



Rail Franchising Competition Guide

**This guide has been superseded by the Rail passenger franchise competition guide:
<https://www.gov.uk/government/publications/rail-passenger-franchise-competition-guide>**

June 2013

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Introduction

- 1** Welcome to the Rail franchising Competition Guide (“the guide”) produced by the Department for Transport. Publication of the guide is consistent with the Department’s aim to ensure that the process for awarding franchise contracts is open, transparent and accessible to all.
- 2** The [franchise competition high level process](#) map was published on the Department’s pages of the Gov.uk website on 24 April 2013, together with a narrative providing an overview of the rail franchise competition process.
- 3** This guide replaces that narrative, describing the competition stages in more detail. It sets out the process that the Department will follow in procuring passenger rail franchises and shows how assurance and approval are built in.
- 4** Although a key purpose of the guide is to be a working document to which the Department’s project teams refer on a daily basis, it has also been made available on the Department’s pages of the Gov.uk website to make the process of letting a rail franchise more transparent to stakeholders and interested parties.

Status of the guide

- 5** The guide is an internal Department for Transport document which is being published on our Department’s pages of the [Gov.uk](#) website under the Coalition Government’s transparency agenda. It is an indicative and dynamic document which is subject to controlled change and must be read in that context.
- 6** Any printed copy or any electronic copy downloaded and saved falls out of control at the time of printing or saving.
- 7** Whilst the guide defines the process that Departmental staff, and where necessary their advisers, will be expected to follow when delivering franchise competitions, the Franchising Director retains the discretion to derogate from or change the process where he deems it to be necessary, or expedient in the context of the franchising programme as a whole. Such discretion will be exercised in compliance with applicable law and will not be used in any manner that undermines the effectiveness of the governance or assurance processes.
- 8** This guide describes a generic franchise competition process. In the event of any apparent conflict between the formal procurement documents issued in relation to any individual competition and this guide, then the competition documents take precedence.

Application of the guide

- 9** This guide is for use only in relation to franchising competitions. Direct contract awards and single tender actions are excluded from its scope.

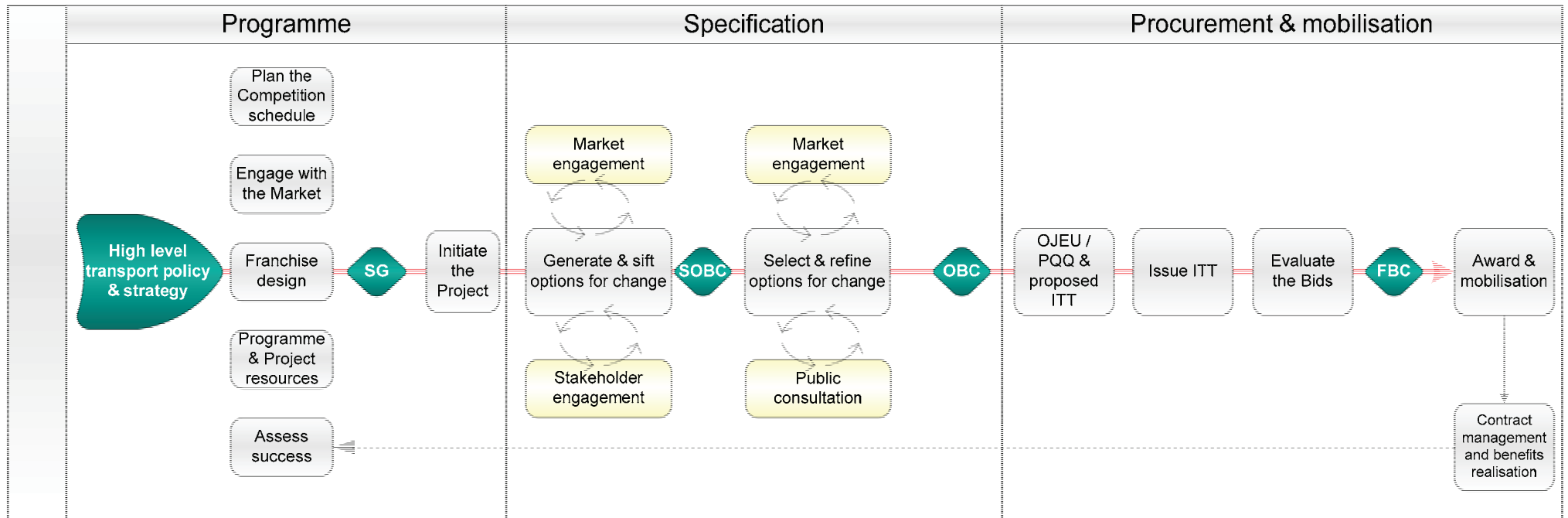
Structure of the guide

- 10** The guide is set out in three sections:
- Programme;
 - Specification; and
 - Procurement & mobilisation
- 11** This structure is shown in Figure 1 and described in the subsequent paragraphs, illustrating the sequence of phases in the lifecycle of a franchise competition. Abbreviations used in Figure 1 are explained in the glossary.

Glossary

- 12** The glossary to be found at the back of the guide lists and explains the terms which have a particular meaning in the context of the guide, together with their acronyms where relevant. Where these terms appear in the body of the guide they start with upper case letters.

Figure 1 - Structure of the guide



Section 1: Franchise Programme

13 This section describes the environment from which individual franchise competitions are initiated. It summarises the role of the Programme Team in initiating, governing and supporting the competitions that are scheduled to take place over the next decade. It also

describes the long term view the Department is taking to engaging with the Market.

Section 2: Specification development

14 This section describes the process of developing a commercially viable Proposition that is affordable, delivers Government policy and desired outcomes from the rail network and represents value for money to the fare-paying

passenger and the taxpayer. It also describes how individual Project Teams will engage with key stakeholders including the public and how the team will engage with the Market at a project-specific level.

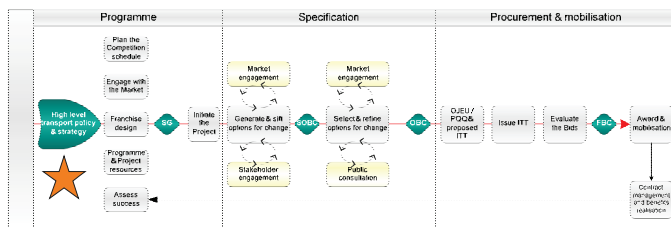
Section 3: Procurement and mobilisation

15 This section describes the Department’s procurement process from Pre-Qualification to award of contract, including the facilities that are made available to Bidders in the Data Site and clarification processes. The competition process ends with the commencement of mobilisation.

Checking where you are in the guide

16 Figure 2 is a thumbnail version of Figure 1. It appears frequently in the guide with an orange star to indicate the stage of the process that is being described in the text, as illustrated.

Figure 2 – Thumbnail and star



Key concepts

17 Key concepts embedded in the franchising process are:

- buying the right thing; and
- buying it in the right way.

18 Key tools for embedding the concepts are:

- the Transport Business Case; and
- the governance regime.

19 The franchise competition process consists of two distinct but interdependent workstreams which can be described simply in terms of:

Buying the “right thing” means deciding what to buy and on what commercial terms to give the best outcome, and demonstrating that the Proposition for the purchase is fully sound. This is covered in the **Specification** section.

Buying it in the “right way” means running a procurement process that provides confidence to all parties. Such a process complies with applicable procurement law, is transparent and predictable to the Market and the public and is operated with full integrity. It introduces the commercial tension required to obtain best price and quality response from the Market. This is covered in the **Procurement** section.

Buying the right thing

20 It has been Government policy since privatisation in 1995 to fulfil its obligations to provide passenger rail services through Market competition for franchises. The key criteria for successful franchising are that it:

- delivers quality outcomes for passengers;
- promotes and supports economic growth;
- is affordable;
- represents value for money;
- delivers the Government's overall strategy for improving the efficiency of the rail industry, developing the network and gaining the benefits of investments in infrastructure and rolling stock; and
- provides viable business opportunities for the Market, in order to attract the best players and maximise competition.

21 Deciding what to buy – the development of the specification for each franchise competition – involves systematic and detailed analysis and optioneering of every aspect of the franchise. In line with other major projects the Department uses the rigour and discipline of the [5-Case Transport Business Case](#) to justify and test the efficacy of the specification.

How the 5-case business case works

22 The five elements of the business case are the:

- strategic case – the Proposition represents a robust case for change that supports Departmental and wider Government objectives;
- management case – the Proposition is achievable;
- commercial case – the Proposition is commercially viable;
- economic case – the Proposition will represent value for money; and
- financial case – the Proposition is financially affordable.

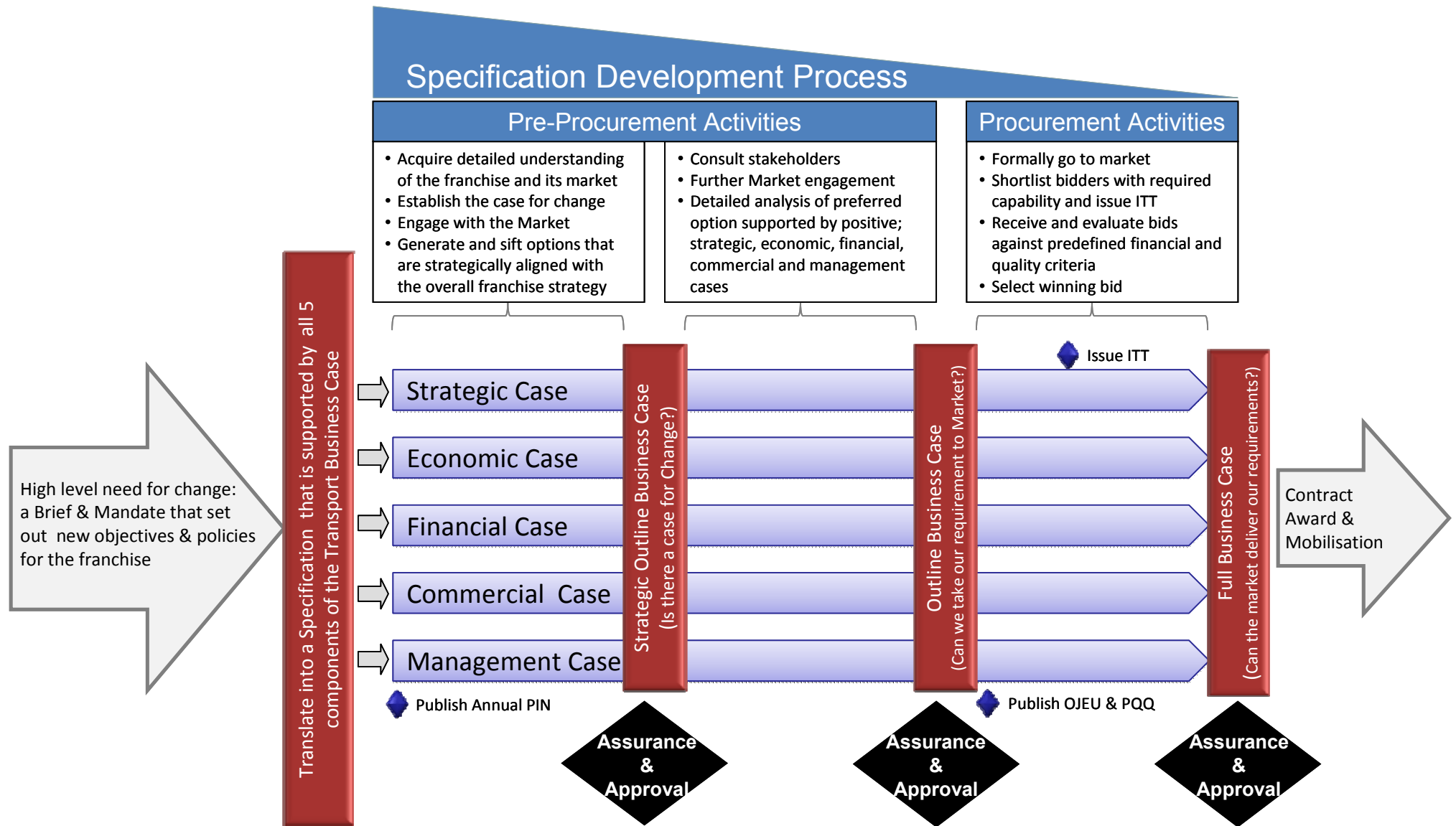
23 Development of the 5-case business case is the mainstay of the franchise competition process, beginning at day 1 and continuing until contract award. It moves through three stages of maturity:

- strategic outline business case (SOBC);
- outline business case (OBC);
- full business case (FBC).

24 Each completed stage is a key assurance point in the competition process. It is on the basis of those assurances that key investment decisions can be made by the relevant governance bodies within the Department and HM Treasury. HM Treasury has to approve any departmental decision that has a spending implication above the Department's delegated limit, or is beyond the current spending review or that is 'novel and contentious' in nature.

25 The business case structure and approach are illustrated in Figure 3.

Figure 3 – Development of the business case



Assurance and approval - what are they?

26 Assurance (the validation and verification of work done and positions reached) is carried out continually during the Project lifecycle. It operates at a number of different levels, from line management up through the Department's internal assurance teams that are independent of the Project, and externally by the [Major Projects Authority](#), the [Franchise Advisory Panel](#) and the Department's technical and professional advisers.

27 Key assurance check points in the process are indicated by the tick symbol:



28 Approval (the informed consent from those with delegated authority to determine whether a Project should continue as proposed) is sought and given at points where a commitment to investment will follow.

