	SX	SX	SX	SX	SX	
					To CAR LILE 22:35				To CAR LILE 00:35			
GLASGOW	18:42	18:57	19:12	19:33	20:12	20:33	21:12	21:33	22:12	22:33	23:12	
CENTRAL	--	19:03	--	19:39	--	20:39	--	21:39	--	22:39	23:18	
Crossmyloof	--	19:06	--	19:42	--	20:42	--	21:42	--	22:42	23:21	
Pollokshaws West	--	--	--	--	--	--	--	--	--	--	--	
Thornliebank	--	--	--	--	--	--	--	--	--	--	--	
Giffnock	--	--	--	--	--	--	--	--	--	--	--	
Clarkston	--	--	--	--	--	--	--	--	--	--	--	
Busby	--	--	--	--	--	--	--	--	--	--	--	
Thorntonhall	--	--	--	--	--	--	--	--	--	--	--	
Hairmyres	--	--	--	--	--	--	--	--	--	--	--	
EAST KILBRIDE	--	--	--	--	--	--	--	--	--	--	--	
Kennishead	--	19:09	--	19:45	--	20:45	--	21:45	--	22:45	23:24	
Priesthill & Darnley	--	19:11	--	19:47	--	20:47	--	21:47	--	22:47	23:26	
Nitshill	--	19:14	--	19:50	--	20:50	--	21:50	--	22:50	23:29	
BARRHEAD	18:54	19:17	19:24	19:53	20:24	20:53	21:24	21:53	22:24	22:53	23:32	
	18:54	--	19:24	19:54	20:24	20:54	21:24	21:54	22:24	22:54	23:32	
Dunlop	19:06	--	19:36	20:06	20:36	21:06	21:36	22:06	22:36	23:06	23:44	
Stewarton	19:10	--	19:40	20:10	20:40	21:10	21:40	22:10	22:40	23:10	23:48	
Kilmaurs	19:14	--	19:44	20:14	20:44	21:14	21:44	22:14	22:44	23:14	23:53	
KILMARNOCK	19:20	--	19:50	20:20	20:50	21:20	21:50	22:20	22:50	23:20	23:58	
	--	--	--	--	20:51	--	--	--	22:51	--	--	

	SX	SX	SX	SX	SX	SX	SX	SX	SX	SX	SX	SX
				06:08 From CAR LILE 6 cars					06:48 From NWC STLE			
KILMARNOCK	--	--	--	07:51	--	--	--	09:55	--	--	--	--
Kilmaurs	06:22	06:53	07:23	07:53	08:23	08:53	09:27	09:57	10:27	10:57	11:27	11:57
Stewarton	06:26	06:57	07:27	07:57	08:27	08:57	09:31	10:01	10:31	11:01	11:31	12:01
Dunlop	06:31	07:03	07:32	08:04	08:32	09:02	09:36	10:06	10:36	11:06	11:36	12:06
BARRHEAD	06:36	07:07	07:37	08:09	08:37	09:07	09:41	10:11	10:41	11:11	11:41	12:11
Nitshill	06:46	07:17	07:47	08:19	08:47	09:17	09:51	10:21	10:51	11:21	11:51	12:21
Priesthill & Darnley	06:46	07:18	07:47	08:20	08:47	09:17	09:51	10:21	10:51	11:21	11:51	12:21
Kennishead	06:49	--	--	--	--	--	--	--	--	--	--	--
EAST KILBRIDE	06:51	--	--	--	--	--	--	--	--	--	--	--
Hairmyres	06:53	--	--	--	--	--	--	--	--	--	--	--
Thorntonhall	--	--	--	--	--	--	--	--	--	--	--	--
Busby	--	--	--	--	--	--	--	--	--	--	--	--
Clarkston	--	--	--	--	--	--	--	--	--	--	--	--
Giffnock	--	--	--	--	--	--	--	--	--	--	--	--
Thornliebank	--	--	--	--	--	--	--	--	--	--	--	--
Pollokshaws West	06:56	--	--	--	--	--	--	--	--	--	--	--
Crossmyloof	06:59	--	--	--	--	--	--	--	--	--	--	--
GLASGOW	07:07	07:32	08:01	08:35	09:01	09:31	10:04	10:34	11:04	11:34	12:04	12:34
CENTRAL												

	SX	SX	SX	SX	SX	SX	SX	SX	SX	SX	SX	SX
		11:12 From CAR LILE					13:12 From CAR LILE			13:39 From NWC STLE		
KILMARNOCK	--	12:55	--	--	--	14:55	--	--	--	16:55	--	--
Kilmaurs	12:27	12:57	13:27	13:57	14:27	14:57	15:27	15:57	16:27	16:57	17:26	17:57
Stewarton	12:31	13:01	13:31	14:01	14:31	15:01	15:31	16:01	16:31	17:01	17:30	18:01
Dunlop	12:36	13:06	13:36	14:06	14:36	15:06	15:36	16:06	16:36	17:06	17:35	18:06
BARRHEAD	12:41	13:11	13:41	14:11	14:41	15:11	15:41	16:11	16:41	17:11	17:40	18:11
Nitshill	12:51	13:21	13:51	14:21	14:51	15:21	15:51	16:21	16:51	17:21	17:50	18:21
Priesthill & Darnley	12:51	13:21	13:51	14:21	14:51	15:21	15:51	16:21	16:51	17:21	17:50	18:21
Kennishead	--	--	--	--	--	--	--	--	--	--	--	--
EAST KILBRIDE	--	--	--	--	--	--	--	--	--	--	--	--
Hairmyres	--	--	--	--	--	--	--	--	--	--	--	--
Thorntonhall	--	--	--	--	--	--	--	--	--	--	--	--
Busby	--	--	--	--	--	--	--	--	--	--	--	--
Clarkston	--	--	--	--	--	--	--	--	--	--	--	--
Giffnock	--	--	--	--	--	--	--	--	--	--	--	--
Thornliebank	--	--	--	--	--	--	--	--	--	--	--	--
Pollokshaws West	--	--	--	--	--	--	--	--	--	--	--	--
Crossmyloof	--	--	--	--	--	--	--	--	--	--	--	--
GLASGOW	13:04	13:34	14:04	14:34	15:04	15:34	16:04	16:34	17:04	17:35	18:04	18:35
CENTRAL												

	SX	SX	SX	SX	SX	SX	SX	SX	SX	SX	SX	SX
						17:55 From CAR LILE		17:13 From NWC STLE				21:12 From CAR LILE
KILMARNOCK	--	--	--	--	--	19:38	--	20:55	--	--	--	22:55
Kilmaurs	18:27	--	18:57	--	19:27	19:57	20:27	20:57	21:27	21:57	22:27	22:57
Stewarton	18:31	--	19:01	--	19:31	20:01	20:31	21:01	21:31	22:01	22:31	23:01
Dunlop	18:36	--	19:06	--	19:36	20:06	20:36	21:06	21:36	22:06	22:36	23:06
BARRHEAD	18:41	--	19:11	--	19:41	20:11	20:41	21:11	21:41	22:11	22:41	23:11
Nitshill	18:51	--	19:21	--	19:51	20:21	20:51	21:21	21:51	22:21	22:51	23:21
Priesthill & Darnley	18:51	18:58	19:21	19:28	19:52	20:21	20:52	21:21	21:52	22:21	22:52	23:21
Kennishead	--	19:01	--	19:31	19:55	--	20:55	--	21:55	--	22:55	--
EAST KILBRIDE	--	19:03	--	19:33	19:57	--	20:57	--	21:57	--	22:57	--
Hairmyres	--	19:05	--	19:35	19:59	--	20:59	--	21:59	--	22:59	--
Thorntonhall	--	--	--	--	--	--	--	--	--	--	--	--
Busby	--	--	--	--	--	--	--	--	--	--	--	--
Clarkston	--	--	--	--	--	--	--	--	--	--	--	--
Giffnock	--	--	--	--	--	--	--	--	--	--	--	--
Thornliebank	--	--	--	--	--	--	--	--	--	--	--	--
Pollokshaws West	--	19:08	--	19:38	20:02	--	21:02	--	22:02	--	23:02	--
Crossmyloof	--	19:11	--	19:41	20:05	--	21:05	--	22:05	--	23:05	--
GLASGOW	19:04	19:17	19:34	19:47	20:11	20:34	21:11	21:34	22:11	22:34	23:11	23:34
CENTRAL												

3 Timescale for implementing the Priced Option

- 3.1 This service will be introduced upon reasonable notice from Scottish Ministers following the completion of the necessary line improvement works, and not before the changes have been made to Schedule 1.1 and the rolling stock is available. The Franchisee shall introduce the relevant service by no later than the December 2009 Passenger Change Date and earlier where reasonably practicable.

4 Other effects on the Franchise Agreement

- 4.1 The Service Level Commitment shall be amended to include these services.
- 4.3 Target Revenue will be adjusted to reflect the anticipated Revenue.
- 4.3 The performance benchmarks in Schedule 7.1 and 7.1 A will be amended to reflect the change in train performance as modelled due to the introduction of these services using the RailSys model.

5 Last date for exercising the Priced Option

- 5.1 The last date for exercising this Priced Option is 30th April 2008.

Priced Option 5: Extension of 15 Minute frequency Edinburgh to Glasgow service

1 Description Objectives and Specification

- 1.1 In order to provide earlier and later operation of the 15 minute service between Edinburgh and Glasgow the Franchisee shall operate a service each way at 06.45 and 19.15 Monday to Friday.
 - 1.1.1 The trains at 06.45 between Glasgow Queen Street and Edinburgh will call at Croy, Falkirk High, Linlithgow and Haymarket In each direction.
 - 1.1.2 The trains at 19.15 between Glasgow Queen Street and Edinburgh will call at Haymarket, Falkirk High, Polmont and Linlithgow, in each direction.
- 1.2 The train at 19.00 from Edinburgh to Glasgow Queen Street will no longer call at Linlithgow and Polmont but will additionally call at Croy.
- 1.3 The train at 19.00 from Glasgow to Edinburgh will no longer call at Linlithgow.

