Schedule 1.6 – Committed Obligations Schedule 9.1 – Variations and Financial Consequences of Change			
Date of change	**Reason for Change**	**Clauses Changed**	**End Date of Change**
28 August 2015	CO 12.2, Borders Launch Event, Inclusion of Opening Celebrations steam train services	Sch 1.6 - CO 12.2 Sch 9.1 - Clause 1.1 (a)	

Schedule 1.6: Franchisee's Committed Obligation: 12.2 – Borders Launch Event Franchise Variation – Inclusion of Opening Celebrations steam train services

This letter is a notice to vary the ScotRail Franchise Agreement, Schedule 1.6, Part 1 Committed Obligations (CO) – 12.2 Borders Launch Event to include the additional specification for the Borders opening celebrations event. The variation is being progressed as per Schedule 9.1, clause 1.1 (a) between Abellio ScotRail and Transport Scotland on behalf of Scottish Ministers.

The additional specification to be included as part of CO 12.2 Borders Launch Event is detailed within the following papers provided by Abellio ScotRail (attached to letter), along with indicative costs and revenue projections for the provision of steam services:-

- Borders Railway introduction and opening celebrations" dated 13 July 2015 (update to paper submitted 10 December 2014) – version 2.
- Borders Railway – Steam Train offering (Addendum to Borders Railway introduction paper) – dated 8 July 2015.

Both Transport Scotland and Abelio ScotRail has agreed that the information contained within the papers are subject to change and a transparent "open book" reconciliation audit will be carried out by **30 October 2015** to determine the actual subsidy.

An interim payment will be paid to Abellio ScotRail in Period 7 equivalent to the evidenced amounts invoiced by its supplier of steam locomotives in August and September. The interim payment will be accounted for in the reconciliation audit mentioned above to determine the amount of balancing payment due and Transport Scotland will arrange to make the balancing payment to Abellio ScotRail during Period 9.

In accordance with the Franchise Agreement, Schedule 9.1, Clause 4.1, the Authority notifies the Franchisee that this Change could potentially exceed the Threshold Amount (£636,018) either alone, or when taken together with any future Change, resulting in a Qualifying Change. This will not be known until the reconciliation audit is carried out as noted above. The parties agree that no Run of the Financial Model will be required in respect of this Change alone and that no Revised Inputs will be required in respect of this Change upon a future run of the Financial Model in view of the audit and payment arrangements described above.

It should be noted that the variation to CO 12.2 has no financial impact on the Committed Obligation Payment Adjustment (COPA), as specified in the ScotRail Franchise Agreement, Part 3 Late/ Non Completion of Committed Obligation. The COPA specified for CO 12.2 will only apply to the existing specification for the Borders Launch Event.

Paper to: Transport Scotland

Subject: **Borders Railway Introduction and opening celebrations**

Date: 13 July 2015 – Update to paper submitted 10 December 2014

Submitted by: Kirsty Watson

1.1 Purpose of paper

Transport Scotland were asked to note significant changes in the scope of Borders Railway opening celebrations and initial operation in December 2014, this paper reflects changes since that paper was submitted.

1.2 Background

The Borders Railway will reopen for the first time since 1969 on 6 September 2015.

During the franchise bidding process, it was made clear that substantial opening celebrations would form part of the grand opening of this new railway. This was accounted for in our bid submission and appropriate commitments were made. These have been contractualised in the form of committed obligations.

However, aspirations for the opening celebrations have increased significantly since our bid and a blueprint has been developed for the opening celebrations which go much further than was originally envisaged.

As a result of this, we are being asked to deliver many additional elements which were never funded within our bid submission.

1.3 Our commitment to Borders

Throughout bid development, we were aware of the importance and proximity of the Borders Railway opening, and as such made many commitments to this historic project within our bid. These were subsequently identified as committed obligations within the Abellio ScotRail franchise agreement (FA). The areas where we have contractual commitments are outlined in the table below.