29 There are three key levels of formal approval leading to award of a franchise contract:

- First, the Department's Board Investment and Commercial Committee (BICC), which is a sub-committee of the [Department for Transport's Board](#). Its role is to review the key procurement decisions during a franchise competition project, including but not limited to the shortlisting of applicants for Bidder status and contract award decisions; and to consider advice to Ministers on economic, financial and commercial decisions including those on the letting of franchise contracts.
- Second, HM Treasury's approval is required for "OJEU / PQQ pack" publication, ITT publication and contract

award as these are decisions that have spending implications above the Department's delegated limit, or is beyond the current spending review or may be novel and contentious in nature.

- Third and finally, Ministerial approval is required for the franchise objectives, the publication of the consultation document, the OJEU / PQQ pack, the ITT and for contract award.

30 Key approval points in the process are indicated by the traffic light symbol:



Planning for Assurance and Approval

31 The Franchising Director establishes the Programme's assurance and approvals strategy in line with Departmental requirements. There is a templated assurance and approvals plan for each Project which the Project Director customises to the needs of the franchise. The strategy and plans incorporate the requirements for specialist assurance of all analytical models used in the competition process and of the procurement aspects of the process.

32 The strategy seeks to adopt the established principles of good governance, being:

- proportionate – management effort and focus is placed on the right things at the right time;
- accountable – people have clear roles and responsibilities, are recognised and held to account for their contribution;
- consistent – governance and assurance are integral, embedded and part of day-to-day working practice;

- targeted – gets to the ‘heart of the matter’, speeds up the decision making process and instils confidence;
- transparent – it is clear and is understood by those affected by it; and
- agile – with pace, responds to the needs of the business without compromising or weakening the integrity of the systems.

Buying in the right way

- 33** A franchise competition is operated in accordance with applicable procurement law and public law, and in particular so as to be compliant with the principles of equal treatment, non-discrimination, proportionality and transparency. This is the foundation of the Procurement section of the guide.
- 34** The Franchising Director establishes the Programme’s strategic approach to the procurement route to be adopted (the procurement strategy) and the broad nature of the client / contractor relationship that is appropriate for different types of franchise, eg commuter, regional or intercity. This strategy includes the Programme’s approach to the PQQ and its evaluation and to the evaluation of Bids.
- 35** The Franchise competition projects are subject to the Department’s procurement assurance framework. Application of this framework verifies that the procurement elements are fully compliant with procurement law, that they follow Departmental procurement processes, that they are consistent with Cabinet Office best practice and that the approach has been shared with Applicants and Bidders.

Continuous improvement

- 36** The Programme and its Project Teams are committed to achieving continuous improvement of the competition process. Learning is captured and disseminated as it arises, but particularly fruitful learning points are indicated with the “L” symbol.



Additional reading

- 37** The Department publishes a number of documents that have some bearing on rail franchise competitions and may therefore be of help to readers looking for detail not provided in this guide. These are to be found on the [Rail Franchising](#) pages of the Department’s pages of the Gov.uk website.
- 38** The Government’s overall policy for rail was set out in the March 2012 command paper [Reforming Our Railways: Putting the Customer First](#).
- 39** The high level outcomes that the Government seeks from the railway are set out in the statement made by the Secretary of State in accordance with the Railways Act 2005 (the [High Level Output Specification](#)) (HLOS).

Section 1: The Franchising Programme

Overview

40 The vision of the Franchising Programme (the Programme) is to deliver

“world-class train services that drive economic growth and exceed passenger expectations”.

41 The Programme is anchored firmly in the Government’s strategic policy context and the Department’s business plan. These require the Programme to deliver benefits in the short and longer term as part of the wider transport network, to:

- provide well-designed train services to support the UK economy and society at national, regional and local level;
- improve the standard and consistency of rail performance and the door-to-door passenger experience; and
- support the Government’s wider transport objectives, including better environmental performance, access to services and social networks;

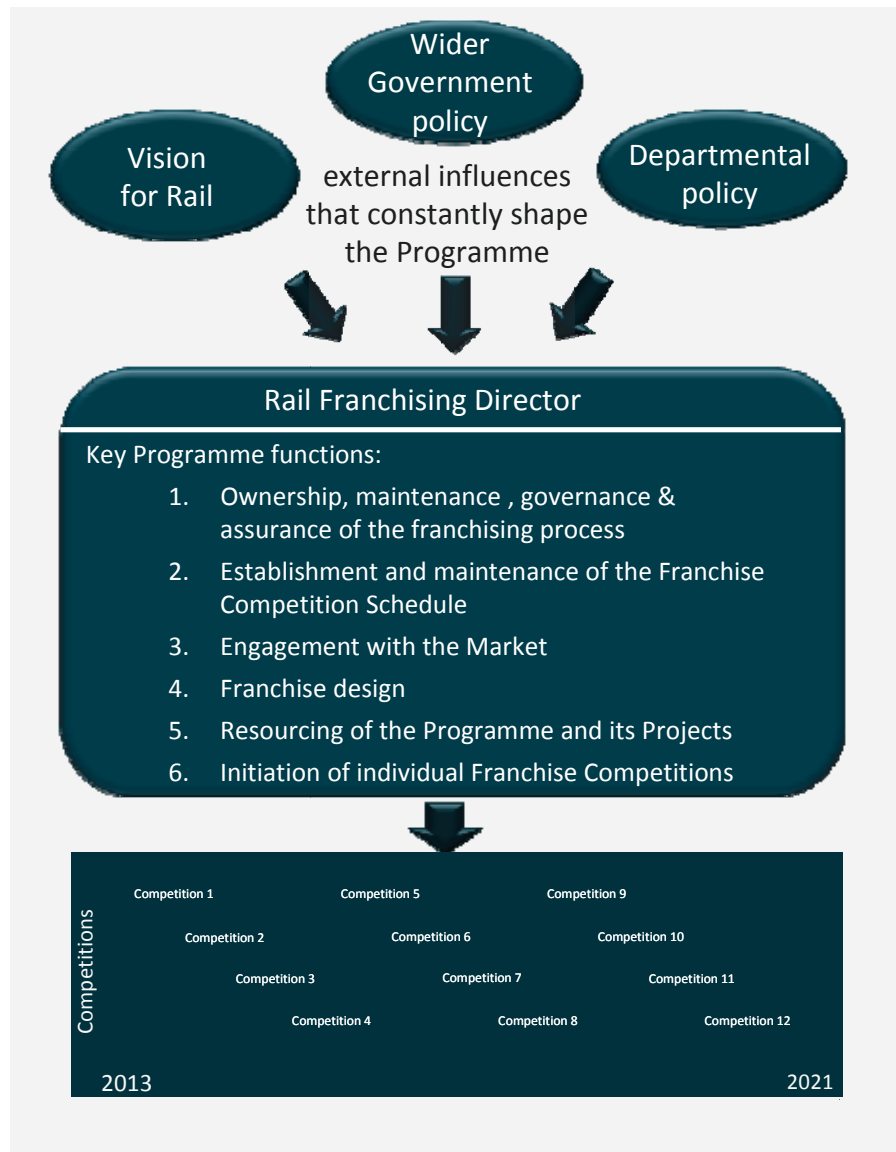
and to manage costs to improve value by:

- ensuring the franchised railway is affordable to taxpayers;
- maintaining rail as an affordable travel option; and
- causing a step change by aligning incentives between train operators and infrastructure operators to improve efficiency.

The Franchising Director, as the Senior Responsible Owner (SRO) for the Programme, sponsors, directs and oversees delivery of the series of rail franchise projects set out in the competition schedule. To achieve this, six principal activities take place at Programme level:

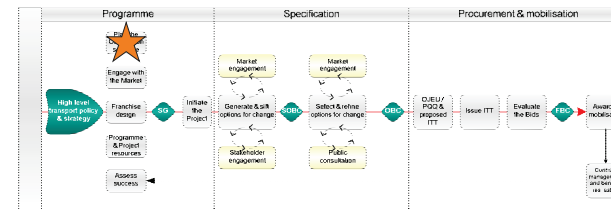
- ownership and maintenance of the franchising process together with its approvals and assurance regime;
- establishment and maintenance of the franchise competition schedule;
- engagement with the Market;
- design and documentation of the strategic and policy direction for the Programme and for each franchise competition;
- resourcing of the Programme and Projects; and
- initiation of competition projects, as set out in the franchise competition schedule.

Figure 4 - Added value of Programme activities



42 These activities are described in subsequent paragraphs. Figure 4 shows how they translate the effects and requirements of external influences into outputs that are assimilated into franchises by the individual Projects.

Plan and maintain the competition schedule

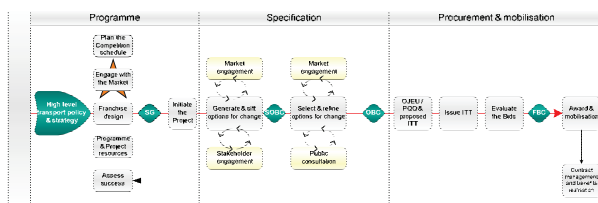


43 The competition schedule (the schedule) shows the end dates of current franchises and the start dates of new franchises for the 13 franchises to be let by the Department between 2013 and 2021.

44 The schedule is subject to continuous review in light of any event that may affect its delivery. As part of this review, a quantitative risk analysis is carried out to ensure that the effects of key risks to the schedule are considered.

45 A new version of the schedule is published as part of each Annual Prior Information Notice (Annual PIN) and at other times if significant amendments are made.

Engage with the Market



- 46** Fair and open competition, contested by as wide a field of participants as possible, bringing a mix of experience and innovation, is essential to the continued success of the Programme. The Department's Market development strategy aims to broaden Market interest in the opportunities that rail franchising offers. We want both the continued interest and engagement of current and former Market participants as well as expansion of the potential supplier Market to organisations that can demonstrate their capability to operate a business of the scale and challenge of a rail passenger franchise. Such organisations may be companies, consortia or other suitable bodies and may be based within the UK or overseas.
- 47** The Programme-level Market engagement activities complement the engagement that occurs between a Project Team and the Market in the context of each individual competition, particularly during the Specification phase.

Publish the Annual Prior Information Notice

- 48** An Annual PIN is published in the OJEU and on [the Department's pages of the Gov.uk website](#). This PIN includes an updated schedule for the Franchising Programme. The purpose of the PIN is to generate awareness and interest in the Market, enabling them to plan participation and resources for expected competitions and to tell the Market how they may engage with the Department. However, the PIN does not commit the Department to holding any or all of the competitions listed.



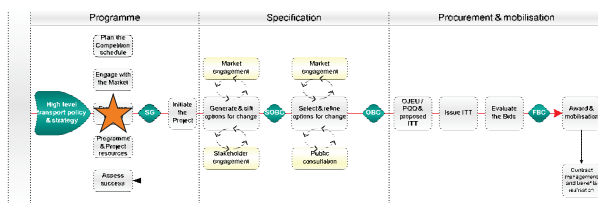
Other events

- 49** Publication of the Annual PIN may be followed with other events or initiatives such as an industry opportunities day aimed at ensuring that the Market is fully informed about forthcoming franchise opportunities and the competition process.

Manage information sharing

- 50** It is essential that all Market participants have access to the same information. We will therefore post all significant information (including the PIN) on the Department's pages of the Gov.uk website.

Franchise Design



51 Franchise design comprises a suite of activities that together properly prepare the ground for initiation of a new franchise competition project. The incoming Project Director receives a brief from the Franchising Director which ensures that the development of the franchise specification is firmly rooted in the Government’s overall rail policy framework, for which our starting points are Reforming our Railways, HLOS and the [Rail Industry Long Term Planning Process](#).

Devise and maintain the franchising policy framework

52 The Government’s high level policy objectives for rail, and for rail franchising, are taken as the starting point. From these a suite of lower-level policies is devised which ultimately enables delivery of the objectives to be secured via the Franchise Agreement. The franchising policy framework therefore covers topics ranging from franchise duration and quality to the commercial structure of the contract.

53 Each franchise is specified individually, taking account of every aspect of its operating environment. This means that,

for each policy topic at programme level, and to cater for different types of franchise there is generally more than one policy option. There is also the opportunity for the development of franchise-specific solutions if the need is identified during the specification phase.

54 Effective liaison is maintained with the ORR to secure the development and adoption of seamless approaches to issues of common concern and in particular in regard to:

- performance measurement and management of Network Rail and the train operating companies; and
- the wheel / rail interface and capacity.

55 The views of the Franchise Advisory Panel are sought and taken into account in the policy development process, in line with the Panel’s [Terms of Reference](#).

56 The output of this activity is a set of generic policies or approaches for inclusion in a proposed Franchise Agreement and applied on a franchise-by-franchise basis to deliver policy objectives and franchise objectives.

Identify and assimilate other policies for which rail franchises are a delivery opportunity

57 Rail franchises provide an opportunity to embed and secure the benefits of other Departmental and wider Government policies, such as:

- sustainability and environment – reduction of noise, carbon emissions etc;
- equalities – accessibility and non-discrimination;

- smart ticketing; and
- encouragement of participation of Small and Medium Enterprises (SMEs) in the franchisee supply chain.

58 These policies are identified and, in discussion with the policy owners, tailored for inclusion in the specification, the ITT and Franchise Agreement.

Devise and maintain the Programme procurement strategy

59 The Procurement Strategy sets out the Programme's high level principles about matching the nature of a commercial proposition with the characteristics of the franchise and the external environment in which it will operate. It establishes the objectives for all franchise procurement activities and establishes how Market engagement is managed at Programme level.



Maintain the standard Franchise Agreement

60 The standard Franchise Agreement requires continuous updating to reflect:

- lessons learned from current franchises;
- changes to the law; and
- best practice, comments received and simplification.

61 An appropriate standard version of the Franchise Agreement is provided to the incoming Project Director for customisation for the franchise as the Propositions and the specification are developed during the specification phase.

62 The Department has established a Franchise Agreement review group composed of representatives from the Department, the rail industry and external advisers who are active in the industry. The group meets on a regular basis to discuss possible improvements and updates to the standard Franchise Agreement.