2 Price for exercising the option

Table for Priced Option							
1-hour extension of the 15 minute E&G service							
	FXD	VCRPI	FRPI	TRRPI	PRPI	Total	Target Revenue
Year 1b	0	0	0	0	0	0	0
Year 2	0	0	0	0	0	0	0
Year 3	0	0	0	0	0	0	0
Year 4	0	0	0	0	0	0	0
Year 5	0	365,447	0	190,978	14,848	189,316	190,978
Year 6	0	399,643	0	212,405	16,246	203,483	212,405
Year 7	0	400,629	0	216,550	16,295	200,373	216,550
Year 8a	0	217,274	0	119,436	8,106	105,945	119,436
Year 8b	0	184,354	0	101,339	6,878	89,892	101,339
Year 9	0	402,639	0	225,083	15,030	192,587	225,083
Year 10	0	403,664	0	229,475	15,077	189,266	229,475
Year 11a	0	404,703	0	233,952	15,124	185,874	233,952
7 Prd Ext (aft 7 yrs)	0	215,079	0	118,229	8,025	104,874	118,229
7 Prd Ext (aft 10 yrs)	0	217,917	0	125,974	8,143	100,086	125,974

3 Timescale for implementing the Priced Option

3.1 This service change will commence on the May 2008 Passenger Change Date.

4 Other effects on the Franchise Agreement

4.1 The Service Level Commitment shall be amended to include these services.

4.2 Target Revenue will be adjusted to reflect the anticipated Revenue.

4.3 The performance benchmarks in Schedule 7.1 and 7.1 A will be amended to reflect the change in train performance as modelled due to the introduction of these services using the Railsys model.

5 Last date for exercising the Priced Option

5.1 This Priced Option has been called off.

Priced Option 6: Sunday Local Services between Glasgow Queen Street and Alloa

1 Description Objectives and Specification

- 1.1 Scottish Ministers require that the Franchisee operates a Sunday Service between Glasgow Queen Street and Alloa in accordance with the published May 2008 timetable.
- 1.2 The operation of this service is dependent on the Franchisee amending and/or entering into such Access Agreements as may be necessary or desirable from time to time in order to obtain the timetable development rights that it requires in order to secure a timetable that enables it to operate the service. The Franchisee shall use all reasonable endeavours to obtain the necessary timetable development rights and to the extent that it is able to obtain them shall exercise those rights with the aim of securing the necessary timetable.

2 Price for exercising the option

Table for Priced Option							
Sunday local services between Glasgow, Stirling and Alloa							
	FXD	VCRPI	FRPI	TRRPI	PRPI	Total	Target Revenue
Year 1b	0	0	0	0	0	0	0
Year 2	0	0	0	0	0	0	0
Year 3	0	0	0	0	0	0	0
Year 4	0	0	0	0	0	0	0
Year 5	0	0	0	0	0	0	0
Year 6	0	0	0	0	0	0	0
Year 7	0	0	0	0	0	0	0
Year 8a	0	0	0	0	0	0	0
Year 8b	0	84,180	0	29,726	3,618	58,071	29,726
Year 9	0	184,543	0	66,024	7,934	126,453	66,024
Year 10	0	185,706	0	67,313	7,987	126,380	67,313
Year 11a	0	186,881	0	68,626	8,040	126,295	68,626
7 Prd Ext (aft 7 yrs)	0	98,210	0	34,681	4,221	67,750	34,681
7 Prd Ext (aft 10 yrs)	0	100,628	0	36,952	4,329	68,005	36,952

N.B. There is no cost to Scottish Ministers for exercising this Priced Option before the Initial Expiry Date, which shall, instead, represent payment of an equivalent of compensation for the late performance of obligations under the Committed Obligation in paragraph 14.3 of Part 2 of Schedule 1.6.

3 Timescale for implementing the Priced Option

3.1 The Franchisee acknowledges notice of the requirement to operate this service has been given.

4 Other effects on the Franchise Agreement

4.1 The Service Level Commitment shall be amended to include these services.

4.2 In paragraph 14.3(a) of Schedule 1.6 of the Franchise Agreement the time for installing the automatic ticket gates is extended to 36 months.

5 Last date for exercising the Priced Option

5.1 The Franchisee has already introduced additional services between Glasgow and Stirling and shall extend such services to Alloa when weekday services commence to Alloa.

Priced Option 7: Sunday Local Services between Partick and Larkhall

1 Description Objectives and Specification

1.1 Scottish Ministers require that the Franchisee continues to operate a Sunday Service between Partick and Larkhall when the current contract with the Regional Transport Partnership ends. The Franchisee shall co-operate with Scottish Ministers in relation to the amendment of the Service Level Commitment.

2 Price for exercising the option.

Table for Priced Option							
Continuation of Sunday Services to Larkhall - costs							
	FXD	VCRPI	FRPI	TRRPI	PRPI	Total	Target Revenue
Year 1b	0	0	0	0	0	0	0
Year 2	0	0	0	0	0	0	0
Year 3	0	0	0	0	0	0	0
Year 4	0	0	0	0	0	0	0
Year 5	0	36,788	0	15,433	1,657	23,013	15,433
Year 6	0	111,363	0	47,201	5,019	69,181	47,201
Year 7	0	112,373	0	48,122	5,069	69,320	48,122
Year 8a	0	61,345	0	26,541	2,539	37,343	26,541
Year 8b	0	52,051	0	22,520	2,155	31,685	22,520
Year 9	0	114,433	0	50,018	4,741	69,155	50,018
Year 10	0	115,483	0	50,994	4,788	69,276	50,994
Year 11a	0	116,546	0	51,989	4,836	69,393	51,989
7 Prd Ext (aft 7 yrs)	0	60,726	0	26,273	2,514	36,966	26,273
7 Prd Ext (aft 10 yrs)	0	62,756	0	27,994	2,604	37,366	27,994

3 Timescale for implementing the Priced Option

3.1 Scottish Ministers shall give the Franchisee notice on or before 31st July 2008.

4 Other effects on the Franchise Agreement

4.1 The Service Level Commitment shall be amended to include these services.

4.2 Target Revenue will be adjusted to reflect the anticipated Revenue

5 Last date for exercising the Priced Option

5.1 This option has been called off and this service will continue beyond the December 2008 Passenger Change Date.

Priced Option 8: Operation of an additional Limited stop service from Glasgow to Edinburgh via Shotts

1 Description Objectives and Specification

- 1.1 Scottish Ministers require that the Franchisee operates an additional hourly Service between Glasgow and Edinburgh via Shotts calling at a limited number of stations to provide a semi fast service for key stations on that corridor. A copy of the indicative timetable is shown below. Both parties recognise that there will need to be changes to other services, including freight services, to permit the operation of this timetable and the timetable will be subject to change due to flexing to accommodate other services. Trains will be timetabled to run as fast as is reasonably possible.
- 1.2 The operation of this service is dependent on the Franchisee amending and/or entering into such Access Agreements as may be necessary or desirable from time to time in order to obtain the timetable development rights that it requires in order to secure a timetable that enables it to operate the service. The Franchisee shall use all reasonable endeavours to obtain the necessary timetable development rights and to the extent that it is able to obtain them shall exercise those rights with the aim of securing the necessary timetable.
- 1.3 Delivery of this service is dependent on rolling stock released by reduction of the following trains from four vehicles to two vehicles, which will also require the removal of calls at some stations where alternative electric services are available, to reduce passenger demand. The trains with reduced vehicles are 07.13, 16.15 and 17.19 Glasgow to Edinburgh via Shotts, and 06.56, and 17.56 Edinburgh to Glasgow via Shotts.

Calling at:- Uddingston, Shotts, West Calder, Livingston South, and Haymarket

<u>dep</u>		<u>Arr</u>
0648	Glasgow Central – Edinburgh	0751 not calling Livingston Sth.
0904	Glasgow Central – Edinburgh	1011 Extension of current West Calder service
1004	Glasgow Central – Edinburgh	1111
1104	Glasgow Central – Edinburgh	1211
1204	Glasgow Central – Edinburgh	1311
1304	Glasgow Central – Edinburgh	1416
1404	Glasgow Central – Edinburgh	1511
1504	Glasgow Central – Edinburgh	1611
1604	Glasgow Central – Edinburgh	1711
1704	Glasgow Central – Edinburgh	1815
1804	Glasgow Central – Edinburgh	1911
1904	Glasgow Central – Edinburgh	2018

Additional Edinburgh – Glasgow Fast Service

Calling at:- Haymarket, Livingston South, West Calder, Shotts, and Uddingston

<u>Dep</u>		<u>Arr</u>
0650	Edinburgh - Glasgow Central	0810
0807	Edinburgh - Glasgow Central	0923
0907	Edinburgh - Glasgow Central	1017
1007	Edinburgh - Glasgow Central	1115
1107	Edinburgh - Glasgow Central	1215
1207	Edinburgh - Glasgow Central	1315
1307	Edinburgh - Glasgow Central	1415
1407	Edinburgh - Glasgow Central	1515
1507	Edinburgh - Glasgow Central	1615

1607	Edinburgh - Glasgow Central	1716
1707	Edinburgh - Glasgow Central	1815
1807	Edinburgh - Glasgow Central	19.15
1856	Edinburgh - Glasgow Central	2000

2 Price for exercising the option

Table for Priced Option							
Additional hourly limited stop service Glasgow to Edinburgh via Shotts							
	FXD	VCRPI	FRPI	TRRPI	PRPI	Total	Target Revenue
Year 1b	0	0	0	0	0	0	0
Year 2	0	0	0	0	0	0	0
Year 3	0	0	0	0	0	0	0
Year 4	0	0	0	0	0	0	0
Year 5	0	92,002	0	0	4,536	96,538	0
Year 6	0	818,967	0	333,240	39,709	525,436	333,240
Year 7	0	1,532,657	0	1,019,227	73,561	586,991	1,019,227
Year 8a	0	837,838	0	562,144	36,879	312,572	562,144
Year 8b	0	710,892	0	476,971	31,291	265,213	476,971
Year 9	0	1,565,012	0	1,059,390	68,906	574,527	1,059,390
Year 10	0	1,581,504	0	1,080,061	69,651	571,095	1,080,061
Year 11a	0	1,598,211	0	1,101,135	70,407	567,482	1,101,135
7 Prd Ext (aft 7 yrs)	0	829,375	0	556,466	36,506	309,415	556,466
7 Prd Ext (aft 10 yrs)	0	860,575	0	592,919	37,911	305,567	592,919

3 Timescale for implementing the Priced Option

3.1 Provided it is called off before 31 August 2008, the service will commence at the December 2008 Passenger Change Date.

4 Other effects on the Franchise Agreement

4.1 The Service Level Commitment shall be amended to include these services.

4.2 Target Revenue will be adjusted to reflect the anticipated Revenue.

4.3 The performance benchmarks in Schedule 7.1 and 7.1A shall be amended to reflect the change in train performance as modelled due to the introduction of these services using the Railsys model.

5 Last date for exercising the Priced Option

5.1 This Priced Option needs to be exercised before 31 August 2008.

Priced Option 9: The operation of additional early morning services to provide connections to London

1 Description Objectives and Specification

- 1.1 Scottish Ministers require that the Franchisee runs additional services listed in the indicative timetable changes below so that there is an opportunity to connect into a service to London arriving in London before 12.00 the same day. The arrival time in London is dependent on the operator of franchised services between Edinburgh and London departing at 06.50 or after and arriving in London before 12.00 and the operator of franchised services between Glasgow and London operating a service departing at 06.30 or later arriving in London before 12.00.