	Commitment	Date
CO12.2	Spend at least £75,000 on Borders Launch	Before September 2015
CO12.1	Establish an integrated project team from franchise start	1 April 2015
CO12.1 (a)	Close cooperation with BAM and NR to ensure: • Driver training and station handover • Route commissioning and new station acceptance • Station structures and systems are installed and tested • Route proved for rolling stock and accepted in our safety case • Systems integration testing (GSM-R; signal sighting etc) • Agree a detailed programme with NR and BAM before franchise start date	Various dates between execution of FA and Borders opening
CO12.2	Engage with stakeholders, including NR to develop marketing plans for borders launch from franchise start date	Franchise start date
CO12.2	Franchisee will become an integral member of the launch committee	Launch event
CO12.2	Contribute event planning, marketing budget and operational expertise specific to the launch	Launch event
CO12.2	Increase management focus and deploy additional employees to eliminate and minimise delays	Launch event
CO20.2	No later than 1 month after franchise start we will deploy a new web site. A part of which must be a dedicated micro site for Borders Railway	No later than 1 month from franchise start

CO25.6	No later than 30 September 2015 we must establish a sustainable development enterprise for Borders Railway	30 September 2015
CO34.3	As part of the 2 year pilot, we must procure that "at least one" steam tourist service will operate on Borders Railway from date of opening	Following agreed variation, only applicable in Franchise year two.

1.4 Current thinking on Borders celebration blueprint

There have been BROCC discussions and meetings to scope the extent of the Borders opening celebrations and these have now been developed into a plan with expected activities. The current thinking for the opening celebrations and future use of the route are:

- **Golden ticket day on Saturday 5 September 2015, including:**
  - 8 inaugural journeys from each of the stations (non-stop and covering full route
  - VIP only through allocation of golden tickets to local communities and stakeholders along the route (those affected by the construction)
  - NOT open for public service

- **Service will be open to fare paying customers on Sunday 6 September 2015**

- **Ceremonial opening of Borders Railway on Wednesday 9 September 2015 to include:**
  - Exclusive day for VIP's including VVIP (150 guests maximum)
  - Journey to Tweedbank on iconic steam train
  - Plaque unveiling at Tweedbank
  - Formal reception at Abbotsford
  - Return journey on "wrapped" ScotRail train advertising Borders Railway

Our proposed response to deliver these requirements is outlined in the following sections of this proposal.

1.5 Options considered

In December's paper we advised that Option 3 was our preferred option for delivery of requirements for the opening celebrations, i.e.

Provide experts to plan steam experience operational response
ASR to deliver excellent marketing and set ticket prices
Maximise commercial opportunities with full transparent view to TS
Open book approach and ASR held harmless

1.6 Our proposed response to enhanced Borders opening celebration scope

1.6.1 Procure steam locomotive engine and appropriate rolling stock

We understand TS requirement for the VVIP opening celebrations on 09 September. We will procure the prestigious steam locomotive, Union of South Africa. The train will be formed of seven coaches which will include a special saloon coach for the VVIP, four First class coaches for the invited guests, providing a total of 168 seats; a standard class coach for 60 passengers a brake vehicle, support coach and a class 66 engine. The train will be procured at a cost of . The breakdown of costs

is detailed in paper "Borders Rail steam update paper v2", dated 8 July 2015 which should be read in conjunction with this paper.

A class 170 will be positioned to Tweedbank to take the invited guests back to Edinburgh once the celebrations are complete. This train has been fully wrapped to advertise the opening of the Borders Railway.

We will provide a train driver, conductor and travelling fitter for this service and additional station staff at Newtongrange and Tweedbank. Staff and rolling stock operating costs are estimated as 1.

1.6.2 Procure steam heritage trains for taster period x 17

You have asked us to operate a taster heritage service on the Borders Railway during the first six weeks of operation.

We will operate steam services on the route each Wednesday, Thursday and Sunday during this period at a total cost of circa . 0. Please see paper "Borders Rail steam update paper v2" for full details of costs.

To realise a commercial opportunity (as outlined in 3.1 below), we will need to spend an additional .. on a marketing campaign to raise awareness of these services. To be clear, this) is in addition to the committed for the opening celebrations. This spend is detailed further along in the proposal.

Please see paper "Borders Rail steam train paper v2" for details on stewards and catering and costs associated with providing these.

1.6.3 Operate special trains for Golden ticket holders

Eight non-stop journeys are required to operate for "golden ticket holders". The services will start their journey at each of the stations and go south to Tweedbank, north to Edinburgh and back to the origin station, or do this in reverse.