Define the 'whole system' status within which the franchise must operate

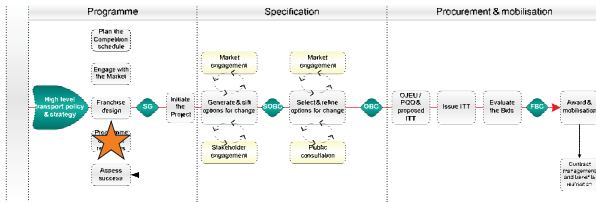
63 Both Government and the rail industry are increasingly taking a whole-system approach to the strategic development of the rail network to ensure that it is capable of fulfilling the role envisaged for it over the long term. This approach, coupled with the longevity of railway assets, means that the life of any particular franchise represents just a small part of both the lifespan and the geographic span of that whole system. It is essential for each new franchise to be specified against the backdrop of the whole system and the changes that will impact on that franchise.

64 Development of each new franchise specification represents the best opportunity to review the outcomes and performance of the current franchise, and to establish a new outcome trajectory for the next franchise, to drive continuous improvement of the railway and to realise the benefits of the substantial investments that are being made in it.

65 Information is gathered and collated at route level principally from the HLOS (what Government wishes to procure for each rail industry Control Period in terms of outputs) and the

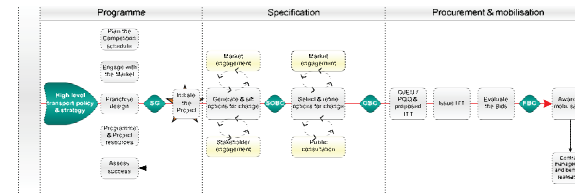
Rail Industry long term planning process about the planned renewals, upgrades and fleet changes that will affect the franchise. This analysis informs the initial version of the franchise objectives as well as providing an essential reference source for the Project Team during the specification phase.

Resource the Programme and its Projects



- 66** Resources required for successful delivery of the Programme and its Projects are identified and secured. This includes resources such as staff, accommodation, budgets and external expertise.

Initiate a competition project



- 67** The Programme Team makes specific preparation for each forthcoming Project and continues to support each project throughout its life.

Commission the Market Review

- 68** The Technical Adviser is commissioned to carry out a Market Review of the franchise. This is a systematic review of the current franchise, its operating characteristics and performance, its financial performance and forward projections of parameters that will affect the new franchise.

Commission development of the Baseline Model

- 69** The Technical Adviser is commissioned to develop a Baseline Model of the existing franchise. This business-critical model will underpin the Project Team's testing of options, development of the business case and the Department's decision-making.

Formulate the initial franchise objectives

70 A set of objectives is devised for each Project. These capture the priorities for benefits that the franchise should deliver. The objectives shape the specification and, if necessary, may be amended during the specification phase of the Project in light of new information and stakeholder input.

Appoint the Project Team

71 Each Project Team member is carefully selected on the basis of the competences defined for the role that they are to fulfil. The generic Project Team structure is shown in Figure 5.

Provide resource and information pack

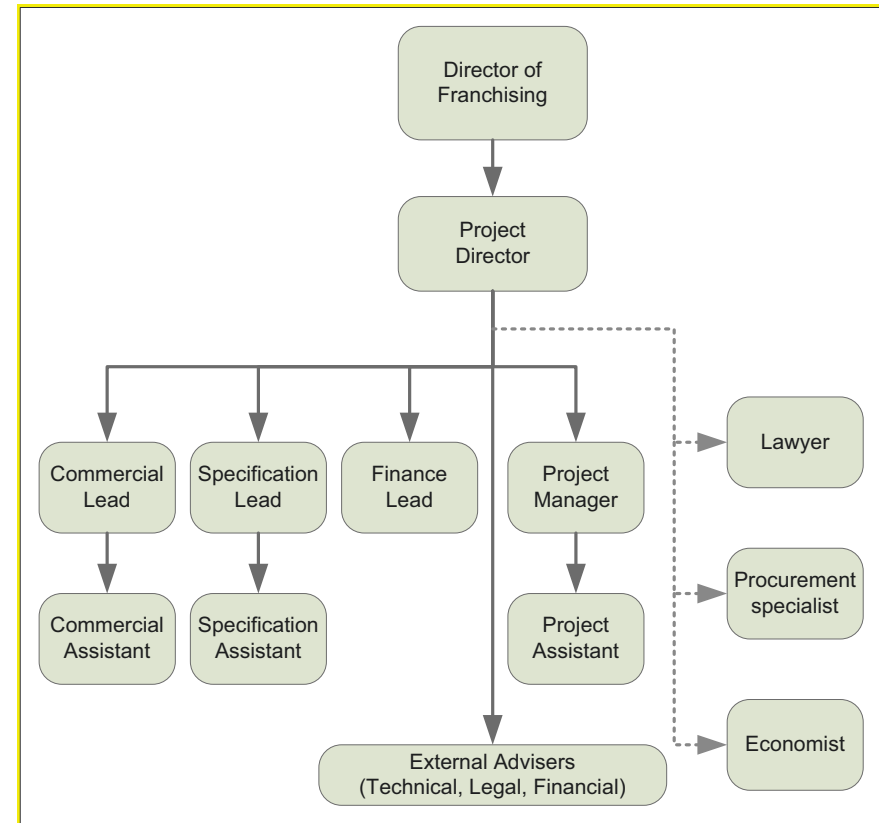
72 In response to the project start dates set out in the schedule, the Programme Team prepares the brief and other resources needed to empower and enable the new Project. The Project Director is then formally mandated by the Programme Board to deliver the new franchise.

Starting gate assurance

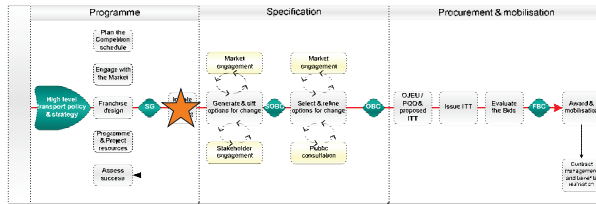
73 Independent assurance is obtained to confirm that everything needed for the initiation of a Project is in place.



Figure 5 - Generic Project Team structure



Establish the Project framework



74 On receipt of the formal mandate, the Project Director commissions the Project Manager to lead on preparing the suite of documentation that secures the management, assurance, governance and accountability of the Project until formal closure. This suite embeds [PRINCE2](#) principles, remains 'live' for the duration of the Project and includes:

- the Project Initiation Document;
- the Project schedule showing activities with their milestones, resources, deliverables, assurance and governance points, and informed by a quantitative risk analysis that identifies the key inherent risks and assesses the likelihood that the key procurement stages can be achieved to schedule;
- plans that align with and deliver policies and strategies established at Programme level; and
- the Project Budget.

Section 2 - Specification

Overview

- 75** The objective of the Specification phase is to build a franchise specification that best meets the Department's objectives whilst satisfying as far as possible stakeholders' aspirations.
- 76** Franchise specification is an analytical and design process. It therefore needs sufficient freedom to accommodate innovative thinking but within a secure framework of fixed controls and clear objectives. This environment is created within the structured 3-stage framework of the [5-Case Transport Business Case](#). The alignment between the process and the business case is illustrated by Figure 6.
- 77** On completion of the first iteration of the business case (strategic outline), the Project Team aims to have developed a comprehensive specification which can be finalised at stage 2. This supports a LEAN approach for the procurement process, but is critically dependent on excellent dialogue in the early stages with both the Market and with stakeholders.

78 The activities that comprise the Specification phase are:

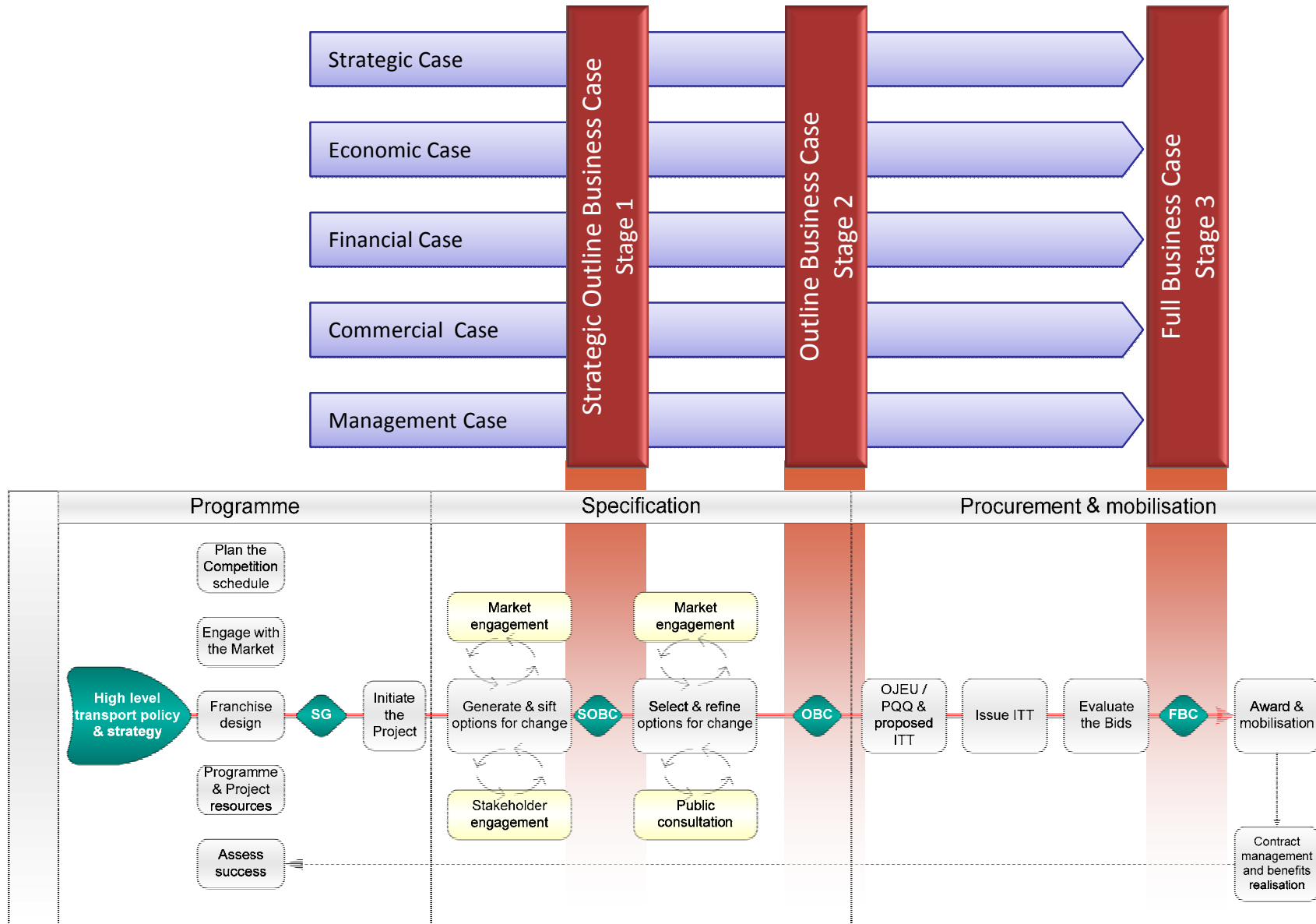
Stage 1 (strategic outline) business case

- understanding the franchise;
- establish dialogue with stakeholders;
- franchise-specific Market engagement;
- determine need for change;
- establish the franchise scope;
- initiate the Benefits Realisation Plan;
- develop the commercial proposition;
- generate and sift options for change;
- shortlist the options for change; and
- produce the stage 1 (strategic outline) business case

Stage 2 (outline) business case

- carry out public consultation;
- prepare the Stakeholder Briefing Document;
- continue Market engagement;
- develop the Shadow Bid;
- update the business case to stage 2 (outline);
- appoint the evaluation teams;
- prepare the ITT; and
- customise the standard Franchise Agreement.