Additional services

Glasgow Central to connect with the 06:30 Central to Euston service

05:22 Gourock to Glasgow, calling at all stations, arriving at Glasgow Central at 06:14
05:10 Ayr to Glasgow, calling at all stations, arriving in Glasgow Central at 06:13
05:22 Kilmarnock to Glasgow, calling at all stations, arriving at Glasgow Central at 06:08

Edinburgh Waverley to connect with the 06:50 Edinburgh to Kings Cross service

05:20 Dunblane to Edinburgh – as an extension of the current 05:30 Stirling to Edinburgh calling also at Bridge of Allan at 05:23
05:00 Perth to Edinburgh - as an extension of the current 05:55 Kirkcaldy to Edinburgh retimed 10 minutes earlier.
Perth departing at 05:00 Ladybank at 05:27, Markinch at 05:35, Kirkcaldy at 05:45 and then all stations 10 minutes earlier than present, arriving at Edinburgh Waverley at 06:38.

Also as a separately priced additional service a:-

06:05 North Berwick to Edinburgh, calling at all stations, arriving at Waverley at 06:38.

N.B. All times are indicative.

- 1.2 The operation of this service is dependent on the Franchisee amending and/or entering into such Access Agreements as may be necessary or desirable from time to time in order to obtain the timetable development rights that it requires in order to secure a timetable that enables it to operate the service. The Franchisee shall use all reasonable endeavours to obtain the necessary timetable development rights and to the extent that it is able to obtain them shall exercise those rights with the aim of securing the necessary timetable.
- 1.3 The following lightly used services will no longer operate to release the resources to operate the additional early morning services:

22:45 Gourock to Glasgow;

22:31 Ardrossan to Glasgow (the 22:53 Largs to Glasgow shall call additionally at Dalry and Lochwinnoch);

23:27 Kilmarnock to Glasgow;

N.B. all times are approximate.

- 1.4 It should be noted that the revisions to services between Dumfries and Carlisle as part of Priced Option 4 will if called off, and based on the stated intentions of the operator of services between Carlisle and London, allow a departure from Dumfries with arrival in London before 09.15 the same day. Should this option not be called off the Franchisee shall, at no extra cost, implement a further service change to permit this connection.

2 Price for exercising the option

Excluding a North Berwick Service

Table for Priced Option							
Additional early morning services to connect to London service							
	FXD	VCRPI	FRPI	TRRPI	PRPI	Total	Target Revenue
Year 1b	0	0	0	0	0	0	0
Year 2	0	0	0	0	0	0	0
Year 3	0	0	0	0	0	0	0
Year 4	0	0	0	0	0	0	0
Year 5	0	0	0	0	0	0	0
Year 6	0	11,373	0	7,867	457	3,963	7,867
Year 7	0	34,119	0	24,061	1,371	11,429	24,061
Year 8a	0	18,458	0	13,271	680	5,867	13,271
Year 8b	0	15,661	0	11,260	577	4,978	11,260
Year 9	0	34,120	0	25,009	1,257	10,368	25,009
Year 10	0	34,121	0	25,497	1,257	9,880	25,497
Year 11a	0	34,121	0	25,995	1,257	9,383	25,995
7 Prd Ext (aft 7 yrs)	0	18,272	0	13,137	673	5,808	13,137
7 Prd Ext (aft 10 yrs)	0	18,373	0	13,997	677	5,053	13,997

Including a North Berwick Service

Table for Priced Option							
Additional early morning services to connect to London service							
	FXD	VCRPI	FRPI	TRRPI	PRPI	Total	Target Revenue
Year 1b	0	0	0	0	0	0	0
Year 2	0	0	0	0	0	0	0
Year 3	0	0	0	0	0	0	0
Year 4	0	0	0	0	0	0	0
Year 5	0	7,667	0	0	378	8,045	0
Year 6	0	69,147	0	11,014	3,197	61,331	11,014
Year 7	0	133,871	0	33,686	5,965	106,151	33,686
Year 8a	0	72,963	0	18,579	2,983	57,367	18,579
Year 8b	0	61,908	0	15,764	2,531	48,675	15,764
Year 9	0	135,883	0	35,013	5,560	106,430	35,013
Year 10	0	136,909	0	35,696	5,606	106,819	35,696
Year 11a	0	137,948	0	36,393	5,653	107,208	36,393
7 Prd Ext (aft 7 yrs)	0	72,226	0	18,391	2,953	56,787	18,391
7 Prd Ext (aft 10 yrs)	0	74,280	0	19,596	3,044	57,727	19,596

3 Timescale for implementing the Priced Option

3.1 This service will commence at the December 2009 Passenger Change Date.

4 Other effects on the Franchise Agreement

4.1 The Service Level Commitment shall be amended to include these services.

4.2 Target Revenue will be adjusted to reflect the anticipated Revenue

5 Last date for exercising the Priced Option

5.1 This Priced Option needs to be exercised before 31 July 2008.

Priced Option 10: Additional Services between Dunbar and Edinburgh

1 Description Objectives and Specification

1.1 Scottish Ministers require the Franchisee to operate 2 additional services between Edinburgh and Dunbar to fill known gaps in the present service.

1.1.1 The following is indicative of the timetable to be operated.

06:30 Monday to Friday, Dunbar to Edinburgh

21:30 Monday to Thursday, Edinburgh to Dunbar

22:50 Fridays only, Edinburgh to Dunbar

1.2 The operation of this service is dependent on the Franchisee amending and/or entering into such Access Agreements as may be necessary or desirable from time to time in order to obtain the timetable development rights that it requires in order to secure a timetable that enables it to operate the service. The Franchisee shall use all reasonable endeavours to obtain the necessary timetable development rights and to the extent that it is able to obtain them shall exercise those rights with the aim of securing the necessary timetable.

1.3 In addition to 1.1 above, the Franchisee shall carry out a study, at no cost to Scottish Ministers, outlining options and details around the implementation on an hourly service between Dunbar and Edinburgh.

2 Price for exercising the option

Table for Priced Option							
2 Additional services between Dunbar and Edinburgh.							
	FXD	VCRPI	FRPI	TRRPI	PRPI	Total	Target Revenue
Year 1b	0	0	0	0	0	0	0
Year 2	0	0	0	0	0	0	0
Year 3	0	0	0	0	0	0	0
Year 4	0	11,353	0	0	560	11,913	0
Year 5	0	107,140	0	10,803	5,058	101,396	10,803
Year 6	0	208,281	0	33,041	9,597	184,837	33,041
Year 7	0	210,168	0	33,686	9,690	186,172	33,686
Year 8a	0	114,731	0	18,579	4,853	101,005	18,579
Year 8b	0	97,348	0	15,764	4,118	85,701	15,764
Year 9	0	214,015	0	35,013	9,058	188,060	35,013
Year 10	0	215,976	0	35,696	9,147	189,427	35,696
Year 11a	0	217,963	0	36,393	9,236	190,807	36,393
7 Prd Ext (aft 7 yrs)	0	113,572	0	18,391	4,804	99,985	18,391
7 Prd Ext (aft 10 yrs)	0	117,365	0	19,596	4,973	102,742	19,596

3 Timescale for implementing the Priced Option

3.1 The implementation of 1.1 above will be carried out upon 18 months' notice from Scottish Ministers before the Passenger Change Date when services shall commence. The implementation of 1.3 above will be carried out within 12 months of the date hereof.

4 Other effects on the Franchise Agreement

4.1 The Service Level Commitment shall be amended to include these services.

4.2 Target Revenue will be adjusted to reflect the anticipated Revenue.

4.3 The performance benchmarks in Schedule 7.1 and 7.1 A will be amended to include the additional services.

5 Last date for exercising the Priced Option

5.1 There is no last date for exercising this Priced Option.

Priced Option 11: Additional limited stop services between Glasgow and Perth

1 Description Objectives and Specification

- 1.1 Scottish Ministers require the Franchisee to operate additional services in each direction between Glasgow and Perth.
 - 1.1.1 Additional trains would depart from Glasgow for Perth at approximately the following times 09.10, 11.10, 12.10, 13.10, 14.10 and 19:10 calling at Stirling, Bridge of Allan, Dunblane and Gleneagles.
 - 1.1.2 Additional trains would depart from Perth for Glasgow at the following times 09.45, 11.45, 13.45, 14.45, 15.45 and 16.45 with the same calls.
 - 1.1.3 Certain Glasgow Dunblane services would terminate at Stirling to reflect the additional trains.
- 1.2 *The operation of this service is dependent on the Franchisee amending and/or entering into such Access Agreements as may be necessary or desirable from time to time in order to obtain the timetable development rights that it requires in order to secure a timetable that enables it to operate the service. The Franchisee shall use all reasonable endeavours to obtain the necessary timetable development rights and to the extent that it is able to obtain them shall exercise those rights with the aim of securing the necessary timetable.*
- 1.3 In addition to 1.1 above the Franchisee shall work with Scottish Ministers to replace the services described in paragraph 1.1 with services between Glasgow and Dundee.

2 Price for exercising the option

Table for Priced Option							
Additional limited stop services between Glasgow and Perth.							
	FXD	VCRPI	FRPI	TRRPI	PRPI	Total	Target Revenue
Year 1b	0	0	0	0	0	0	0
Year 2	0	0	0	0	0	0	0
Year 3	0	0	0	0	0	0	0
Year 4	0	0	0	0	0	0	0
Year 5	0	201,254	0	0	9,922	211,176	0
Year 6	0	902,550	0	138,457	42,460	806,553	138,457
Year 7	0	960,954	0	153,991	45,154	852,118	153,991
Year 8a	0	524,313	0	84,932	22,597	461,979	84,932
Year 8b	0	444,872	0	72,064	19,174	391,982	72,064
Year 9	0	977,523	0	160,059	42,148	859,612	160,059
Year 10	0	985,969	0	163,182	42,530	865,317	163,182
Year 11a	0	994,525	0	166,366	42,916	871,075	166,366
7 Prd Ext (aft 7 yrs)	0	519,017	0	84,074	22,369	457,312	84,074
7 Prd Ext (aft 10 yrs)	0	535,513	0	89,582	23,109	469,041	89,582

3 Timescale for implementing the Priced Option

3.1 The implementation of 1.1 above will be carried out upon 18 months' notice from Scottish Ministers before the Passenger Change Date when services shall commence. The Franchisee shall bring forward options for the implementation of 1.3 above within 12 months of the date hereof.