We will operate 8 class 158 diagrams using 4 car trains throughout the day to deliver this requirement. To operate these services robustly and to ensure the trains remain clean and well maintained throughout the day, we will provide 12 train drivers and conductors, 2 travelling fitters and 4 travelling train cleaners. We will provide staff at all stations on the route to ensure the event proceeds safely. Total staff and rolling stock operating costs (fuel, VTAC, maintenance etc) incurred during the day are estimated as

1.6.4 Marketing the taster services

As outlined earlier within this proposal, if ASR are to operate the opening celebrations and subsequent taster heritage trains as a commercial opportunity, we will need to develop a pointed marketing and communications plan to realise this commercial opportunity. Accepting this, we will undertake a pre-launch marketing campaign to drive awareness of the opening of this route and the subsequent special services. We will aim this campaign not only at commuters and communities along the route, but also at the tourists and leisure traveller to Scotland, particularly in the Edinburgh and Glasgow areas.

to Wednesday after service has commenced means that we require to cancel 3 services from Tweedbank to Edinburgh, 2 services from Edinburgh to Tweedbank and 3 services in each direction will miss calls at intermediate stations.

On golden ticket day buses will replace Edinburgh to Newcraighall services from start of service until 15.26 from Edinburgh and 15.44 from Newcraighall. This results in 19 Edinburgh to Newcraighall services being cancelled and 18 Newcraighall to Edinburgh services cancelled. We would seek to recover the costs of the replacement bus service for this day at an estimated cost of

SR will submit a derogation application for these cancellations which we are asking TS to give approval for to ensure no cost is incurred through schedule 8 of the FA.

1.8.2 On-board service for the golden ticket services

Further to the original proposal paper, on board service for the golden ticket holder trains will now be provided in the form of a food offering provided by Stark Events at the origin station before they board the train so the prices provided in this section are no longer required.

1.8.3 Class 170 wrap to advertise Borders Railway

Further to the paper in December, FSR did wrap the cl170 train unit 414 for Borders opening.

1.8.4 Approval to secure resources

We are securing resources for the launch event internally to support the Stark Events personnel and stewards provided by local authorities.

1.9 Context of cost recovery

Although we have identified all potential costs for these additional unfunded requirements for the Borders opening celebrations, we would anticipate a transparent "open book" process for cost recovery. We will submit documentation to TS based on actual spend with evidence to support spend based on our proposal. We will provide evidence to TS on all commercial transactions made and any revenue gained through operation of the services, and also the ancillary revenue made directly through operating the celebration period services. There will be revenue loss associated with the train cancellations and ASR requests the right to claim for this at an approximate loss of per train cancelled.

We feel this approach will ensure that ASR are held harmless to the cost of these additional requirements, whilst giving TS evidence to be comfortable that we are not unduly profiting for the prestigious opening of this new railway line.

We will spend an additional circa £ on marketing activities pointed specifically at the additional "Steam Train Experience taster heritage specials" that will operate in the first six weeks as an enhanced celebration of the opening of Borders Railway. This is detailed in the "Borders Rail steam update paper v2".

Our marketing will target specific audiences and will focus on Steam enthusiasts, residents along the Borders route and those who live in Edinburgh and the larger leisure/ tourist markets of Edinburgh and Glasgow.

We have re-considered pricing outlined in the original paper in December 2014 and have agreed with Transport Scotland revised fares which are detailed in the "Borders Rail steam update paper v2". These are offset against costs for operation, also detailed in the steam addendum.

Our proposed marketing channels would be:

- Advertising in specialist steam enthusiast magazines / websites
- Local press advertising along the line of route and in Edinburgh Evening News / Scotsman / Metro
- Digital advertising and pay per click advertising
- Leaflet production for tourist information centres / in event distribution racks in stations / visitor attractions / libraries etc via Direct Distribution
- Partnership marketing with Visit Scotland

As mentioned earlier, we would intend to spend an additional marketing the additional taster services. This spend would be split as outlined below and we would also have posters and outdoor sites:

- Specialist press / websites:
- Local press advertising:
- Digital advertising and pay per click:
- Leaflet production and other printed materials:
- Partnership marketing with Visit Scotland:
- Contingency:
- **Total:**

1.7 Commercial opportunity

We have assumed that there is a commercial opportunity around these services, but this is unlikely to cover the cost of operation. The costs and potential revenue for these services are outlined in the addendum to this paper "Borders Rail steam update paper v2".