Figure 6 – Alignment between the competition process and the business case



Business case stage 1 - strategic outline

79 The development process for the stage 1 strategic outline business case is illustrated in Figure 7.

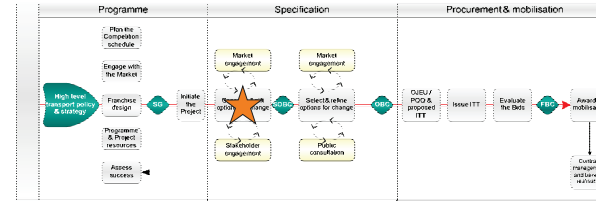
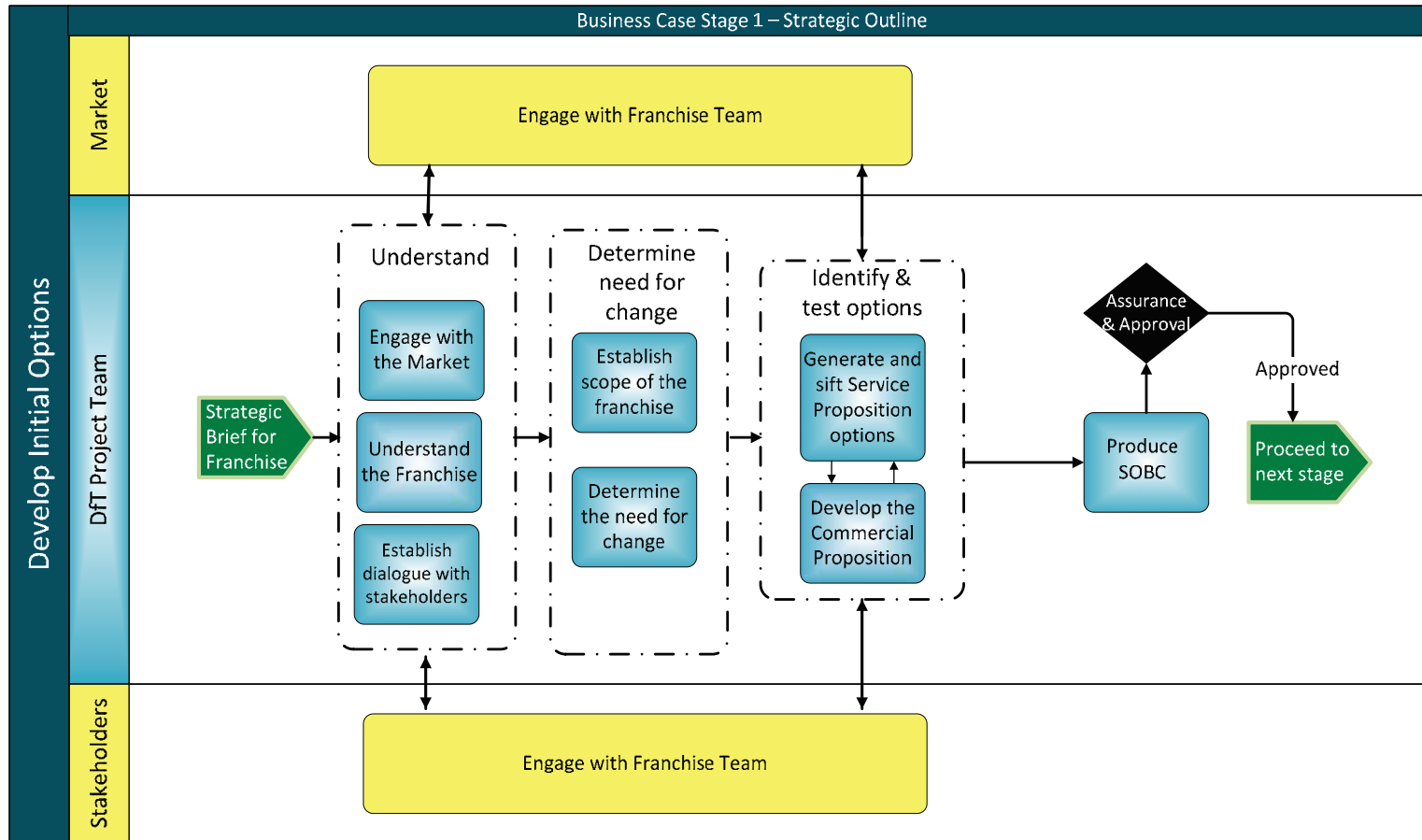
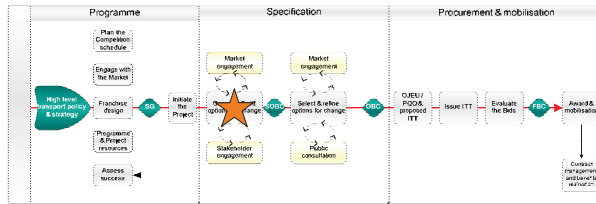


Figure 7 – business case stage 1 development process



Understanding the franchise



80 The incoming Project Team receives and absorbs the content of a franchise-specific strategic brief from the Franchising Director, comprising reports and analyses that describe the current operating environment and the planned and projected changes that are expected to take place during the next franchise term, including:

- outcomes that the Government is seeking through infrastructure and rolling stock enhancements;
- significant changes in demand and / or revenue as a result of demographic changes etc;
- geographic changes resulting from the merger or division of existing franchise areas and other policies such as devolution; and
- the Departmental and wider Government policies that must shape the Specification for the new franchise.

81 The Project Team plans and carries out a franchise inspection (a detailed on-the-ground look at the franchise) to ensure that they have seen and understood for themselves the issues that will emerge during development of the Specification. They also liaise closely with the Department's

commercial managers who are responsible for management of the current franchise contract.

82 Assimilation of information about the franchise enables the Project Team to initiate development of the SOBC.

Establish dialogue with stakeholders

83 Stakeholders include the fare-paying and tax-paying public. Their interests in the rail franchising process are mainly represented by:

- their elected representatives at local and national level; and
- passenger and other interest groups at local, regional and national levels representing particular viewpoints, experience or causes relevant to the franchise.

84 The Programme stakeholder engagement and communications strategy provides a framework and template for the Project Team to develop its stakeholder engagement and communications plan, ensuring that all Projects adopt a consistent approach to segmentation and that all relevant stakeholder groups are engaged effectively.

85 Active dialogue with stakeholders is of vital importance during the Specification phase in order first to gather information about their concerns and aspirations, development plans, opportunities for synergy etc and later to test and refine options for changes to be built into the Specification.

Franchise-specific Market engagement

- 86** The purpose of Market engagement by the Project Team throughout the Specification phase is to ensure that:
- the Project Team builds on Market interest in the franchise opportunity that has been generated by the Programme;
 - the Market is fully informed and is able to ask questions about the new franchise opportunity and the procurement process and can therefore make informed decisions about applying for Bidder status at PQQ stage;
 - the Project Team benefits from Market input to development, in particular, of the commercial aspects of the Specification; and
 - the Project Team can maximise the information available at OJEU / PQQ stage and minimise the time from OJEU / PQQ to contract award.

- 87** The Project Team hosts an industry day supported by such other events and meetings as are identified as being appropriate and beneficial in fulfilling these objectives. All organisations from which the Department has accepted an expression of interest in response to the Annual PIN are invited to the franchise industry day automatically. Any other organisation that requests an invitation and has a credible interest in the commercial opportunities associated with the competition will be welcomed by prior arrangement.

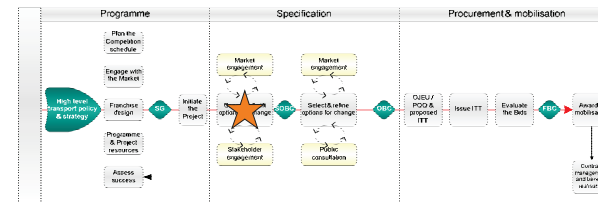
Initiate population of the Data Site

- 88** Population of the Data Site is initiated at this early stage to ensure that the content is as complete as possible when the

Data Site is opened to Bidders immediately after announcement of the list of Bidders. The data required is defined in the Data Site Metadata.

- 89** The Project Team formally contacts the incumbent franchisee, Network Rail and any other third party that owns data which will be material to the preparation of Bids, to remind them of their obligations and ensure timely submission of data. The Project Team monitors and promotes progress on Data Site population to ensure that the population target is met.

Determine need for change



- 90** Replacement of a franchise contract provides the Department with the opportunity to review the outcomes of the current franchise and to develop trajectories for the new franchise that optimise the outcomes in terms of HLOS and the Government's wider objectives.

- 91** The Project Team carries out a systematic review of the current franchise to determine, for each aspect of the franchise, what change is required in order to optimise outcomes from the new franchise. This review identifies where change is needed if the new franchise is to:

- maximise the franchise's contribution to achievement of Departmental and wider Government vision, policy and objectives;
- reap benefits for the passenger and taxpayer from investment in infrastructure and rolling stock; and
- address the needs, concerns and aspirations of stakeholders in defining the quality and type of rail services.

92 The Project Team prepares the business case section that:

- projects forward for the life of the franchise assuming 'no change' to the franchise contract;
- provides evidence in relation to each aspect of the franchise as to whether or not change is needed; and
- forecasts the consequences of 'no change' in terms of achievement of the objectives.

Establish the franchise scope

93 The Project Team prepares a document defining the scope of the franchise, taking into account:

- the duration of the franchise – commencement and end dates;
- the geographic scope of the franchise, including stations served, and whether or not the franchisee is the station facility owner; and
- changes or possible changes to the franchise resulting from splitting or merger of franchises, or devolution of part of the franchise to another Authority, whether at franchise commencement or during the life of the franchise.

Initiate the Benefits Realisation Plan

94 The Project Team initiates preparation of a Benefits Realisation Plan (BRP) for the new franchise in line with the Programme Benefits Realisation Strategy. Development of the BRP continues until completion of the full business case, fully involving the Rail Commercial team who will manage the franchise contract throughout its life and will be charged with ensuring that the defined benefits are delivered by the franchisee.

95 The BRP takes full account of:

- the initial franchise objectives;
- HLOS and any other projects whose benefits realisation plan identifies the new franchise as an 'enabler'; and
- the findings of the Project Team's review and areas identified for change.

Develop the commercial proposition

96 Project Team members collaborate closely with each other and with the Market throughout the specification phase to develop and refine a commercial proposition for the franchise. The commercial proposition determines a contracting strategy for the franchise that aligns with the programme procurement strategy, offers the Bidders a viable business opportunity, secures a good return for the taxpayer and apportions risk appropriately between the Department and the franchisee. This contracting strategy will later be embodied in appropriate terms within the Franchise Agreement.

Generate and sift options for change

- 97** The Project Team generates a long list of potential options for change in relation to:
- the relevant franchising policy topics;
 - any external factor that causes or is expected to cause a change in the operating environment of the franchise when compared to the current contract; and
 - any area of misalignment with Departmental objectives that has not already been identified.
- 98** The Project Team gathers ideas from a wide range of sources including the incumbent franchisee, stakeholders, the Market, [Passenger Focus](#), the railway press and colleagues within the Department's Rail Group. Imaginative thinking is critical at this stage in order to ensure that the specification can be based on leading edge ideas and technologies.
- 99** Each long list is sifted to reject any potential options that clearly will not deliver the objectives and / or lie outside the identified constraints for the new franchise. Every long list includes the 'do nothing – no change' option, which is considered and sifted on the same basis as the rest of the list. This sift produces a refined long list of options for each aspect of the franchise.

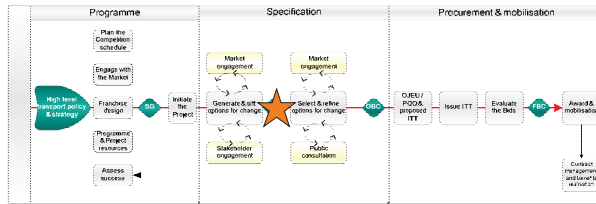
Shortlist the options for change

- 100** The evaluation process, criteria and weightings addressing both cost and quality are incorporated into the ITT and are

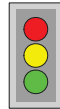
therefore fully transparent to the Market when the proposed ITT is published as part of the OJEU / PQQ pack.

- 101** The ITT, including the evaluation process, criteria and weightings, is finalised during the prequalification period, which means that Bidders have the information they will need to optimise the structure of their Bids. Consideration of how each aspect of the Specification will be evaluated is an intrinsic part of developing the Specification from the point at which an option is first generated. If we cannot make clear to the Bidder how they can construct, and we will evaluate, a potentially winning response, then the option should not be included.
- 102** Each shortlisted option is appraised using the [WEBTAG](#) guidance by the Technical Adviser to determine whether or not it would deliver value for money.
- 103** The Project Team's aim is to select the combination of options for change that gives the best value for money, the best alignment with the franchise objectives and is affordable. The Project Team establishes the initial budget and funding for the franchise, which sets the bar for affordability of the specification.
- 104** Affordability of each option and each viable combination of options is tested using the Baseline Model.
- 105** The combination of options that gives the best results in this selection process is assembled into the initial Specification.

Produce the strategic outline business case



106 The research, analysis and optioneering enable the Project Team to complete stage 1 of the business case. This is subjected to assurance processes and submitted for approval to go forward to the next iteration of the business case.



Business case stage 2 – outline

107 The business case stage 2 (outline) development process is illustrated in Figure 8.

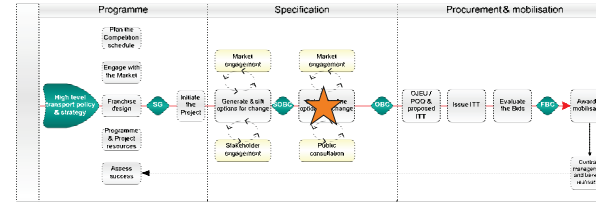
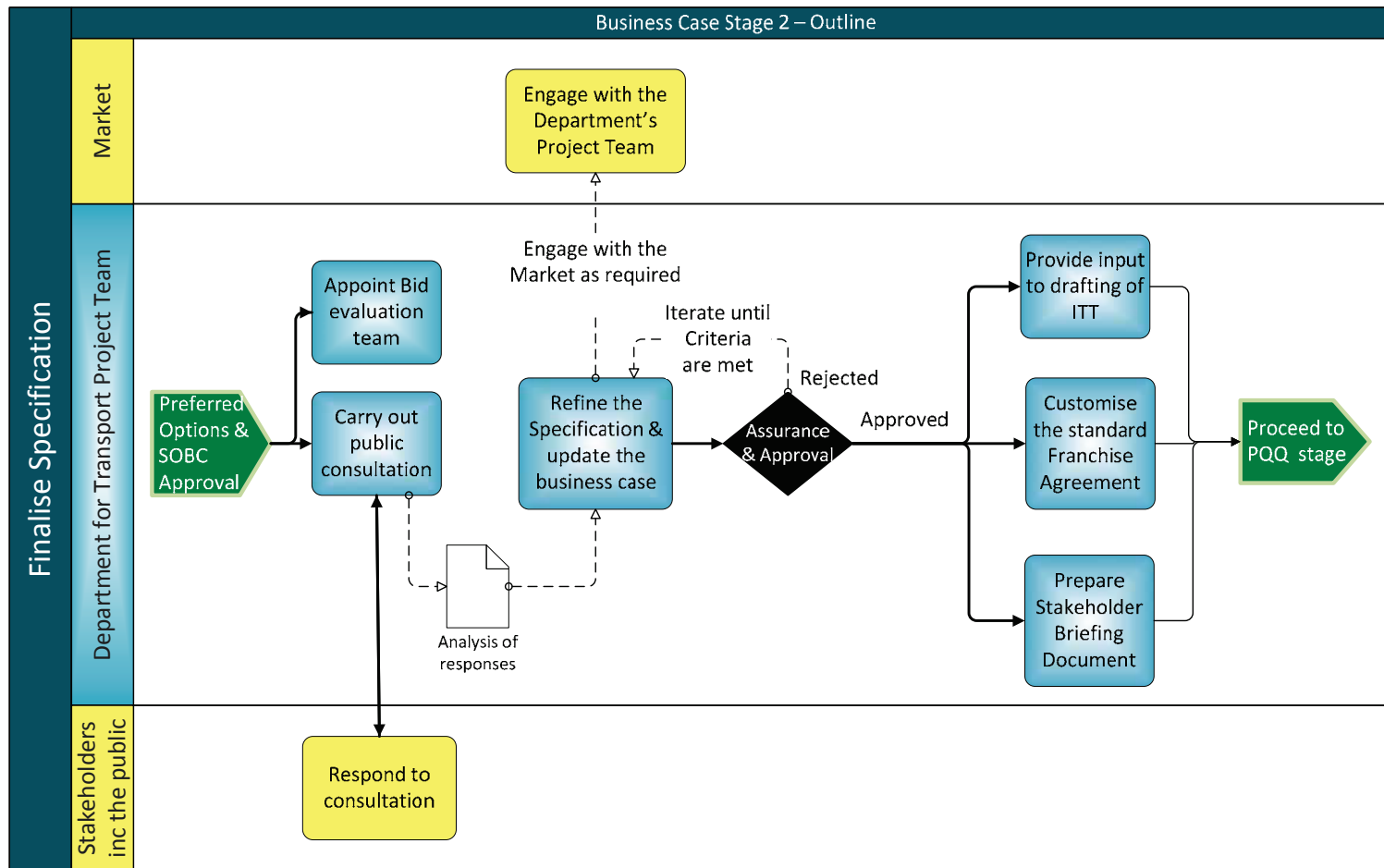
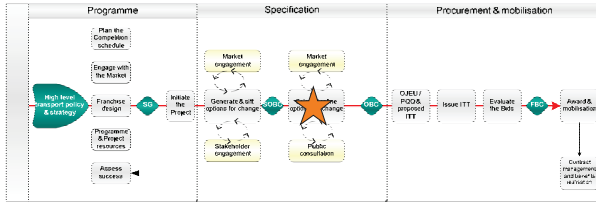