4 Other effects on the Franchise Agreement

4.1 The Service Level Commitment shall be amended to include these services.

4.2 Target Revenue will be adjusted to reflect the anticipated Revenue.

4.3 The performance benchmarks in Schedule 7.1 and 7.1 A shall be amended to reflect the change in train performance as modelled due to the introduction of these services using the Railsys model.

5 Last date for exercising the Priced Option

5.1 There is no last date for exercising this Priced Option.

Priced Option 12: Far North Re-cast (being late night Tain, fourth Wick service)

1 Description Objectives and Specification

- 1.1 Scottish Ministers require the Franchisee to operate an additional service between Inverness and Wick to balance the services between the two stations.. The train will depart Inverness at approximately 13.57.
- 1.2 Scottish Ministers require the Franchisee to operate an additional service between Inverness and Tain on Friday evenings departing Inverness after 23.00.
- 1.3 The operation of this service is dependent on the Franchisee amending and/or entering into such Access Agreements as may be necessary or desirable from time to time in order to obtain the timetable development rights that it requires in order to secure a timetable that enables it to operate the service. The Franchisee shall use all reasonable endeavours to obtain the necessary timetable development rights and to the extent that it is able to obtain them shall exercise those rights with the aim of securing the necessary timetable.

2 Price for exercising the option

Table for Priced Option							
Far North Re-cast (being late night Tain, fourth Wick service)							
	FXD	VCRPI	FRPI	TRRPI	PRPI	Total	Target Revenue
Year 1b	0	0	0	0	0	0	0
Year 2	0	0	0	0	0	0	0
Year 3	0	0	0	0	0	0	0
Year 4	0	7,569	0	0	373	7,942	0
Year 5	0	49,541	0	4,938	2,442	47,045	4,938
Year 6	0	75,995	0	15,104	3,747	64,637	15,104
Year 7	0	76,981	0	15,399	3,795	65,377	15,399
Year 8a	0	42,186	0	8,493	1,907	35,599	8,493
Year 8b	0	35,794	0	7,206	1,618	30,206	7,206
Year 9	0	78,992	0	16,006	3,570	66,556	16,006
Year 10	0	80,017	0	16,318	3,617	67,315	16,318
Year 11a	0	81,055	0	16,637	3,664	68,082	16,637
7 Prd Ext (aft 7 yrs)	0	41,760	0	8,407	1,888	35,240	8,407
7 Prd Ext (aft 10 yrs)	0	43,645	0	8,958	1,973	36,660	8,958

3 Timescale for implementing the Priced Option

3.1 This Priced Option is to be implemented for the December 2008 Passenger Change Date.

4 Other effects on the Franchise Agreement

4.1 The Service Level Commitment shall be amended to include these services.

5 Last date for exercising the Priced Option

5.1 This Priced Option has been called off.

Priced Option 13: Virtual Branch Line to St Andrews

1 Description Objectives and Specification

- 1.1 Scottish Ministers require the Franchisee to provide a "Virtual Branch Line" between Leuchars and St Andrews. This scheme will consist of the following elements:
- 1.1.1 The service will consist of an offer to use existing and future bus services between St Andrews Bus Station and Leuchars railway station.
 - 1.1.2 Passengers using the link will be offered a range of standard railway tickets, including a 10 journey Flexipass ticket to Edinburgh.
 - 1.1.3 The times of the connecting buses will be included in railway timetabling systems and FSR timetable publications.
 - 1.1.4 The ticket office at St Andrews Bus station will be equipped with a STAR ticket machine and be capable of selling a full range of rail tickets and reservations.
 - 1.1.5 A Customer Information Screen will be fitted at St Andrews bus station showing the current rail departure information for Leuchars.
 - 1.1.6 The Franchisee shall use reasonable endeavours to provide appropriate signage in St Andrews to indicate the availability of access to the rail network.

2 Price for exercising the option

Table for Priced Option							
Virtual Branch Line between Leuchars and St Andrews							
	FXD	VCRPI	FRPI	TRRPI	PRPI	Total	Target Revenue
Year 1b	0	0	0	0	0	0	0
Year 2	0	0	0	0	0	0	0
Year 3	0	0	0	0	0	0	0
Year 4	0	0	0	0	0	0	0
Year 5	0	9,082	0	0	448	9,530	0
Year 6	0	0	0	0	0	0	0
Year 7	0	0	0	0	0	0	0
Year 8a	0	0	0	0	0	0	0
Year 8b	0	0	0	0	0	0	0
Year 9	0	0	0	0	0	0	0
Year 10	0	0	0	0	0	0	0
Year 11a	0	0	0	0	0	0	0
7 Prd Ext (aft 7 yrs)	0	0	0	0	0	0	0
7 Prd Ext (aft 10 yrs)	0	0	0	0	0	0	0

3 Timescale for implementing the Priced Option

3.1 The Franchisee will implement its obligations in paragraph 1 (other than those in paragraphs 1.1.4 and 1.1.5) within 12 months of the date hereof and the obligations in paragraph 1.1.4 and 1.1.5 as soon as reasonably practicable thereafter.

4 Other effects on the Franchise Agreement

4.1 There are no other effects on the Franchise Agreement.

5 Last date for implementing the Priced Option

5.1 This Priced Option has been called off.

Priced Option 14: Continued operation of the Glasgow Central to Glasgow Queen Street RailLink service

1 Description Objectives and Specification

- 1.1 Scottish Ministers require that the RailLink bus continues to operate in accordance with the proposals in the document in the agreed terms marked RLC in 2004.
- 1.2 The Franchisee shall carry out a review of the opportunities to reduce the environmental impact of the services, including the operation of a bus with reduced emissions. The review shall include the proposed revisions to the *cost of operation*.

2 Price for exercising the option

- 2.1 There will be no cost to Scottish Ministers for exercising this Priced Option until the Initial Expiry Date, which shall, instead, represent compensation by the Franchisee for the change in delivery of obligations under the Committed Obligation in paragraph 14.3 (a) of Part 2 of Schedule 1.6 of the Franchise Agreement.

2.2 Price for exercising the option

Table for Priced Option							
Interlink Bus Service in Glasgow							
	FXD	VCRPI	FRPI	TRRPI	PRPI	Total	Target Revenue
Year 1b	0	0	0	0	0	0	0
Year 2	0	0	0	0	0	0	0
Year 3	0	0	0	0	0	0	0
Year 4	0	0	0	0	0	0	0
Year 5	0	0	0	0	0	0	0
Year 6	0	0	0	0	0	0	0
Year 7	0	0	0	0	0	0	0
Year 8a	0	0	0	0	0	0	0
Year 8b	0	75,041	0	0	3,392	78,433	0
Year 9	0	163,482	0	0	7,389	170,872	0
Year 10	0	163,482	0	0	7,389	170,872	0
Year 11a	0	163,482	0	0	7,389	170,872	0
7 Prd Ext (aft 7 yrs)	0	87,548	0	0	3,957	91,505	0
7 Prd Ext (aft 10 yrs)	0	88,029	0	0	3,979	92,008	0

3 Timescale for implementing the Priced Option

3.1 The Franchisee acknowledges notice of the requirement to operate the service

4 Other effects on the Franchise Agreement

4.1 Schedule 1.6 Part 2, paragraph 8.8, Committed Obligations, Rail Link shall be amended as follows

Sub paragraph (d) shall read,

"(d) The Franchisee shall deliver the Glasgow Central to Glasgow Queen Street RailLink service on the revised frequency basis it has proposed and subject to the other revisions in the operation of this service proposed by the Franchisee (or on such other basis as may be agreed by all parties)."

Sub paragraph (e) shall read

"(e) The Franchisee commits to provide the RailLink service referred to in paragraph 8.8 (a) for the trial period unless other operators provide a similar service. At the end of the trial period the Franchisee shall consult with Scottish Ministers and shall continue the service if it is commercially viable or if alternative funding sources can be obtained. In carrying out that consultation programme the Franchisee shall ensure that Scottish Ministers are given a full and accurate summary of the costs of such service and of passenger revenue which has been received and the consequences of those passenger numbers on rail services. The service would be regarded as being commercially viable if and for so long as the incremental revenue generated exceeds the costs and expenses of its operation plus a profit margin so that it is able to be continued by agreement between the Franchisee and the relevant bus operator without any requirement for ongoing financial support or investment by the Franchisee."

4.2 In Paragraph 14.3 (a) of Schedule 1.6 of the Franchise Agreement the time for installing the automatic ticket gates is extended to 36 months.

5 Last date for exercising the Priced Option

5.1 The service is already operating and will continue for the duration of the Franchise Term

Priced Option 15: Improving links between Rail services and Edinburgh Royal Infirmary

1 Description Objectives and Specification

- 1.1 Scottish Ministers require the Franchisee to introduce through ticketing between bus services and trains at Wallyford Station and make a proposal to introduce a bus service between Newcraighall Station and Edinburgh Royal Infirmary.
- 1.2 The Franchisee shall introduce a scheme for through ticketing between Wallyford Station and Edinburgh Royal Infirmary.
- 1.3 The Franchisee shall produce a detailed report, including costs and timescales, for introducing a dedicated bus link between Newcraighall Station and Edinburgh Royal Infirmary.

2 Price for exercising the option.

- 2.1 There will be no cost to exercising this option.

3 Timescale for implementing the Priced Option

- 3.1 These works will be carried out upon reasonable notice from Scottish Ministers.

4 Other effects on the Franchise Agreement

- 4.1 There are no other effects on the Franchise Agreement.

5 Last date for exercising the Priced Option

- 5.1 There is no last date for exercising this Priced Option.

Priced Option 16: Staffing of Edinburgh Park Station to improve interchange with the tram service

1 Description Objectives and Specification

- 1.1 Scottish Ministers require the Franchisee to utilise the services installed at Edinburgh Park Station when it was built which were installed to facilitate the addition of a ticket office and construct a ticket office based on the original station designs or such other arrangement as shall be agreed.
- 1.2 The Franchisee shall staff the ticket office from 06.00 to 19.00 Monday to Friday.

2 Price for exercising the option

Table for Priced Option							
Staffing of Edinburgh Park Station to improve the interchange with the Tram							
	FXD	VCRPI	FRPI	TRRPI	PRPI	Total	Target Revenue
Year 1b	0	0	0	0	0	0	0
Year 2	0	0	0	0	0	0	0
Year 3	0	0	0	0	0	0	0
Year 4	0	0	0	0	0	0	0
Year 5	0	0	0	0	0	0	0
Year 6	0	136,235	0	0	6,716	142,952	0
Year 7	0	70,804	0	0	3,491	74,294	0
Year 8a	0	38,801	0	0	1,754	40,554	0
Year 8b	0	32,922	0	0	1,488	34,410	0
Year 9	0	72,653	0	0	3,284	75,937	0
Year 10	0	73,596	0	0	3,327	76,922	0
Year 11a	0	74,551	0	0	3,370	77,920	0
7 Prd Ext (aft 7 yrs)	0	38,409	0	0	1,736	40,145	0
7 Prd Ext (aft 10 yrs)	0	40,143	0	0	1,814	41,957	0

3 Timescale for implementing the Priced Option

3.1 The ticket office will be opened upon reasonable notice from Scottish Ministers. The tram line is anticipated to open in 2010 and the Franchisee shall be required to ensure that the office is open before tram services commence.

