

Part 3 of Schedule 1.6

DEPOT STRATEGY

1 HAYMARKET

Depot Improvement Obligation

The Franchisee undertakes to carry out a programme of depot improvements to provide additional depot capacity to maintain the Train Fleet and in order to deliver its obligations under the Franchise Agreement (the "Depot Improvements") utilising the agreed budget of [REDACTED] or such other budget as is agreed between the parties (the "Agreed Budget") and carrying out the works set out below (the "Works") subject to paragraph 1.5.2.

The Franchisee and the Authority will agree the exact programme for implementation of Depot Improvements and a schedule of milestone payments following completion of the survey work to be carried out in relation to Haymarket depot (the "Haymarket Survey"). The Franchisee will carry out and report on the conclusions of the Haymarket Survey to the Authority by 19 November 2004 or such other date as may be agreed with the Authority, acting reasonably, considering the access to the Haymarket site given to the Franchisee prior to the Franchise Commencement Date. The Authority agrees that the full amount of the Agreed Budget will be made available to the Franchisee in order to carry out the Depot Improvements. The Franchise Payment in the second Reporting Period following satisfactory completion of the relevant works for each agreed milestone will be increased to take account of the amounts which are then due in relation to such milestone as part of the agreed programme.

The Franchisee commits, subject to paragraph 1.5.2 to carrying out the Works and to do so within the Agreed Budget. The Franchisee commits to apply the Agreed Budget solely for the purposes of implementing the Depot Improvements and to provide such evidence as the Authority reasonably requires of the application of the Agreed Budget in the form of an open book accounting policy. Unless otherwise agreed, the Authority shall not be required to pay more than the Agreed Budget to the Franchisee pursuant to this paragraph 1 of Part 3 of Schedule 1.6.

Haymarket Proposal

Subject to paragraph 1.5.2 the Franchisee will apply the Agreed Budget to carry out its programme of Depot Improvements and Works at Haymarket as set out below (the "Current Depot Strategy"). The intention is for Haymarket to be a centre of excellence for Class 170 DMU rolling stock and for there to be an expansion of Haymarket to undertake all light and heavy maintenance of the new fleet of Class 170 vehicles and for this to be used as a

catalyst to improve morale and build an improved workforce culture at Haymarket.

The Current Depot Strategy will meet all the cleaning, stabling and maintenance requirements of the expanded Scottish fleet.

1.1 Maintenance Shed (Roads 9 & 10)

The Maintenance Shed covering Roads 9 & 10 is currently used for heavy maintenance. Both Roads 9 & 10 in this workshop can only accommodate 2-car units at present and are not equipped to adequately support the class 170 fleet. This workshop will be extended east to accommodate 3-car units and be better equipped for heavy maintenance of Class 170 vehicles. Provision of a bogie-drop table in this workshop would greatly improve efficiency and reduce turnaround times. In addition an overhead crane to enable air conditioning unit maintenance is required.

Works undertaken will be as follows:

- Extend workshop by approx. 12m east to enclose end of Roads 9, 10 & 11 and accommodate 3-car units
- Roads 9 & 10 to be extended to accommodate 3-car units and pit depth increased as required
- Relocate substation currently located at north side of workshop
- Provide improved jacking facilities to allow for lifting of heavier class 170 vehicles
- Provide equipment to improve the efficiency of the engine change process
- Install bogie-drop table on Rd 10
- Offices at west end of workshop to be removed & relocated
- Provide 1.5t overhead crane to enable replacement of roof mounted A/C units
- Aprons to be extended on Roads 9 & 10

1.2 Service Shed (Roads 6, 7 & 8)

The Service Shed covering Roads 6, 7 & 8 is currently used for examinations. Roads 6 & 7 accommodate 5 cars, whilst Road 8 can only accommodate 4 cars. The Franchisee proposes to extend this shed east such that Roads 6 & 7 can each accommodate 2 x 3-car units. Road 8 will remain as a 4-car road. Exams will continue to be carried out in this workshop. In addition an overhead crane to enable air conditioning unit maintenance is required.

Works undertaken will be as follows:

- Extend workshop by approx. 23m east to enclose Roads 6 & 7 and accommodate 2x3-car units each
- Provide 1.5t overhead crane to enable replacement of roof mounted A/C units
- Aprons to be extended on Roads 6 & 7

1.3 Service (Roads 3, 4 & 5)

The Service Shed covering the Fuel Road and Roads 3, 4 & 5 is currently used for re-fuelling and CET work. The shed is extended east to ensure the Fuel Rd is covered in order to accommodate a 3-car unit. Improvements to fuelling and CET facilities are also required to ensure these activities can adequately be carried out on the Fuel Rd and Roads 3 and 4 for Class 170 units. Consideration is to be given to extending fuelling and CET facilities to Rd 5,

Works to be undertaken will be as follows:

- Extend south east corner of workshop by approx. 28m east to cover Fuel Rd, connecting Workshops 2 & 3 and accommodate 3-car units
- Provide new/improved fuel points on Fuel Rd and Roads 3 & 4
- Extend main fuel pipe by approx. 13m
- Provide new/improved CET points on Fuel Rd and Roads 3 & 4
- Apron to be extended on Fuel Rd
- Consider provision of new/improved fuel and CET facilities on Rd 5 (currently not costed)

1.4 Maintenance Shed (Roads 1 & 2)

The maintenance workshop (Roads 1 & 2) is currently used for heavy maintenance. Both roads can only accommodate 2-car units. The shed covering Rd 1 is to be extended west to accommodate a 3-car unit. This will augment the heavy maintenance facilities on Roads 9 & 10 and provide for increased capacity and flexibility in dealing with unplanned maintenance. Provision of an additional heavy maintenance facility for Class 170 vehicles will also aid in minimising disruption during depot upgrade works.

Works to be undertaken are as follows:

- Extend workshop by approx. 20m west to enclose Rd 1 and accommodate 3-car units
- Provide improved jacking facilities to allow for heavier class 170 vehicles
- Provide equipment to improve the efficiency of the engine change process

- Apron to be extended on Rd 1

Confirmation of the Current Depot Strategy

The Franchisee will use reasonable endeavours to obtain all relevant consents required in order to implement the Current Depot Strategy.

1.5.1 If following completion of the Haymarket Survey the Franchisee is able to implement the Current Depot Strategy within the Agreed Budget (and the Franchisee will be deemed able to do so if none of the circumstances set out in paragraph 1.5.2 arise or obtain), the Franchisee will submit a milestone schedule and programme to the Authority for approval. Once the Franchisee and the Authority have agreed the milestone schedule and the programme the Franchisee shall implement the Current Depot Strategy in accordance with such milestone schedule and programme and the Authority shall make payment of the appropriate milestone amounts upon satisfactory completion of the milestones.

1.5.2 If following completion of the Haymarket Survey, the survey results demonstrate that to carry out the works and the Depot Improvements under the Current Depot Strategy will involve expenditure in excess of [REDACTED] because of ground or physical conditions pertaining to the Haymarket site or because despite the Franchisee having used reasonable endeavours to obtain any relevant consents, the Franchisee is not able to obtain such consents, it shall propose alternative depot strategies to the Authority (within such reasonable period as is agreed between the Franchisee and the Authority) in order to achieve Depot Improvements which alternative may include improvements at other depots including Eastfield. The reasonable survey work and other reasonable costs already carried out at Haymarket may in any case be recovered as part of the Agreed Budget provided there is sufficient provision in the budget for this and completing the Works, where these proceed, or any alternative Works if an alternative depot strategy is adopted. The Franchisee will incorporate such amendments to the alternative depot strategy as the Authority may reasonably require and once approved by the Authority the Franchisee will implement such alternative depot strategy on the basis of the depot strategy programme and milestone schedule set out therein. The Authority shall make payment of the appropriate milestone amounts upon satisfactory completion of the milestones. Whatever depot strategy is adopted pursuant to this paragraph 1.5.2, the Authority shall not be required to pay more than the Agreed Budget to the Franchisee pursuant to this paragraph 1 of Part 3 of Schedule 1.6 unless otherwise agreed between the Franchisee and the Authority and the Franchisee will remain responsible for complying with its obligations under the Franchise Agreement.

2 CURRENT EASTFIELD WORKS

The Authority has agreed for various depot works to be carried out at Eastfield depot under the Previous Franchise Agreement (the "Current Eastfield Works"). The Franchisee will use all reasonable endeavours to mitigate costs associated with any interim measures required for the introduction of the New

Trains related to the Current Eastfield Works and to utilise Eastfield depot once the Current Eastfield Works have been completed.

The Authority agrees that the Franchisee is not responsible for carrying out the Current Eastfield Works, for any additional costs in carrying out the Current Eastfield Works or for any breach of this Agreement caused by the carrying out of or failure to carry out the Current Eastfield Works unless it is caused by a failure of the Franchisee to mitigate costs related to the Current Eastfield Works.

If Phase 1 of the Current Eastfield Works are not completed in accordance with the specification set out in the document in the agreed terms marked ECW by the December 2004 timetable change date (the "ECW Fault"), the Authority agrees that it will work with the Franchisee to agree a resolution that holds the Franchisee harmless from the consequences to the Franchisee of the ECW Fault. If no such resolution can be agreed within a reasonable period and, in any case, within 2 months of the December 2004 timetable change date, the Authority will compensate the Franchisee against any costs falling to it as a result of the ECW Fault and where the Franchisee can demonstrate to the Authority, acting reasonably, that the Franchisee cannot comply with its obligations under this Agreement as a result of the ECW Fault, the Authority will not treat such non-compliance as a breach of this Agreement for so long as the breach arises from the ECW Fault. Any costs claimed by the Franchisee shall be properly vouched and any over-payment repaid if such costs are advanced by the Authority prior to the Franchisee incurring such costs.