Figure 8 - business case stage 2 development process



Carry out public consultation



108 The purpose of public consultation is to inform a much wider audience and elicit their views about the proposals for specification and delivery of the new franchise and in particular on aspects where choices must be made.

109 Many stakeholder groups will already have been very actively engaged. The consultation provides information to everyone including the general public and gives the opportunity for all to express their views. The consultation is carried out in accordance with [Cabinet Office consultation](#) principles.

110 The Project Team identifies the matters on which the consultation should take place and defines precisely the questions that need to be asked to ensure that the responses best support the final choice and refinement of options for inclusion in the Specification.

111 The draft consultation paper is submitted for approval and then published on the Department's pages of the Gov.uk website. The duration of a franchise consultation will be up to 12 weeks, but this will be decided on a franchise-by-franchise basis. Responses are recorded and analysed.

112 During the consultation period the Project Team holds public events at key locations across the franchise area, to promote awareness of the consultation and to hear first-hand about matters of immediate concern to local communities.

Prepare the stakeholder briefing document

113 The stakeholder briefing document is the Department's response to the public consultation. It consists of two parts:

- an analysis of the responses to the public consultation; and
- a review of the final specification with a summary explanation of the justification for the choices that the Department has made.

114 The document provides a transparent formal record of decision-making to all stakeholders and also helps Bidders to understand the rationale underpinning the Specification. It is finalised alongside the ITT and, after approval, is published on the Department's pages of the Gov.uk website.

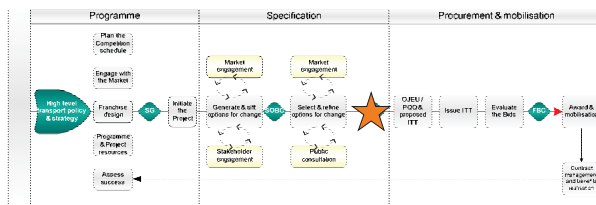
Continue Market engagement

115 The Project Team continues to engage with the Market during refinement of the specification and development of the stage 2 (outline) business case.

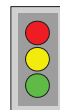
Develop the Shadow Bid

116 The Shadow Bid is developed from the Baseline Model by the Technical Adviser to give additional confidence of affordability. The Shadow Bid sets out the Technical Adviser's view on what the Market would reasonably be expected to bid against the published ITT.

Update the business case to stage 2 – outline



117 The Project Team updates relevant areas of the business case with any new or better information that has been obtained and in particular the results of the public consultation. Together with the Technical Adviser they carry out any further work needed in order to determine the final combination of options for inclusion in the Specification. Further assessments are made of the options' affordability and value for money to ensure that the optimum combination has been selected. This work enables the Project Team to complete the business case to stage 2 outline, and to finalise the Specification.



Appoint the Bid evaluation teams

118 Appointment of the PQQ and Bid evaluation teams is initiated at this stage to ensure that team members can be consulted in finalising the evaluation processes, criteria and weightings.

Readiness for the procurement stage

119 During the Specification stage the Project Team carries out preparatory work for the procurement stage. As the Propositions and Specification emerge and are firmed up, these are built into the suite of procurement documents as described below.

Prepare the PQQ pack

120 The project team customises the PQQ template pack to incorporate the requirements for the specific competition.

Prepare the ITT

121 Preparation of the ITT runs alongside development of the Specification. The proposed ITT is prepared by customising the standard template ITT for the franchise competition, by insertion of the Specification and the evaluation process, criteria and weightings and other competition-specific information and instructions.

Customise the standard Franchise Agreement & associated documents

122 As the Specification is firmed up and the ITT drafted, the Project Team prepares instructions to lawyers to customise

the standard Franchise Agreement in order that relevant aspects of the specification are properly contractualised.

Section 3: Procurement

Overview

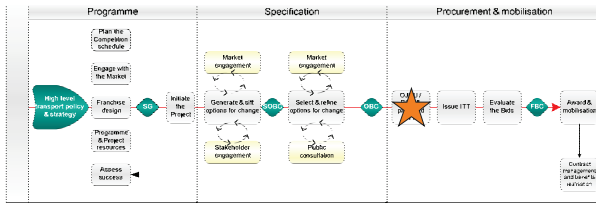
- 123** The procurement strategy for the franchise competitions is set at Programme level, but unique to each competition are the commercial proposition on which the Department will go to Market and the capabilities/attributes the Department will be looking for in the franchisee.
- 124** The procurement process must deliver value for money for the Department, the taxpayer and the fare payer through fair and open competition, observing the principles of:
- equal treatment;
 - non-discrimination;
 - mutual recognition;
 - proportionality; and
 - transparency.
- 125** During the Specification stage the Project Team has begun to develop the suite of Procurement documentation based on the emerging Propositions and Specification.

- 126** The procurement phase comprises the following steps:
- Pre-Qualification;
 - Invitation to Tender;
 - Bid receipt and evaluation; and
 - Contract award.

Legal classification

- 127** In ensuring compliance with applicable procurement law, the Department is required to determine how a franchise should be classified as a matter of law. The Department's view is that its passenger rail franchises are likely to be "services concession contracts" for the purposes of the Public Contracts Regulations 2006. However, the Department will consider the precise classification of each franchise in its programme on a case by case basis. The Department also considers that its passenger rail franchises qualify as public service contracts and therefore fall within the scope of Regulation (EC) 1370/2007.

Pre-Qualification



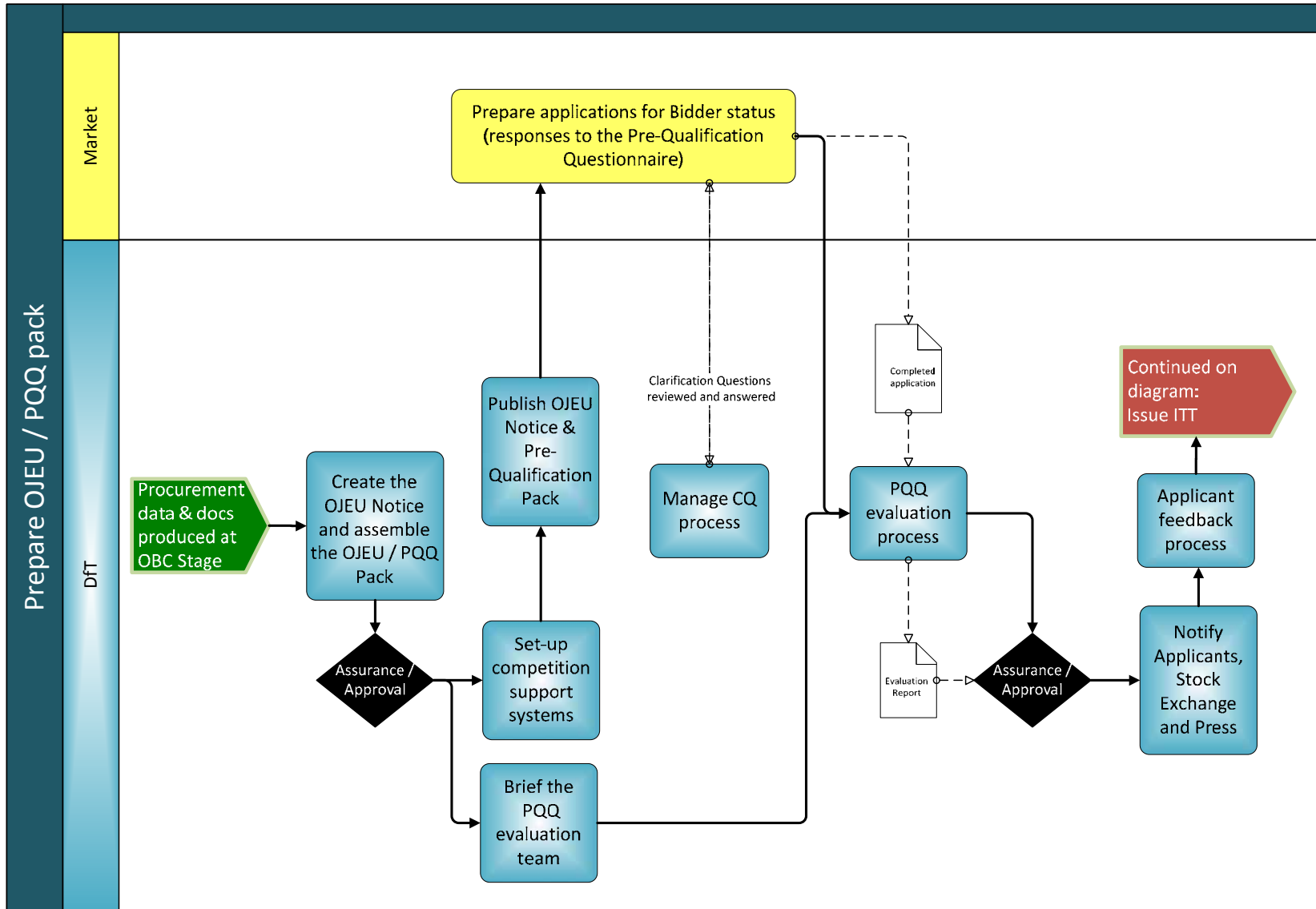
128 The objective of Pre-Qualification is to attract and identify a shortlist of organisations that demonstrate, through their financial position, managerial competence and otherwise that they are suitable to be a franchisee.

129 The benefit of publishing the proposed ITT and other key information at the OJEU / PQQ stage is intended to be that the Market is fully sighted on the commercial, financial and technical requirements and can decide in the light of this information whether or not the opportunity is one that they wish to pursue and, if it is, the composition of the Bid team that they need to assemble.

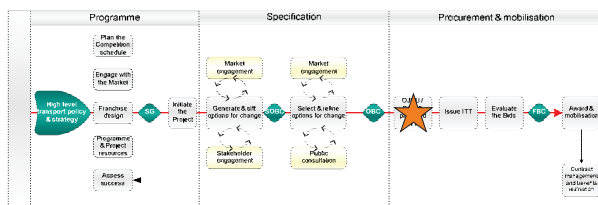
130 The activities involved in Pre-Qualification and illustrated in Figure 9 are:

- creation and assembly of the OJEU Notice and PQQ pack;
- setting up the electronic Pre-Qualification support systems;
- publishing the OJEU Notice and PQQ pack;
- finalising and briefing of PQQ evaluation team;
- managing the PQQ Clarification Question (CQ) process;
- receiving completed PQQ responses;
- evaluation of PQQ responses, agreeing a ranked list of Applicants;
- notification of Applicants and provision of feedback;
- announcement of Bidder list;
- arrangement of site visits for Bidders; and
- administration of Bidders' access to the Data Site.

Figure 9 - Bidder prequalification



Create OJEU Notice and assemble Pre-Qualification pack



131 The OJEU Notice follows a template format and includes the following information:

- reference to any previous notices;
- current franchise geography, revenue and passenger numbers;
- the planned contract start date and term;
- indications of the financial security requirements (bonds and other guarantees);
- outline of any risk / profit sharing mechanism;
- form of legal contracting entity;
- any pre-conditions for participation at the tender stage;
- outline of the timescales to contract award;
- reference to the evaluation criteria at the PQQ stage and details of any additional checks used in the shortlisting process; and
- the number of Bidders expected to be selected for ITT.

132 The Pre-Qualification Pack contains the information and documentation that is necessary for Applicants to prepare and submit their applications to qualify as Bidders for the

franchise competition. It is intended that the following documents will be included in the pack:

- Pre-Qualification Questionnaire;
- Pre-Qualification Process Document (PPD);
- Franchise Letting Process Agreements – different versions for the incumbent and non-incumbent Applicants;
- proposed ITT;
- proposed Franchise Agreement and associated documents;
- proposed Train Service Requirement;
- proposed Financial Model Template; and
- mobilisation process manual.