4 Other effects on the Franchise Agreement

4.1 There are no other effects on the Franchise Agreement.

5 Last date for exercising the Priced Option

5.1 There is no last date for exercising this Priced Option.

Priced Option 17: Projects to Enhance Public Transport to the Commonwealth Games

1 Description Objectives and Specification

- 1.1 Scottish Ministers require the Franchisee to carry out projects which will assist in delivering the commitments in the successful bid for the Commonwealth Games.
- 1.2 The Franchisee shall propose appropriate projects in furtherance of the Commonwealth Games Bid commitments to be carried out by the Franchisee to the value shown below. Such projects as are agreed with Scottish Ministers shall be delivered by the Franchisee.

2 Price for exercising the option.

Table for Priced Option							
Commonwealth games							
	FXD	VCRPI	FRPI	TRRPI	PRPI	Total	Target Revenue
Year 1b	0	0	0	0	0	0	0
Year 2	0	0	0	0	0	0	0
Year 3	0	0	0	0	0	0	0
Year 4	0	0	0	0	0	0	0
Year 5	0	0	0	0	0	0	0
Year 6	0	0	0	0	0	0	0
Year 7	0	0	0	0	0	0	0
Year 8a	0	0	0	0	0	0	0
Year 8b	0	0	0	0	0	0	0
Year 9	0	0	0	0	0	0	0
Year 10	0	908,234	0	0	41,052	949,286	0
Year 11a	0	0	0	0	0	0	0
7 Prd Ext (aft 7 yrs)	0	0	0	0	0	0	0
7 Prd Ext (aft 10 yrs)	0	0	0	0	0	0	0

3 Timescale for implementing the Priced Option

- 3.1 The Franchisee shall ensure that projects are delivered as required to meet the needs of the Commonwealth Games.

4 Other effects on the Franchise Agreement

- 4.1 There are no other effects on the Franchise Agreement.

5 Last date for exercising the Priced Option

- 5.1 This Priced Option may be called off by Scottish Ministers on or before 31st March 2013.

Priced Option 18: Environmental Improvement Works

1 Description Objectives and Specification

1.1 Scottish Ministers require that the Franchisee shall:

- (a) establish and manage the Environmental Improvement Works Budget to fund the carrying out of Environmental Improvement Works. For the purposes of this Priced Option, Environmental Improvement Works means small scale physical alterations or additions to reduce the use of natural resources by or, reduce carbon emissions from or reduce waste or reduce other harmful emissions from Stations, Depots, or Rolling Stock, but shall not include any works which Network Rail or the Rolling Stock owner, the Franchisee or any other person has a separate obligation to carry out, except where the inclusion of such works would lead to the acceleration of the timescale for their completion and Scottish Ministers give their written consent.

Examples of the types of works envisaged by this initiative include, those outlined in *The Case for Rail (2007)* and as anticipated in the Rail Safety and Standards Board's forthcoming Sustainability Proposals such as:

- (i) Shore lining (e.g. the current operation at Haymarket);
- (ii) Waste recycling;
- (iii) Time switch lighting;
- (iv) "eco"-driving training;
- (v) LED light installation;
- (vi) non-traction energy improvements;

Where initiatives will result in net savings to the Franchisee, these savings shall be quantified at the time of preparation of the relevant annual works programme, as will proposals for the realisation of these savings as spend on services, including further environmental improvements works in subsequent years;

- (b) before the start of each Franchisee Year:
- (i) develop an Environmental Improvement Works Programme in consultation with Scottish Ministers and considering any outputs of the Rail Sustainable Development Group including their Sustainability Policy, looking in particular to identify opportunities for partnership funding and creative financial solutions (such as loans to secure future savings);
 - (ii) liaise with Network Rail, the Rolling Stock owners and other Train Operators as necessary with regard to the determination and implementation of each Environmental Improvement Works Programme; and
 - (iii) following the consultation and liaison above obtain Scottish Ministers' prior approval (such approval not to be unreasonably withheld) of each Environmental Improvement Works Programme;
- (c) carry out or procure the carrying out of the Environmental Improvement Works Programme in each Franchisee Year and in doing so, spend at least the amount of the Environmental Improvement Works Budget for the relevant Franchisee Year in such Franchisee Year (unless otherwise agreed by Scottish Ministers);
- (d) report progress to Scottish Ministers in determining and carrying out the Environmental Improvement Works' Programme no less than once every 3 Reporting Periods; and

- (e) co-operate, as Scottish Ministers may reasonably require, with Network Rail or any other person seeking to carry out or procure Environmental Improvement Works at the Stations or any other stations or on any Depot or any depot or any Rolling Stock.
- 1.2 The Environmental Improvement Works Budget shall be £250,000 or such other amount as the parties shall agree.
- 2 **Price for exercising the option**
- 2.1 The cost for exercising the option shall be the Environmental Improvement Budget as detailed below. Projects shall be valued at cost plus 3% to cover the Franchisee's project management and administration costs, which costs the Franchisee should look to meet from savings generated by the Programmes proposed. The Franchisee shall, from the date of this Amendment Agreement, forgo payment of the 3% project management and administration cost. The savings made in later years from each project shall be added to the Environmental Improvement Budget in the relevant year.

2.2

Table for Priced Option							
Environmental Improvement Budget							
	FXD	VCRPI	FRPI	TRRPI	PRPI	Total	Target Revenue
Year 1b	0	0	0	0	0	0	0
Year 2	0	0	0	0	0	0	0
Year 3	0	0	0	0	0	0	0
Year 4	0	0	0	0	0	0	0
Year 5	0	227,059	0	0	11,194	238,253	0
Year 6	0	227,059	0	0	11,194	238,253	0
Year 7	0	227,059	0	0	11,194	238,253	0
Year 8a	0	122,835	0	0	5,552	128,387	0
Year 8b	0	104,224	0	0	4,711	108,934	0
Year 9	0	227,059	0	0	10,263	237,322	0
Year 10	0	227,059	0	0	10,263	237,322	0
Year 11a	0	227,059	0	0	10,263	237,322	0
7 Prd Ext (aft 7 yrs)	0	121,594	0	0	5,496	127,090	0
7 Prd Ext (aft 10 yrs)	0	122,262	0	0	5,526	127,789	0

** PRPI will be zero provided the franchise extension is not removed.

3 Timescale for implementing the Priced Option

- 3.1 Scottish Ministers shall notify the Franchisee on or before 30th November in the Franchisee Year before the Franchisee Year in which the works are to be carried out. Where the option shall be called between April and October of 2008, the Franchisee shall develop, in addition, a programme for implementation in the part year October 2008 to April 2009.

4 Other effects on the Franchise Agreement

- 4.1 There are no other effects on the Franchise Agreement.

5 Last date for exercising the Priced Option

- 5.1 There is no last date for exercising this Priced Option.

Priced Option 19: Delivering better efficiency, performance and sustainability

1 Description Objectives and Specification

- 1.1 Scottish Ministers require the Franchisee to use their current expertise and knowledge to examine each line of route of the Franchise Services and either provide evidence, based on sustainability and a basic financial appraisal, that the service currently provided by the Franchisee is an appropriate way of meeting passenger's needs or provide outline proposals to make the service better meet customer needs in a way which is efficient and critically sustainable, affordable and cost effective for Scottish Ministers. For the avoidance of doubt such proposals shall include proposed changes to the Service Level Commitment.

Sustainability in this case means the same as in the *The Case for Rail (RSSB, 2007)*, which recognises that the delivery of sustainability has multiple dimensions, illustrated under the three 'pillars' of development (environmental; economic; and social) with the relationship between these pillars considered at a primary level.

- 1.2 Examples of contributing to sustainability in this context would be:

- 1.2.1 The Franchisee shall consider appropriate technical improvements and best practice and will identify existing research and technologies in energy efficiency and waste minimisation techniques, producing a programme of initiatives for implementation which are likely to reduce emissions from rolling stock, stations and other infrastructure e.g:

- (a) Switching off electric trains overnight, reducing idling of diesel trains (i.e. as terminis) and lighter train batteries.
- (b) Reduced power consumption for heating and cooling, more efficient and better managed lighting.
- (c) Running shorter trains when extra capacity is not required and improved driver training and more energy efficient train management.
- (d) The setting and delivery of targets such as around reductions in fuel consumption per passenger kilometre over the Franchise Term.

- 1.2.2 Proposals for strategic timetable reviews which are likely to meet the objectives set out in paragraph 1.1 of this Priced Option, including timetable re-casts to enable the Franchisee and its successors to better meet Scottish Ministers' policy objectives for rail.

- 1.2.3 A review of the rolling stock deployment and cascade strategy centred on the theme of sustainability, with worked examples of deployment plans which would deliver efficiencies.

- 1.2.4 Delivery of a study considering each of the above by April 2009, with interim considerations looking to identify any elements of the study which might be pulled forward for inclusion in the February 2009 timetabling round, including any examples of rolling stock deployment efficiencies then identified and, otherwise, for inclusion in the February 2010 timetabling round and with the majority of the study looking to improvements to be implemented from the December 2011 Passenger Change Date onward.

- 1.2.5 Establishing a way of working, in preparing the study above, which takes into account Sustainable Development Policy targets and performance indicators in the forthcoming Rail Safety and Standards Board review (2008) and also the key objectives of "Scotland's Railways", including attendance and input to Scottish Ministers project board for long term deployment planning.

- 1.2.6 Working with Scottish Ministers to identify opportunities for use of currently-vacant property at Stations for community-based, social enterprise or other third party sector purposes, including the exploration of options for matched funding, for reasonable discounted rail travel to-site by volunteers and options for tenancy or licence payments, which are benefit-in-kind.