Set up competition support systems

133 CQs relating to the PQQ are handled via email exchange and consolidated bulletins of questions and responses are published on the Department's pages of the Gov.uk website. Arrangements and user instructions are made for query receipt and logging and the formulation and issue of responses.

134 The Programme uses a secure web-based electronic procurement management system ("the e-sourcing system") which supports the Data Site function, PQQ response submission, Bid submission and receipt, compliance checking, ITT and Bid CQs and responses, evaluation and reporting. The software is configured to meet the needs of each franchise competition.

Publish OJEU notice and PQQ pack

- 135** The OJEU notice is published in the Official Journal of the European Union.
- 136** The OJEU notice and PQQ pack are published forthwith on the Department's pages of the Gov.uk website which directs Applicants to register their interest and complete the online application, as well as on the [Cabinet Office Contract Finder](#).
- 137** The period between publication and the deadline for receipt of applications from prospective Bidders is normally 37 days but may vary. The definitive period is stated in the PQQ pack.



Brief the PQQ evaluation team

- 138** PQQ evaluation is carried out by a multidisciplinary team, with an independent person appointed to act as moderator plus one independent observer to attend the consensus meeting. Full training is provided to the evaluation team on:
- the evaluation process, criteria and scoring
 - recording and reporting of the consideration and the team's recommendation.

Liaise with ORR

- 139** A copy of the proposed ITT and associated documents is provided to the ORR so that they may make a preliminary assessment of the safety issues that might arise.

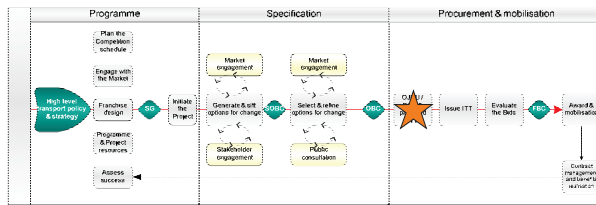
Manage the PQQ CQ process

- 140** The facility to submit CQs concerning any item in the PQQ pack is available to potential Applicants from the time of publication of the OJEU notice and PQQ pack until the CQ submission closing date 5 days prior to the PQQ return deadline. This ensures that all questions submitted can be answered in time for Applicants to take into account the information in their applications.
- 141** An Applicant submits a CQ via a franchise-specific email address, and the response is emailed back to them. Bulletins of CQs and responses are published frequently during the Pre-Qualification period on the rail franchising pages of the Department's pages of the Gov.uk website with a final bulletin following the closing date for submission of CQs.

Receive completed PQQ responses

- 142** PQQ responses are received from Applicants electronically through the e-sourcing system. The system does not allow any responses to be received after the PQQ submission deadline unless there are exceptional circumstances, but it incorporates a 'help' facility for potential Applicants who are experiencing technical difficulties in making their submission. The Department's team will endeavour to resolve or to work around any technical problems for Applicants.

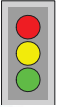
Evaluate PQQ responses, agree ranked list of Applicants, and report



- 143** Responses are checked for completeness and compliance with PQQ requirements. Failure to comply may result in a PQQ response being disqualified.
- 144** The evaluation team members complete their evaluations independently based on the evaluation methodology set out in the PPD. Each evaluator produces an evaluation report setting out their conclusion on each section together with the rationale for that conclusion.
- 145** The evaluators' outputs are uploaded onto the e-sourcing system. This system provides an audit trail of the decisions.
- 146** Anomalous final scores for each Applicant will then be scrutinised at a moderation meeting chaired by an independent moderator and attended by an independent observer. Once all the assessments have been completed the combined and weighted scores for the scored section are calculated and a ranking order is produced.
- 147** The evaluation team prepares a report summarising the outcome of the evaluation



and a recommendation for a shortlist of Applicants to be accorded Bidder status and thus invited to tender. This recommendation is submitted for approval.



- 148** Key learning points are identified and assimilated.

Notify Applicants

- 149** All Applicants are advised by telephone of the outcome of the PQQ evaluation. Each call is followed up with a confirmation letter outlining reasons for the Applicant's acceptance or rejection.

Announce Bidder list

- 150** Information concerning Bidders prequalifying to tender for a long and high-value contract has the potential to affect share prices. The Bidder list announcement is made to the London Stock Exchange by the Department following the grant of ministerial approval.

Provide feedback to Applicants

- 151** Each Applicant is offered the opportunity for further feedback on their PQQ submission, which would include:
- their scores and ranking in the overall evaluation and in key evaluation criteria; and
 - identification of strengths and areas for improvement.

Arrange site visits for Bidders

- 152** Bidders will wish to visit key stations, depots and potentially other locations associated with the franchise in order to understand the requirements and formulate their Bids. The Project Team, in consultation with Bidders and in collaboration with the incumbent franchisee, Network Rail and any other relevant party, prepares a schedule of visits and the protocol and site-specific requirements needed to facilitate the visits.

Administration for Bidders to access the Data Site

- 153** The Data Site provides Bidders with immediate 24/7 access information relating to the Department, Network Rail, the incumbent train operating company, and other relevant stakeholders, including where necessary commercially sensitive information that they will need for the preparation of their Bids. The Department will take appropriate steps to protect the confidentiality of information on the Data Site.
- 154** Upon announcement of the Bidder list, each Bidder is required to sign a Data Site Confidentiality Agreement in order to be allowed access to the Data Site. They must also provide to the Department the details of members of their bid teams whom they require to be given access to the Data Site (“registered persons”). The list of registered persons may be changed upon request from a Bidder, to reflect team changes and other requirements.

Invitation to Tender

155 The process from ITT issue to receipt of Bids is illustrated in Figure 10.

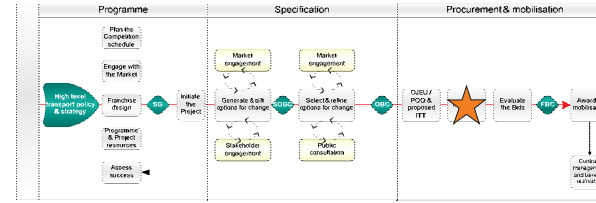
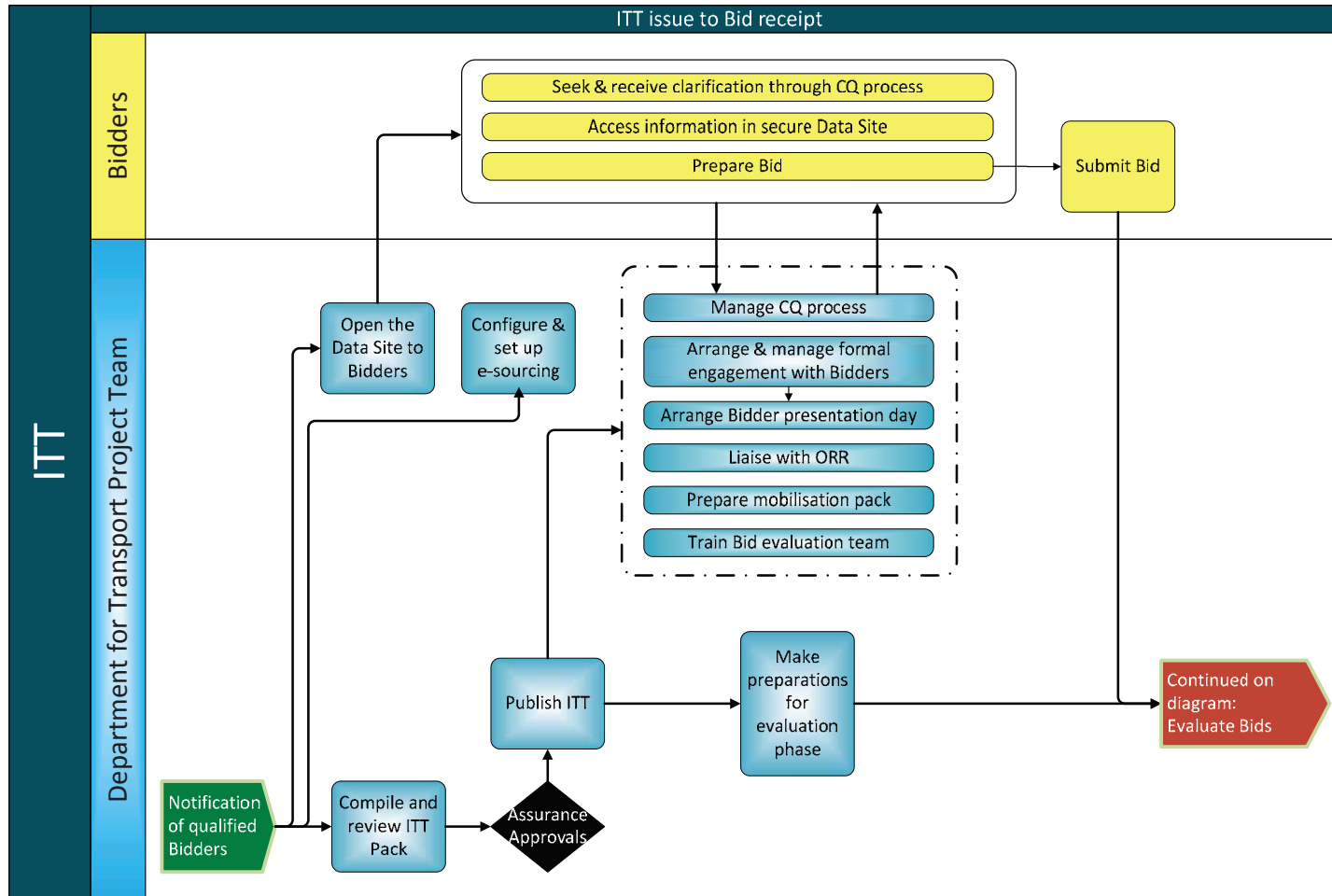


Figure 10 - ITT issue to Bid receipt



Open the Data Site to Bidders

156 Upon receipt by the Department of the signed Confidentiality Agreement, User Instructions for the Data Site are sent to Bidders. The Data Site is opened via a secure web portal and unique personal log-in to registered persons. A record is made automatically of all visits and the documents which the visitor accessed.

Configure and set up the e-sourcing system

157 The e-sourcing system is configured to meet the needs of the competition.

158 The Team provides full training to all Bidders in advance of ITT publication to enable the system to be used for the CQ process during Bid preparation. Bidders are also given timely opportunity to test the submission process.

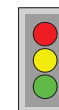
Finalise the ITT pack

159 The ITT pack includes:

- the ITT (including the TSR);
- the Franchise Agreement;
- the Conditions Precedent agreement;
- the Financial Model Template;
- the Funding Deed; and
- the evaluation guidance.

160 The Project Team finalises the ITT pack by:

- receiving and considering feedback from Bidders on the proposed ITT and associated documents;
- amending, where appropriate, the ITT or associated documents in the light of comments;
- finalising the TSR;
- depending on the nature and impact of the amendments, determining whether update, re-assurance and re-approval of the OBC are required; and
- submitting the pack for approval.



Publish the ITT Pack

161 The ITT Pack is published on the Department's pages of the Gov.uk website and is therefore fully visible via the internet. The deadline for Bid submission is normally 90 calendar days but is specified within each ITT.

162 Publication of the ITT Pack is accompanied by a press notice.

Manage the CQ process

163 Where a Bidder requires greater clarity on any aspect of the ITT pack or the competition process they may submit a CQ electronically via the e-sourcing system. Full details of the rules governing the CQ process are included in the ITT, and take precedence over this sub-section in the event of conflict.

164 A unique number is allocated automatically by the e-sourcing system and its progress is tracked and recorded at



each stage. The query is checked for compliance with the competition CQ rules as published in the relevant ITT.

- A non-compliant query is rejected, closed and returned to the Bidder, who may revise and submit as a new CQ if they wish.
- A compliant query is accepted with 'open' status. It is then visible to all Bidders via the e-sourcing system and allocated to the appropriate subject matter expert for response.

165 The CQ response is transmitted to the Bidder that raised the CQ, and is subsequently published alongside the question on the e-sourcing system, visible to all Bidders. The identity of the Bidder that raised the CQ is not visible to any other Bidders at any time. On publication / issue of the response the query status is changed to 'closed'.

166 A Bidder may submit a CQ in relation to a matter that they regard as commercially confidential to themselves so that they would not wish other Bidders to see either the CQ or the response. A determination will be made as to whether the request is justified. If the request for confidentiality is accepted then the CQ response will be issued only to the originating Bidder. If the request for confidentiality is rejected, then the CQ is rejected, closed and the Bidder notified accordingly. The Bidder must submit a new CQ if they still seek clarification.



167 The Department aims to respond to each CQ no more than 10 working days from acceptance with 'open' status. The

CQ facility is therefore closed to new CQs prior to the Bid submission deadline. The time and date of closure is stated in the ITT.

Hold bilateral meetings with Bidders

168 The Project Team will hold bilateral clarification meetings with individual Bidders on key issues and specific aspects of the specification. Points of clarification arising during these meetings must forthwith be submitted, recorded and confirmed via the CQ process.

Prepare marked-up ITT

169 The Project Team inserts CQs and responses into the appropriate sections of a copy of the ITT. This mark-up is provided to the evaluation team so that they have a single unambiguous reference source during the evaluation process.

Arrange Bidder presentation day

170 The Project Team makes arrangements for a Bidder presentation day. Presentations must take place after Bid submission and before commencement of evaluation.

Prepare mobilisation pack

- 171** The Project Team begins to compile the mobilisation pack – a suite of documents which forms the authoritative baseline reference information about the franchise. This pack is completed after contract signature and is handed to Rail Commercial to inform their ongoing management of the franchise contract.

Train the Bid evaluation team

- 172** Full training and ongoing support on the e-sourcing support system are provided to the evaluation team members on use of the software for accessing Bids and recording their markings.
- 173** Arrangements are made to provide full training and ongoing support to the evaluation team members on protocols and conduct of evaluation.
- 174** The Project Team provides full briefing to the evaluation team members on the ITT and the evaluation criteria and weightings.

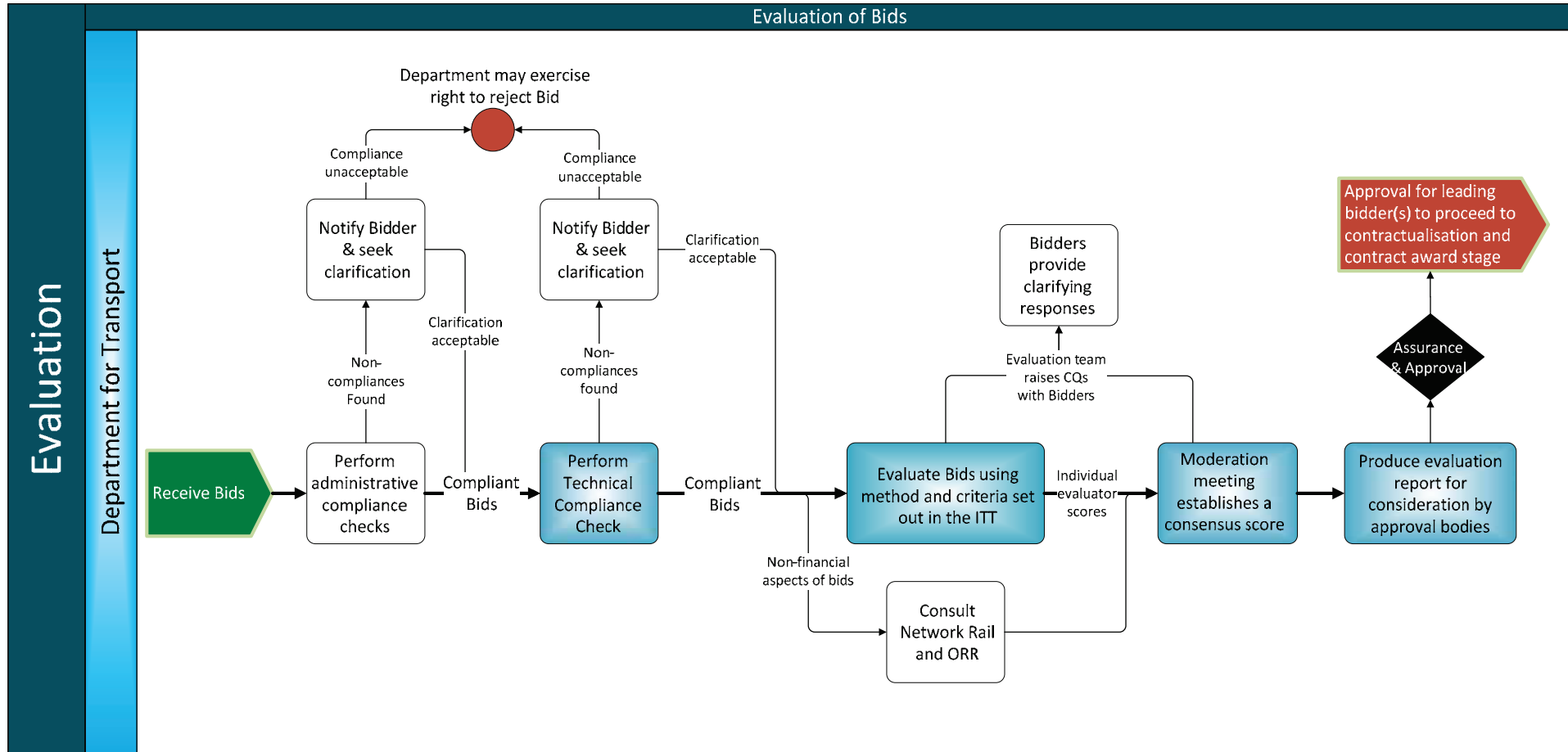
Pre-submission upload test for Bidders

- 175** Final refresher training is provided to Bidders on uploading their Bids to the e-sourcing system and Bidders are also given an opportunity to upload a test document to the e-sourcing system.

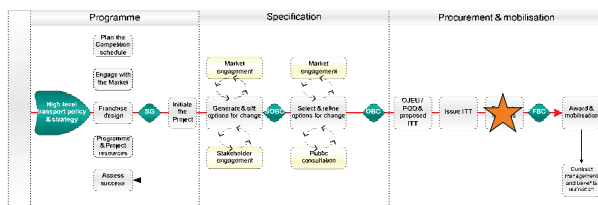
Receive and evaluate Bids

176 The Bid receipt and evaluation process is illustrated in Figure 11.

Figure 11 – Receive and evaluate Bids



Receive Bids



- 177** Bidders submit their Bids electronically via the e-sourcing system which holds them in secure electronic storage until the submission deadline is reached. Bidders are also asked to provide one hard copy of their Bid for use during the evaluation process. Full details of submission requirements for Bidders are set out in the ITT.

Compliance check of Bids

- 178** Alongside their Bids, each Bidder is required to submit a completed compliance checklist to certify electronically that all requisite elements of the Bid have been uploaded and that the Bid complies with the requirements of the ITT.
- 179** Immediately after Bid opening the responsible official will confirm that each Bid complies with the administrative requirements on matters such as page counts and font sizes.
- 180** Failure to complete the Bid as instructed may result in that Bid being disqualified.

Hold Bidder presentation day

- 181** Each Bidder is offered the opportunity to give an explanatory presentation of up to one hour to the evaluation team and relevant associates eg Network Rail. Presentations do not form part of, or influence, any aspect of the evaluation.

Evaluate Bids

- 182** During the evaluation process the evaluation team members carry out a rigorous compliance and conformance check of the Bid against a checklist compiled from the Bid content and submission requirements and other conditions for Bidders, which are as set out in the marked-up ITT.
- 183** The evaluation team members fulfil their role in accordance with the evaluation process, criteria and weightings as set out in the ITT. Each evaluator evaluates their assigned delivery plan(s) independently: no team member discusses their evaluation assumptions or scoring with any party until the moderation meeting. Each evaluator produces an evaluation report setting out their conclusion on each section, together with the rationale for their conclusion.

Benchmark all Bids against Shadow Bid

- 184** At this stage, the Shadow Bid provides a benchmark against which the evaluation team can compare submitted bids and scrutinise carefully any that are very significantly different from the Shadow Bid.

Consultation with Network Rail and ORR

- 185** Network Rail is consulted on the relevant non-financial aspects of each Bid. Network Rail's opinions as to the deliverability and implementation issues of each Bid are taken into account by the evaluation team.
- 186** The Department consults the ORR to ascertain whether they foresee any impediment to any of the Bidders obtaining the requisite [safety certificate](#) within the mobilisation period.

Moderation and recording

- 187** The evaluators' outputs are uploaded onto the e-sourcing system. This system provides a fully-auditable evidence trail.
- 188** Evaluation concludes with a moderation chaired by an independent moderator who has not been involved in the evaluation. The moderation process challenges the rationale behind the scores awarded to Bidders to ensure that the published evaluation process has been followed fairly and transparently.
- 189** Moderation is attended by an independent observer. The results of the moderation process are recorded on the e-sourcing system.

Clarification of Bids

- 190** The need for clarification may arise during the evaluation stage and / or during the moderation stage. CQs may therefore be raised as necessary for response by Bidders.

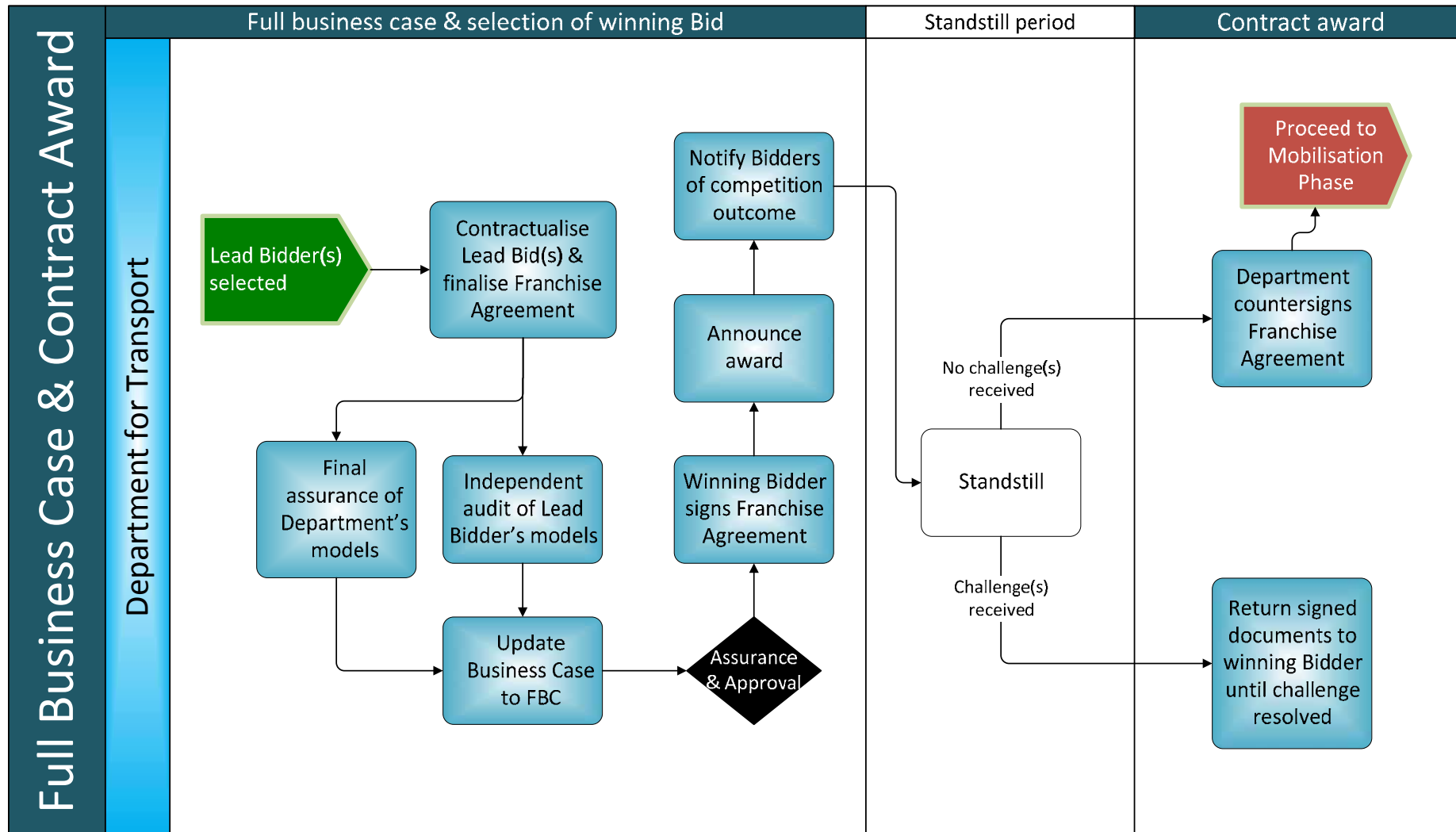
Reporting

- 191** The individual detailed technical and financial evaluation reports are consolidated into a single report and summary presentation for the approval bodies.

Business case stage 3 – full

192 Figure 12 illustrates the steps from evaluation to award.

Figure 12



193 The activities carried out from evaluation to contract award are:

- approval to contractualise the lead Bid(s);
- audit of the lead Bidder's financial models;
- updating of the business case to stage 3 (full); and
- franchise award.

Contractualising the Lead Bid(s)

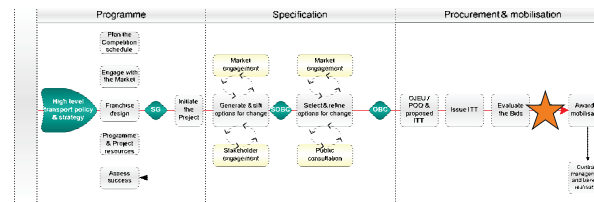
194 The Project Director obtains approval of the Lead Bidder and communicates the committed obligations which the Department requires to be contracted to the Lead Bidder, which may result in the contractualisation of the Lead Bidder's delivery plans. If the Lead Bidder is not willing to contractualise any committed obligation required by the Department, the initiative or measure which underpins the committed obligation will be discounted and the score awarded to the Lead Bidder will be adjusted accordingly. In case this adjustment would result in the second-placed Bidder scoring higher than the Lead Bidder and therefore becoming the Lead Bidder, the second-placed Bidder will be provided with committed obligations which the Department requires to be contracted at the same time as the Lead Bidder.

195 Provided that the Lead Bidder is willing to contract the committed obligations required by the Department, the Project Director holds discussions with the Lead Bidder to agree any other amendments to the Franchise Agreement and associated documents put forward by the Lead Bidder.

Audit of Lead Bidder's financial models

196 The Lead Bidder is asked to initiate an independent audit of its financial models, the detailed requirements for which are specified in the ITT.

Update the business case to stage 3 – full



197 The business case is updated and completed with relevant information drawn from the apparent winning Bid. Affordability and value for money are tested and confirmed. The complete Full business case is subjected to assurance to verify and validate the assumptions, evidence, calculations and conclusions. Once assured, it is used as the evidence on which the award approval bodies rely in making their award decision.



Independent audit

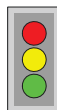
198 The business-critical models used by the Department during the franchise competition are subjected to the Department's final confirmatory assurance process to confirm their integrity.