- 1.3 **Upon notice from Scottish Ministers the Franchisee shall, using appropriate consultancy services as necessary, establish the viability of any option proposed and establish firm costs, revenues, performance impacts and savings for implementing any given proposal or proposals, based on the principles of the Financial Model.**

2 Price for exercising the option

Table for Priced Option							
Delivering report on better environmental performance and value.							
	FXD	VCRPI	FRPI	TRRPI	PRPI	Total	Target Revenue
Year 1b	0	0	0	0	0	0	0
Year 2	0	0	0	0	0	0	0
Year 3	0	0	0	0	0	0	0
Year 4	0	0	0	0	0	0	0
Year 5	0	99,906	0	0	4,925	104,831	0
Year 6	0	99,906	0	0	4,925	104,831	0
Year 7	0	0	0	0	0	0	0
Year 8a	0	0	0	0	0	0	0
Year 8b	0	0	0	0	0	0	0
Year 9	0	0	0	0	0	0	0
Year 10	0	0	0	0	0	0	0
Year 11a	0	0	0	0	0	0	0
7 Prd Ext (aft 7 yrs)	0	0	0	0	0	0	0
7 Prd Ext (aft 10 yrs)	0	0	0	0	0	0	0

3 Timescale for implementing the Priced Option

3.1 The project will take 2 years to complete. It is anticipated that the project will be phased to permit timetable changes to occur at the December 2009 and 2010 Passenger Change Dates.

4 Other effects on the Franchise Agreement

4.1 Any proposed service changes will be carried out as a Change to the Service Level Commitment.

5 Last date for exercising the Priced Option

5.1 The last date for calling this Priced Option off shall be 30 April 2008.

Priced Option 20: Pilot Schemes to incentivise modal shift of commuters

1 Description Objectives and Specification

- 1.1 Scottish Ministers recognise that the capacity of the Rail System to provide an alternative to the car is limited at peak periods by the current high levels of demand, they wish to encourage more use of off peak capacity by carefully targeted offers.
- 1.2 Scottish Ministers require that the Franchisee shall use its expertise to design and implement fare initiatives, and, in the case of SPT Fares and products, ready for implementation, all on a trial basis, designed to encourage the use of the train by current car users, including leisure travel, and further encourage the use of the capacity on trains at the beginning and end of peak periods by commuters.
- 1.3 The overall objective will be to encourage more people to travel using sustainable transport for example by reducing fares at "shoulder peak" or targeted off peak periods. By initiatives such as reducing fares and encouraging travel at these times, it is hoped to encourage more people to use the train, particularly car users.
- 1.4 In finalising the sorts of interventions referred to above, the Franchisee shall explore with Scottish Ministers and evaluate the benefits, costs and options for implementation of initiatives including:
 - (a) The creation within the Franchisee of a full time post of external travel plan manager: an individual focussed on encouraging modal shift to rail with a dedicated annual budget for promotion of the same.
 - (b) Shoulder Peak pricing.
 - (c) Direct Debit purchase options for Season Tickets.
 - (d) Car parking and car park substitution - effective fares discounting for non-parkers.
 - (e) Cash-Back on selected UK national Rail Card purchase e.g. for disabled persons.
 - (f) Lower Young Persons' Rail Card minimum purchases for off peak travel and on rural routes.
 - (g) Pre-purchase options for fares at unstaffed locations lacking ticketing facilities such as methods involving the distribution of tickets by mobile phone.
- 1.5 Further, the Franchisee and Scottish Ministers will work together to attempt to identify and agree:
 - (a) The correct method of evaluating the impact on revenues, demand, performance and costs of individual interventions in fares policy.
 - (b) The strengths, weaknesses opportunities and issues around the aims, objectives and drivers of each of the Franchisee and Scottish Ministers in respect of fares levels and conditions.
 - (c) On the basis of the outputs of pilot schemes and initiatives such as those outlined in paragraph 1.4 of this initiative, the Franchisee shall input into the study of the impact of implementing any such fares policy and subsequent changes to costs, performance, revenue and thus subsidy.
 - (d) The Franchisee shall also assist Scottish Ministers in consideration of the information which will assist in consideration of any extension of concessionary travel schemes.

2 Price for exercising the option

- 2.1 The object of such schemes is to be cost neutral.

3 Timescale for implementing the Priced Option

- 3.1 The Franchisee shall outline a programme plan with information on the number and type of initiatives envisaged, the geographic, service type and market spread within six months of the date hereof. In addition, the Franchisee shall give Scottish Ministers reasonable notice of any scheme it intends to implement. The last date for implementing the outputs of this Priced Option shall be in accordance with the plans proposed by the Franchisee.

4 Other effects on the Franchise Agreement

- 4.1 The implementation of any trial which meets the requirements of this Priced Option but which would be a breach of Schedule 5 of the Franchise Agreement will require the permission of Scottish Ministers, which will not be unreasonably withheld, but noting that one of the grounds for withholding such permission shall be that the same would be at odds with Scottish Ministers' policy from time to time on fares regulation.

5 Last date for exercising the Priced Option

- 5.1 This Priced Option has been called off.

Priced Option 21: Additional Ticket Facilities at Haymarket Station

1 Description Objectives and Specification

- 1.1** Scottish Ministers require the Franchisee to improve access to tickets at Edinburgh Haymarket Station prior to the planned improvements to the station.
- 1.2** The Franchisee shall (subject to any planning constraints) install an additional ticket office counter at Haymarket Station which shall be fully accessible for the sale of advance purchase tickets.

2 Price for exercising the option

Table for Priced Option							
Additional ticketing facilities at Haymarket Station							
	FXD	VCRPI	FRPI	TRRPI	PRPI	Total	Target Revenue
Year 1b	0	0	0	0	0	0	0
Year 2	0	0	0	0	0	0	0
Year 3	0	0	0	0	0	0	0
Year 4	0	0	0	0	0	0	0
Year 5	0	45,412	0	0	2,239	47,651	0
Year 6	0	0	0	0	0	0	0
Year 7	0	0	0	0	0	0	0
Year 8a	0	0	0	0	0	0	0
Year 8b	0	0	0	0	0	0	0
Year 9	0	0	0	0	0	0	0
Year 10	0	0	0	0	0	0	0
Year 11a	0	0	0	0	0	0	0
7 Prd Ext (aft 7 yrs)	0	0	0	0	0	0	0
7 Prd Ext (aft 10 yrs)	0	0	0	0	0	0	0

3 Timescale for implementing the Priced Option

3.1 These works will be carried out upon reasonable notice from Scottish Ministers.

4 Other effects on the Franchise Agreement

4.1 There are no other effects on the Franchise Agreement.

5 Last date for exercising the Priced Option

5.1 The last date for exercising this Priced Option is 31 March 2009.

Priced Option 22: Edinburgh Glasgow Smart Card Project

1 Description Objectives and Specification

- 1.1 Scottish Ministers wish to implement an ITSO compliant Smartcard which can be used for rail travel as a precursor to a Scotland wide scheme. Smartcard shall include Smartcards and mobile phone technology designed to perform the same function.
- 1.2 The Franchisee has agreed to make a financial contribution to that Smartcard scheme as provided for in paragraph 3.2.7 of Appendix 1 to this Amendment Agreement and shall do so in accordance with the terms of that paragraph.
- 1.3 The Franchisee has already run a procurement exercise in relation to an ITSO compliant Smartcard ("the Procurement Exercise").
- 1.4 Provided that Scottish Ministers are satisfied that the Procurement Exercise has complied with all relevant legal requirements, Scottish Ministers may call off this Priced Option at the prices set out in paragraph 2. If the prices that have resulted from the Procurement Exercise are less than the prices used by the Franchisee in determining its prices in paragraph 2 then the prices in paragraph 2 shall be reduced to reflect the lower prices produced by the Procurement Exercise. As part of the costs reflected in paragraph 2 the Franchisee will introduce the equipment necessary to implement the Smartcard Scheme as a minimum on all stations and trains between Edinburgh and Glasgow Queen Street via Falkirk High not including services which serve other destinations.
- 1.5 If Scottish Ministers are not satisfied that the Procurement Exercise satisfies the requirements of paragraph 1.4 above Scottish Ministers may run their own Procurement Exercise in respect of the ITSO compliant Smartcard and they shall invite the Franchisee to tender.
- 1.6 The Franchisee shall co-operate, as reasonably required by Scottish Ministers or the successful tenderer (if not the Franchisee), in order to achieve the implementation of the Smartcard scheme.

2 Price for exercising the option

Table for Priced Option							
Smartcard Trial on E&G							
	FXD	VCRPI	FRPI	TRRPI	PRPI	Total	Target Revenue
Year 1b							
Year 2							
Year 3							
Year 4							
Year 5							
Year 6							
Year 7							
Year 8a							
Year 8b							
Year 9							
Year 10							
Year 11a							
7 Prd Ext (aft 7 yrs)							
7 Prd Ext (aft 10 yrs)							

3 Timescale for implementing the Priced Option

3.1 The back office system and the front of house system on the Edinburgh Glasgow route shall be installed by 31st March 2011.

4 Other effects on the Franchise Agreement

4.1 Paragraph 8.2 of Part 2 of Schedule 1.6 shall be deleted.

5 Last date for exercising the Priced Option

5.1 The last date for calling this Priced Option is 31st October 2008.

Priced Option 23: Introduction of "Scottish Rail" brand on stations and rolling stock

1 Description Objectives and Specification

- 1.1 Pursuant to paragraphs 2.4 and 2.5 of Schedule 14.2 (as amended)), Scottish Ministers require the Franchisee to apply the Scottish Rail branding, which has been developed by Scottish Ministers all in terms of the Brand Guidelines dated April 2008 issued to the Franchisee by Scottish Ministers (the "Brand Guidelines").
- 1.2 Scottish Minister may change the Brand Guidelines from time to time. Where Scottish Ministers intend any change to the guidelines, they shall not make the same without giving the Franchisee a reasonable opportunity to comment on the proposed changes and shall take due cognisance of the views of the Franchisee. The Franchisee's interests, in marketing the services, and promoting its role as employer and service provider shall be reflected in such guidelines in line with the Brand Guidelines.
- 1.3 The Franchisee shall use all reasonable endeavours to replace the existing branding with the new branding and in particular will:
- 1.3.1 In respect of rolling stock exterior liveries:
- (i) where rolling stock is repainted during its normal maintenance cycle the rolling stock will be re-liveried (plan 1 shows the anticipated dates for such work); and, in addition
 - (ii) where individual rail vehicles require to be painted due to unscheduled repair work or will otherwise be out of service for any reason, for a sufficient period of time to allow painting or decaling, the Franchisee shall inform Scottish Ministers with sufficient notice to allow re-branding to occur on the full set as a variation to the plan.
- 1.3.2 In respect of Station painting and signage:
- (i) all in accordance with programme plan 2 annexed hereto; and in addition
 - (ii) the Franchisee shall arrange that when any Station is fully or substantially repainted or re-signed for any reason it will be repainted and signed in the new Scottish Rail brand.
- 1.3.3 In respect of other printed, audio or visual communications:
- (i) when the same shall next be due for re-stocking, re-freshing, replacement, re-printing, re-recording or similar; and in addition
 - (ii) where opportunities shall arise to make the transition from existing materials to communications at minimum cost and impact to the provision of the Services.
- 1.3.4 In each circumstance, the relevant cost of such works will be the marginal additional cost of changing the branding.
- 1.3.5 For the avoidance of doubt the Franchisee shall not be required to replace any item of capital equipment.
- 1.4 In addition, as detailed below, the Franchisee shall, when requested by Scottish Ministers, use all reasonable endeavours to implement plans of works, to accelerate the implementation of Scottish Ministers' new Scottish Rail brand all in line with the Brand Guidelines.
- 1.4.1 In respect of rolling stock:

- (i) to enable earlier re-branding in support of the launch of the Airdrie-Bathgate Services;
- (ii) to enable earlier re-branding of the non-SPT fleet; and.
- (iii) to enable temporary changes of decals on the SPT fleet.

1.4.2 In respect of Stations:

- (i) to enable earlier re-painting of Stations;
- (ii) to enable earlier stripping back of galvanised structures in terms of programme plan 3 annexed hereto; and
- (iii) to enable earlier re-signing at Stations.

- 1.5** In addition to the provisions in paragraphs 1.3 and 1.4 above, at all opportunities to apply the Brand Guidelines at no additional cost to the Franchisee the Franchisee shall do so but only to the extent that the brand is designed to present and market the Franchise Services to customers and potential customers. For the avoidance of doubt for offices and operational accommodation and internal communication and communication with external bodies, other than customer communications, the Franchisee shall use its own branding and where it wishes that of its owning group: where it is agreed with Scottish Ministers that dual branding is appropriate for such situations it shall be applied in a manner agreed with Scottish Ministers.
- 1.6** Notwithstanding the provisions of the preceding paragraphs, the employees of the Franchisee shall continue to wear the uniform of the Franchisee. The Franchisee shall, if requested, arrange to procure and issue new uniforms to the employees, in accordance with the Brand Guidelines at the end of the Franchise Term. The cost of supply and delivery to employees of the uniform, in this circumstance, to the extent that these are not allowed for in the Financial Model, will be to the account of Scottish Ministers.
- 1.7** Scottish Ministers require that all advertising and marketing activity will comply with the agreed Brand Guidelines and the Franchisee is hereby licensed, in accordance with paragraphs 2.4 to 2.11 of Schedule 14.2, to use the Brand for this purpose. Providing that the Brand Guidelines are complied with the Franchisee shall be free to market the Franchise Services as it sees fit, always behaving reasonably.
- 1.8** In order for the Franchisee to implement this Priced Option, Scottish Ministers shall grant the Franchisee a licence to use the Scottish Rail brand in the form set out in paragraphs 2.4 to 2.11 of Schedule 14.2 (the "Licence"). Scottish Ministers shall provide from time to time the required designs and such approvals as are reasonably required by the Franchisee to implement this priced option in accordance with the terms of the Licence. The Franchisee shall, in applying these designs and utilising these approvals, use their expertise as operators to maximise the impact and effectiveness of the brand exercise, including by co-operating in a launch or other supportive event or events in respect of Scottish Ministers' new brand.

2 Price for exercising the option

- 2.1** In all cases, the cost to the Scottish Ministers of implementing this Priced Option shall be to re-imburse the Franchisee for its marginal additional costs of changing the branding. If, and to the extent that, the marginal additional costs of changing this branding are such that Scottish Ministers have re-imbursed more than £5m any additional costs re-imbursed over that £5m will include a payment to the Franchisee of a profit element at the same rate as that used in the Financial Model.

3 Timescale for implementing the Priced Option

- 3.1** These works will be carried out in accordance with the plan proposed in accordance with paragraph 1.3 and the other plans agreed.

4 Other effects on the Franchise Agreement

- 4.1 In relation to the modifications to the Franchise Agreement set out below for the avoidance of doubt paragraphs 2.2 to 2.3 relate to the Franchisee's own branding, and branding licenced to it at the date hereof, rather than the Scottish Ministers' branding mentioned in subsequent paragraphs. Paragraph 2 of Schedule 14.2 shall be modified as follows:

"2. BRAND LICENCES AND BRANDING

Brand Licences

- 2.1 The Franchisee shall comply with its obligations under each of the Brand Licences.

Branding

- 2.2 (a) Subject to paragraphs 2.2(c) and (g), the Franchisee may:
- (i) in respect of unregistered Marks, provide or procure the provision of an irrevocable undertaking to any relevant Successor Operator to the effect that neither it nor the owner of the Marks will enforce such rights as it may have or may in the future have in respect of such Marks against such Successor Operator and its successors; and
 - (i) in respect of registered Marks, grant or procure the grant of an irrevocable licence to use such Marks to such Successor Operator and its successors.
- (b) Any such licence or undertaking under paragraph 2.2(a) shall be in such form as Scottish Ministers shall reasonably require except that the terms of any such licence and, to the extent appropriate, any such undertaking shall accord with the provisions of paragraphs 5.1 (a)(i) to 5.1 (a)(iv) of Schedule 15.4 (Provisions Applying on and after Termination)
- (c) Subject to paragraph 2.2(g), to the extent that:
- (i) the Franchisee does not provide a relevant undertaking or licence in accordance with paragraph 2.2(a);
 - (ii) Scottish Ministers consider the relevant Marks to be so distinctive or otherwise such that a Successor Operator could not reasonably be asked to use the relevant assets to which the Marks are applied; or
 - (iii) the Franchisee has not otherwise removed or covered such Marks in such a way as may be reasonably acceptable to Scottish Ministers prior to the expiry of the Franchise Period,
- then the Franchisee shall pay to the relevant Successor Operator such amount as may be agreed between the Franchisee and such Successor Operator, as being the reasonable cost (including any Value Added Tax for which credit is not available under Sections 25 and 26 of the Value Added Tax Act 1994) of covering such Marks or otherwise removing all indications of or reference to the Marks in a manner reasonably acceptable to Scottish Ministers. Such amount shall not in any event exceed the cost to the Successor Operator of replacing such Marks with its own. If the Franchisee and the relevant Successor Operator fail to agree such cost within 28 days of the expiry of the Franchise Period, the Franchisee shall submit such dispute for resolution in accordance with such dispute resolution procedures as Scottish Ministers may require.
- (d) The amount to be paid to a Successor Operator under paragraph 2.2(c) may include the reasonable cost of:
- (i) removing or covering Marks from the exterior of any rolling stock vehicle;
 - (ii) removing or covering interior indications of the Marks including upholstery and carpets;

- (iii) replacing or covering all station or other signs including bill boards; and
 - (iv) otherwise ensuring that such removal, covering or replacement is effected with all reasonable care and in such manner that the relevant assets may reasonably continue to be used by a Successor Operator in the provision of the Franchise Services.
- (e) The Franchisee shall, in addition to making a payment under paragraph 2.2(c), grant or procure the grant of a licence or undertaking complying with paragraphs 2.2(a) and (b) except that such licence shall only be for such period as may be agreed between the Franchisee and the Successor Operator as being reasonably required by the Successor Operator to remove the Marks from all relevant assets without causing excessive disruption to the operation of services similar to the Franchise Services provided by such Successor Operator. If such period cannot be agreed, the Franchisee shall submit such dispute for resolution in accordance with such dispute resolution procedures as Scottish Ministers may require.

Scottish Ministers shall determine at or around the end of the Franchise Period and after consultation with the Franchisee the maximum liability of the Franchisee under paragraph 2.2(c) and the maximum length of licence or undertaking under paragraph 2.2(e).

The provisions of paragraphs 2.2(a) to (f) shall not apply to the extent that the relevant asset is not to be used by a Successor Operator in the provision of services similar to the Franchise Services. Scottish Ministers shall notify the Franchisee as soon as it becomes aware of whether or not any such asset is to be so used.

Non-designation of New Brands

- 2.3 Scottish Ministers agree not to designate as a Primary Franchise Asset any registered or unregistered trade mark which is developed by the Franchisee.

Branding of assets

- 2.4 Subject to paragraphs 2.5 to 2.11, the Franchisee shall apply such registered or unregistered trademarks designs, get-ups and livery whether distinctive or not to any assets owned or used by it in the operation and provision of the Services as Scottish Ministers may reasonably direct (including any changes to such trademarks or livery) (the "**Scottish Ministers' Branding**"), provided that Scottish Ministers shall pay the Franchisee the marginal additional costs of complying with any such direction. This paragraph is subject to the terms of any relevant Priced Option.
- 2.5 Subject to paragraphs 2.5 to 2.11, the Franchisee shall use reasonable endeavours to apply Scottish Ministers' Branding to such structures or fixtures at Stations as Scottish Ministers may reasonably direct (including any changes to such trademarks or livery), provided that Scottish Ministers shall pay the Franchisee the marginal additional costs of complying with any such direction.
- 2.6 To the extent necessary to give effect to any direction of Scottish Ministers under paragraph 2.4 (the "**Permitted Purpose**"), Scottish Ministers hereby grant to the Franchisee, a non-exclusive, limited, and royalty free licence to use Scottish Ministers' Branding in accordance with the terms of any relevant brand guidelines issued from time to time by Scottish Ministers to the Franchisee, and any other reasonable specifications, directions or instructions issued by or on behalf of Scottish Ministers from time to time (the "**Scottish Ministers' Brand Guidelines**"). In the event that Scottish Ministers require the Franchisee to cease using Scottish Ministers' Branding, or this Agreement expires or is otherwise terminated, the licence granted to the Franchisee under this paragraph 2.6 shall automatically cease.
- 2.7 The Franchisee undertakes and agrees:
- (a) to use Scottish Ministers' Branding only for the Permitted Purpose;
 - (b) not to apply for, or obtain, registration of any trade or service mark in any country which comprises consists of, or is confusingly similar, to any of Scottish Ministers' Branding;

- (c) if so required by Scottish Ministers, to agree to the registration of the Franchisee as a registered user of any registered trade mark forming part of Scottish Ministers' Branding, any such registration being made at Scottish Ministers expense;
 - (d) not to do anything that is inconsistent with Scottish Ministers ownership of Scottish Ministers' Branding, and that all use of Scottish Ministers' Branding by the Franchisee shall inure to the benefit of Scottish Ministers;
 - (e) that if the Franchisee becomes aware of, or suspects that Scottish Ministers rights in Scottish Ministers' Branding are being infringed by the actions of a third party, the Franchisee shall immediately notify Scottish Ministers of that fact and give Scottish Ministers all reasonable assistance, at Scottish Ministers expense, in any action arising as a result of such infringement; and
 - (f) that nothing in this Agreement shall give the Franchisee any right, title or interest in Scottish Ministers' Branding other than the right to use Scottish Ministers' Branding in accordance with this Agreement.
- 2.8 Subject to paragraph 2.9, Scottish Ministers shall indemnify the Franchisee against all claims, liabilities and expenses arising out of any claim by a third party that the Franchisee's use of Scottish Ministers' Branding infringes the intellectual property rights of that third party.
- 2.9 The indemnity in paragraph 2.8 shall not apply to the extent that such claim arises out of the Franchisee's use of Scottish Ministers' Branding other than in accordance with the terms of this Agreement.
- 2.10 The Franchisee shall immediately tell Scottish Ministers in writing if it becomes aware of any allegation of infringement to which paragraph 2.8 applies, and will not make any admission without first obtaining Scottish Ministers' prior written consent. The Franchisee shall co-operate fully with Scottish Ministers in taking all steps required by Scottish Ministers, in its sole discretion, in connection with any such allegation.
- 2.11 If requested to do so by Scottish Ministers, the Franchisee shall allow Scottish Ministers to conduct and/or settle all negotiations and litigation resulting from any claim to which paragraph 2.8 applies. The Franchisee shall provide Scottish Ministers with all reasonable assistance in relation to any such litigation.
- 2.12 If at the end of the Franchise Term, the Franchisee is required by a third party in terms of a legal obligation to remove any Scottish Ministers' Branding applied at the direction of Scottish Ministers to any assets owned or used by it in the operation and provision of the Services, then Scottish Ministers shall pay the Franchisee's marginal additional costs that arise from having to remove the Scottish Ministers' Branding.