Award the franchise

Obtain approval to award

- 199** The Project Director obtains approval to award the franchise contract to the winning Bidder.



Invite winning Bidder to sign Franchise Agreement

- 200** The winning Bidder is invited to sign the Franchise Agreement and associated documents after Ministerial approval is given.

Announce award

- 201** Information regarding the grant of a long and high-value contract has the potential to affect the share price of both the winning Bidder and those that were unsuccessful. The award announcement is made to the London Stock Exchange by the Department following grant of ministerial approval.

Notification of Bid outcome to Bidders

- 202** Simultaneously the Department issues a letter to the unsuccessful Bidders which formalises the outcome of the Bidding process. The letter conveys to unsuccessful Bidders the key information regarding scoring of all Bids and states the Department's intention to award a contract. It is sent on the day of the unsuccessful Bidders being advised of the outcome of the Bid and marks the start of the

Standstill Period. A meeting to discuss the content of the letter is offered to each Bidder.

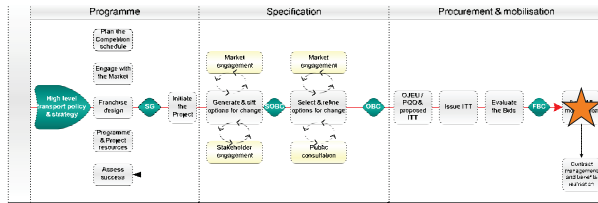
- 203** At the conclusion of the Standstill Period the unsuccessful Bidders must be informed in writing that the contract has been awarded.

- 204** A notice of contract award is issued through the OJEU.

Countersign the Franchise Agreement

- 205** Subsequent to completion of the standstill period and having given due consideration to any responses received, the Franchise Agreement is countersigned by the Director of Procurement or designated delegate. At this point lead responsibility for the relationship with the incoming franchisee passes from the Franchising Director to the Rail Commercial Director within the Department.

Mobilisation and Benefits Realisation



- 206** The objectives of the mobilisation phase are:
- to achieve a seamless transfer of the franchise from the incumbent to the new franchisee; and
 - for the Project Team to conclude its franchise letting responsibilities by providing the Rail Commercial Directorate (RC) with the information and materials needed to manage the franchise contract through to the realisation of expected benefits.

207 The activities carried out during the mobilisation phase are illustrated in Figure 13.

Project team handover to Rail Commercial (RC)

208 The Programme and Project Teams finalise and pass to RC colleagues the pack of documentation that forms the legal basis for the franchise, together with supporting evidence and information. The Project Team remains engaged to assist RC throughout the mobilisation period.

Set up mobilisation governance structure

- 209** To ensure the objectives of mobilisation are achieved as efficiently as possible, RC will establish:
- a Steering Group which will include directors from the incumbent and incoming franchisee; and
 - a Project Management Group comprising managers from organisations with a material interest in mobilisation of the new franchise.

These groups are referred to as the joint working group in Figure 13.

210 The role of this governance structure is to ensure that issues and risks that arise during mobilisation can be mitigated or dealt with as expediently as possible.

Implement mobilisation plan

211 Responsibility for mobilising the new franchise rests with the new franchisee who will proceed with the implementation of their detailed mobilisation plan.

Implement exit plan

212 In accordance with its Franchise Agreement, the incumbent puts in place all necessary arrangements to exit the franchise in a professional manner and provide appropriate support to the new franchisee in mobilising the new franchise.

Commence operation of the Franchise

213 RC carries out an assurance review to verify that the new franchisee is fully prepared to assume operations. This assurance enables the issue of the Certificate of Commencement.



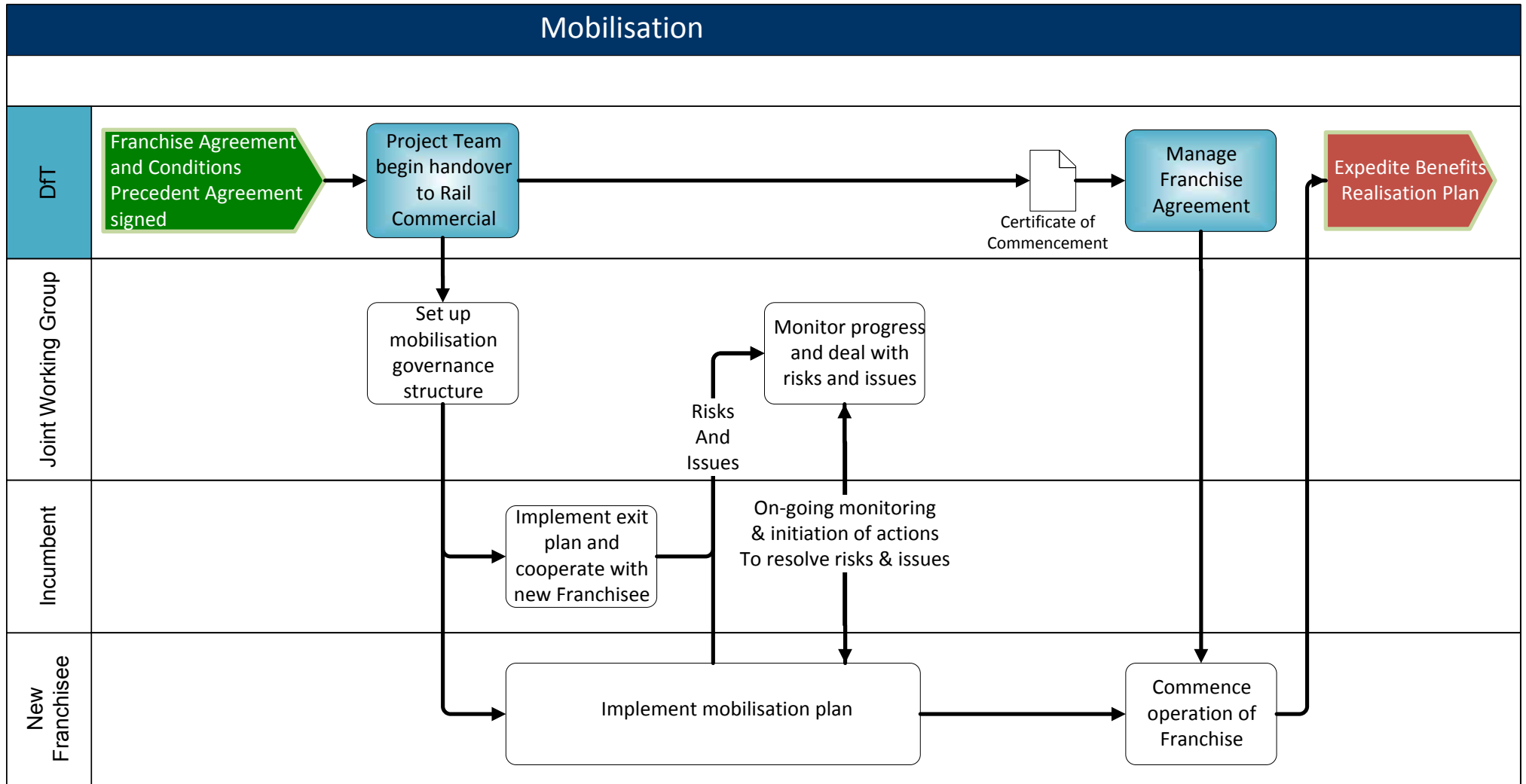
214 On the contracted commencement date the new franchisee takes over and operates the new franchise. RC assumes full responsibility for management of the contract and ongoing relationship with the new franchisee and for securing delivery of the planned benefits.

Project Closure

215 In collaboration with RC, the Project Team finalises the BRP and produces the Project closure report. This report is used to confirm the completion of the Project and full handover of responsibilities to RC. In addition, the Project team offers and delivers more detailed feedback to all Bidders.



Figure 13 – Mobilisation



Glossary

Acronym	Name	Definition
n/a	Affordable	A Proposition that can be funded within the Department's agreed funding envelope with HM Treasury throughout the life of the franchise.
n/a	Applicant	An organisation that is seeking to achieve Bidder status, having submitted a completed Pre-Qualification Questionnaire.
BRP	Benefits Realisation Plan	A plan that identifies the specific benefits to be achieved by the franchise and shows how these are incorporated into the propositions, the Specification and the Franchise Agreement.
n/a	Bid	An offer made by a pre-qualified Bidder in response to the Invitation to Tender
n/a	Bidder	An organisation which the Department deems fit to be invited to tender for a franchise. Fitness has been demonstrated by means of the Pre-Qualification process.

Acronym	Name	Definition
CQ	Clarification Question	<p>A question submitted by</p> <ul style="list-style-type: none"> • an applicant requesting additional information to clarify (but not change) an aspect of a document in the PQQ pack; or • a Bidder requesting additional information to clarify (but not change) an aspect of a document in the ITT pack; or • the evaluation team requesting additional information to clarify (but not change) an aspect of the PQQ response or Bid.
n/a	Conditions Precedent	Those conditions that must be met by the incoming franchisee prior to commencement of operations of the franchise.
CP	Control Period	For financial and other planning purposes, Network Rail works within 5-year "Control Periods", each one beginning on 1 April and ending on 31 March to coincide with the financial reporting year. CP4 runs from 2009 to 2014. CP5 runs from 2014 to 2019.
n/a	Data Site	The secure data on-line room established to enable the controlled and auditable sharing of specific information and documents relating to the competition.
n/a	Department	"the Department" and "Departmental" refer to the Department for Transport.
EoI	Expression of Interest	A business expression indicating intent to bid. Not to be confused with a formal response to the PQQ.
n/a	Franchise Agreement	The contract struck between the Department and the winning Bidder.

Acronym	Name	Definition
n/a	Franchise Agreement Review Group	A group composed of representatives from the Department, the rail industry and external advisers who are active in the industry which meets on a regular basis to discuss possible improvements and updates to the standard Franchise Agreement
FBC	Full Business Case (Stage 3)	The third and final stage of development of the business case for the franchise. See Transport Business Case .
HLOS	High Level Output Statement	The statement made by the Secretary of State in accordance with the Schedule 4 to the Railways Act 2005 (the High Level Output Specification 2012) and now termed the Rail Investment Strategy.
n/a	Incumbent	The organisation for the time being holding the contract for the franchise in question. Information provided by the incumbent is of critical importance to the conduct of the competition.
ITT	Invitation to Tender	A document inviting Bidders to submit bids for the provision of specified services on specified commercial terms and in accordance with specified requirements.
n/a	Lead Bidder	The Bidder emerging at the end of the evaluation and contractualisation process as the one that subject to satisfactory audit and approval will be recommended as the winning Bidder.
n/a	LEAN	The strategic approach to procurement recommended across Government departments by the Cabinet Office Government Procurement Service.
n/a	Market	A generic term used to describe all those organisations that may have a commercial interest in the opportunities offered by the franchise programme.
n/a	Metadata	The data that defines the information that is required to be placed in the Data Site for access by Bidders.

Acronym	Name	Definition
ORR	Office of Rail Regulation	The independent safety and economic regulator for Britain's railways.
OJEU	Official Journal of the European Union	TED (tenders electronic daily) is the online version of the Supplement to the Official Journal of the European Union dedicated to European public procurement.
OJEU Notice	OJEU Notice	Common parlance for the contract notice sent to the Official Journal.
OBC	Outline Business Case (Stage 2)	The second stage of development of the business case for the franchise. See Transport Business Case .
PPD	Pre-Qualification Process Document	The document setting out the rules for Applicants to follow in preparing and submitting their applications for Bidder status via completion of the Pre-Qualification Questionnaire.
PQQ	Pre-Qualification Questionnaire	The questionnaire devised to elicit information from an Applicant enabling them to demonstrate that they are fit to receive an invitation to tender for the franchise.
PIN	Prior Information Notice	A notice published to alert the Market to commercial opportunities described in that notice.
n/a	Programme	The rail franchising programme.
n/a	Programme Team	Departmental staff and relevant advisers who together develop and maintain the environment from which individual franchise competitions are initiated and supported throughout.
n/a	Project	A Project initiated by the Programme for the specific purpose of delivering a new franchise.

Acronym	Name	Definition
n/a	Project Team	The team of people together with their internal and external expert advisers, led by the Project Director, whose task it is to establish the Proposition, prepare the specification and procure against that specification.
n/a	Proposition	The fully developed concept for the franchise, capturing both commercial and passenger / rolling stock / operational aspects and subsequently translated in to the Specification for procurement.
n/a	Rail Commercial	Directorate of the Department for Transport responsible for managing rail franchise contracts from contract award through operation to closure.
SRO	Senior Responsible Owner	The individual responsible for ensuring that a project or programme of change meets its objectives and delivers the projected benefits.
n/a	Shadow Bid	The Shadow Bid is developed from the Baseline Model by the Technical Adviser to give additional confidence of affordability. The Shadow Bid sets out the Technical Adviser's view on what the Market would reasonably be expected to bid against the published ITT.
SMEs	Small and Medium-sized Enterprises	As defined by the European Commission Guide .
n/a	Specification	A translation of the Proposition into terms on which the Department will invite Bidders to construct their Bids.
n/a	Standstill period	A period, usually lasting a minimum of 10 calendar days, commencing on the day after unsuccessful Bidders have been notified of the outcome of the competition, and ending on the day that the contract is awarded.

Acronym	Name	Definition
SOBC	Strategic Outline Business Case	The first stage of development of the business case for the franchise. See Transport Business Case .
TSR	Train Service Requirement	The baseline service pattern, first and last train etc, with which the Bidder must demonstrate compliance in their Bid.
VfM	Value for money	One of the criteria to be met by the business case, value for money considers the level of costs and benefits we can expect from a proposal. A VfM assessment includes a range of impacts that transport interventions may have and, based upon these, gives advice to ministers about whether a proposal should go ahead.