General Advertising and Promotion

- 2.13 Scottish Ministers may at their own cost, advertise and promote the Franchise Services and/or the Passenger Services.

5 Last date for exercising the Priced Option

- 5.1 The last date for exercising this Priced Option is 31st May 2008.

Priced Option 24: Use of additional rolling stock for service strengthening.

1 Description Objectives and Specification.

1.1 Following the introduction of additional Electric Multiple Units pursuant to the Airdrie- Bathgate Major Project, there will be a number of Diesel Multiple Units released which, subject to other project or service enhancement demands, may be available to assist in achieving the objectives set out in 6.5 and 6.6 of Schedule 1.1 of the Franchise Agreement.

1.2 The Franchisee is required to apply the additional rolling stock to this purpose in line with its obligations in Schedule 1.1 and Schedule 1.2 of the Franchise Agreement at a fixed cost.

2 Price for exercising the option.

2.1 The cost for exercising this option shall be £40 000 / vehicle / annum for the marginal running costs of the vehicle less any savings from not running current services not otherwise accounted for (it is assumed that such savings will generally be to the account of the relevant Major Project). The price includes all costs including additional Station and Track Access charges. For the avoidance of doubt this option is for adding additional vehicles to existing services and does not cover the costs of any additional services to those included in the Service Level Commitment or the fixed costs of leasing such vehicles.

3 Timescale for implementing the Priced Option

3.1 The units will be employed upon notice from Scottish Ministers.

4 Other effects on the Franchise Agreement

4.1 The inclusion of additional stock in Schedule 1.1 will have no further cost implications on existing stock retained for strengthening.

5 Last date for exercising the Priced Option

5.1 There is no last date for exercising this Priced Option.

Priced Option 25: Revenue implications of Capital Projects

1 Description Objectives and Specification

- 1.1 A number of third party providers may from time to time be willing to make capital investment funding available to the Franchisee. However, these projects will often lack the provision of ongoing revenue funding.
- 1.2 Scottish Ministers require that the Franchisee shall from time to time when requested by Scottish Ministers provide the elements of revenue support required to permit capital funding by third parties.
- 1.3 Examples of this approach include developer contributions similar to the additional car parking at Patterton Station and the additional access bridge and car parking at Inverkip Station and schemes paid for by local authorities and regional transport partnerships such as CCTV projects.

2 Price for exercising the option

- 2.1 Costs will be ascertained by a Run of the Financial Model.

3 Timescale for implementing the Priced Option

- 3.1 These works will be carried out upon reasonable notice from Scottish Ministers.

4 Other effects on the Franchise Agreement

- 4.1 The calling of this Priced Option from time to time may require appropriate changes to be made to the Franchise Agreement to reflect, for example, changes to the assets utilised in delivery of the Franchise Services.

5 Last date for exercising the Priced Option

- 5.1 There is no last date for exercising this Priced Option.

Priced Option 26: Additional Customer Service Staff at major stations

1 Description Objectives and Specification

- 1.1 Scottish Ministers require the Franchisee to employ a number of staff at major stations dedicated to assisting passengers in finding the service they require, including with a focus upon vulnerable individuals.
- 1.2 The staff shall be distinctively attired and shall be responsible for ensuring a smooth interchange for passengers who have a need to transfer between trains and stations and who are unfamiliar with the stations and services involved. This will include assisting with luggage, the particular needs of vulnerable passengers and giving advice and directions.
- 1.3 The Stations involved are Glasgow Queen Street, Edinburgh Waverley, Edinburgh Haymarket. Aberdeen and Inverness in the summer period only.
- 1.4 The Franchisee shall employ the number of staff indicated in the Table below for the periods stated.
- 1.5 The staff concerned will be distinctively dressed and will be fully trained to assist passengers requiring to find a service or make onward connections and will assist passengers affected by disruption in reaching their final destination.

2 Price for exercising the option

Table for Priced Option							
Additional Customer Assistance Staff							
	FXD	VCRPI	FRPI	TRRPI	PRPI	Total	Target Revenue
Year 1b	0	0	0	0	0	0	0
Year 2	0	0	0	0	0	0	0
Year 3	0	0	0	0	0	0	0
Year 4	0	0	0	0	0	0	0
Year 5	0	211,712	0	0	10,437	222,149	0
Year 6	0	391,639	0	0	19,308	410,947	0
Year 7	0	396,721	0	0	19,558	416,280	0
Year 8a	0	217,404	0	0	9,827	227,231	0
Year 8b	0	184,464	0	0	8,338	192,802	0
Year 9	0	407,083	0	0	18,400	425,484	0
Year 10	0	412,366	0	0	18,639	431,004	0
Year 11a	0	417,716	0	0	18,881	436,597	0
7 Prd Ext (aft 7 yrs)	0	215,208	0	0	9,727	224,936	0
7 Prd Ext (aft 10 yrs)	0	224,924	0	0	10,167	235,091	0

3 Timescale for implementing the Priced Option

3.1 Recruitment and deployment to be carried out upon reasonable notice from Scottish Ministers.

4 Other effects on the Franchise Agreement

4.1 To paragraph 1.2 of SQUIRE Service Schedule 17 shall be added.

(d) At a station where there is agreed to be a member of customer service staff there to assist interchange passengers there is no such person obviously available to assist or assisting members of the public.

5 Last date for exercising the Priced Option

5.1 There is no last date for exercising this Priced Option.

TABLE

Station	Period of cover	Start time	End Time	Days	No of staff
Edinburgh Waverley	All year	07.00	21.00	Mon-Sat	5
Edinburgh Waverley	All year	10.00	18.00	Sun	
Edinburgh Haymarket	All year	09.00	16.00	Mon-Fri	2
Glasgow Queen Street	All year	07.00	21.00	All week	5
Glasgow Queen Street	All year	10.00	18.00	Sun	
Aberdeen	All year	09.00	16.00	Mon-Fri	2
Inverness	May to September	09.00	16.00	Mon-Sat	2
				Total	16

Priced Option 27: Provision of Wireless Technology service to passengers on the Edinburgh Glasgow Service

1 Description Objectives and Specification

1.1 Scottish Ministers require the Franchisee to arrange for the production of a detailed report, including costs and timescales, for the introduction of wireless broadband connectivity:

- offering both end-to-end data coverage and voice coverage;
- via broadband technology;
- with a download capacity of no less than 1MB at least 512kbps per passenger user as standard;
- to passengers on the Edinburgh Glasgow via Falkirk service, free of charge; and
- to include consideration of potential WiFi and WiMax upgrades to wireless technologies, such as WiMax/LTE and their likely upgrades and successors, and the need to future-proof the solution that is delivered; and
- to include consideration of the scope for improvements to voice connectivity, as a potential side benefit of delivering the wireless broadband service.

The service will be available throughout the route and available in all carriages with First and Standard Class facilities.

1.2 In addition to 1.1 above, the Franchisee shall be required to procure the services of a consultant specialist who shall advise on the most appropriate course of action, with specific consideration relating to cost, passenger benefit, timescales associated with implementation and integration with any other rail-related initiatives (e.g Smartcard).

2 Price for exercising the option

2.1 The Franchisee shall bear all costs of the implementation of 1.1 above. Scottish Ministers shall pay 50% of the costs of the implementation of 1.2 above up to a maximum of £50,000.

3 Timescale for implementing the Priced Option

3.1 These works will be carried out upon reasonable notice from Scottish Ministers.

4 Other effects on the Franchise Agreement

4.1 There are no other effects on the Franchise Agreement.

5 Last date for exercising the Priced Option

5.1 There is no last date for exercising this Priced Option.

Priced Option 28: Stations Community Regeneration Fund

1 Description Objectives and Specification

- 1.1 **Scottish Ministers require the Franchisee to establish and manage a fund which shall be available to improve station buildings to allow their use by third parties. The fund shall seek to create sustainable uses for station buildings as either small businesses meeting the needs of passengers or the local community or for the use of community based projects which contribute to the local community.**
- 1.2 **The fund shall be available to carry out structural repairs to buildings and to meet up to 50% of the cost of fitting out the building for the intended use.**
- 1.3 **The Franchisee shall actively seek out projects which meet the criteria and shall propose projects to Scottish Ministers and implement those that are agreed.**

2 Price for exercising the option

The following funding shall be available in the relevant years.

Table for Priced Option							
Community Fund for stations							
	FXD	VCRPI	FRPI	TRRPI	PRPI	Total	Target Revenue
Year 1b	0	0	0	0	0	0	0
Year 2	0	0	0	0	0	0	0
Year 3	0	0	0	0	0	0	0
Year 4	0	0	0	0	0	0	0
Year 5	0	454,117	0	0	22,388	476,505	0
Year 6	0	454,117	0	0	22,388	476,505	0
Year 7	0	0	0	0	0	0	0
Year 8a	0	0	0	0	0	0	0
Year 8b	0	0	0	0	0	0	0
Year 9	0	0	0	0	0	0	0
Year 10	0	0	0	0	0	0	0
Year 11a	0	0	0	0	0	0	0
7 Prd Ext (aft 7 yrs)	0	0	0	0	0	0	0
7 Prd Ext (aft 10 yrs)	0	0	0	0	0	0	0

3 Timescale for implementing the Priced Option

3.1 These works will be carried out upon reasonable notice from Scottish Ministers.

4 Other effects on the Franchise Agreement

4.1 There are no other effects on the Franchise Agreement.

5 Last date for exercising the Priced Option

5.1 There is no last date for exercising this Priced Option.