1.8 Other considerations and approval required

1.8.1 Schedule 8 derogation

Our original proposal assumed that TS would allow us to cancel up to 60 timetabled trains on the Borders Railway during the taster period. However, the update to that plan is that for Wednesday and Thursday STE trains 2 services in each direction would be cancelled, 2 part cancellations are required between Edinburgh and Haymarket and there are a number of consequential re-timings on the Borders route extending a number of journey times. Sundays will require re-timings to accommodate the longer journey steam train but no cancellations. Moving the opening celebration

Project Title:
Borders Railway – Steam Train offering
Addendum to Borders Railway introduction paper

Report Date: 8 July 2015

This paper outlines for approval updated assumptions and a revised specification in respect of the Borders steam offering. It is intended to be read in conjunction with the paper issued on 13 July 2015.

While considerable effort has been made to refine the accuracy of the figures being presented, please note that cost and revenue figures presented are indicative and the position regarding cost recovery remains as stated in the previous paper para 1.9 (i.e. Abellio ScotRail Limited must be held harmless for any net financial impact arising from changes to the launch event or taster services).

1.1 Revised specification – Opening Celebration, VVIP launch

- The ceremonial opening will now take place on Wednesday 9th September, replacing the first of the 18 planned "taster" services
- One locomotive is to be provided: Union of South Africa. A standby locomotive will also be brought to Scotland as a contingency measure at an additional cost of £
- No on-board catering is to be provided
- Cost of providing the train will be £) (including additional coach cost mentioned below)
- The train formation will consist of 4 first class coaches + VVIP coach providing total capacity of 168 against required capacity of 150
- To provide additional "overflow" capacity it has been agreed that DBS will provide a 5th standard class coach (which will be sourced from SRPS and visually consistent externally with the other coaches) at an additional cost of £
-

1.2 Revised specification – Borders Steam Train Experience

- 17 taster sessions on Wednesdays/Thursdays and Sundays over 6 weeks commencing Thursday 10th September

Summary of costs excluding steam train costs	
Golden ticket day on Saturday 5th September	£
Class 170, unit 414 for Wednesday 9th September	£
Bus replacement service on Saturday 4th September	£
Loss of revenue from cancelled services (excluding STE trains)	£) per train £ approx
Total	£

- a stop at Galashiels is now to be incorporated into the itinerary
- One locomotive is to be provided: Union of South Africa.
- As previously noted, an on-board catering service will operate on these services.
- The cost of procuring the trains will be £) (£ 0 per train). This figure is inclusive of cost of procuring stewards, meaning that separate provision of £) is removed from programme cost. In addition there are start-up driver training costs of) and, in response to high demand for tickets, an additional standard class coach has been added at an additional cost of approximately per train meaning the total cost of procuring the trains inclusive of driving training costs is
- The proposed coaching formation is three first class coaches (providing a total capacity per train of 126) and three standard car coaches (providing a total capacity of 186 per train).
- Catering costs to be confirmed. Probably including per train cost for use of catering car.
- We present a revised assessment of the commercial opportunity for these trains below.

1.3 Commercial opportunity

We believe that the pricing strategy previously presented was overly ambitious, based on our own recent experience of promoting steam services and market research.

Factoring in the likely desirability of the new route, but also the large density of services we will be trying to sell and the limited time in which we have to market and sell them, we would suggest that the following price points should be adopted:

Standard: £40, First Class/First Class child: £75
Child Ticket (standard): £20, Family Ticket (2 adults/2 children, standard): £100

Revised revenue projections based on a 75% loading are as follows:-

Total revenue projection circa

A 50% loading would achieve revenue of per train: circa al revenue.

A fee + commission is payable to Steam Dreams for acting as the sales agents for the Borders steam services and would be deducted from the total revenue figure stated above.

1.4 Revised Cost position

- As noted above the cost of procuring the trains will be) (opening ceremony) plus k (taster services).
- Catering costs for the taster services remain to be confirmed, but are likely to include an additional k per train for use of a buffet car. For provisional budgeting purposes I have assumed k per train plus 0 per head for first class
- We will have additional costs for providing staff at stations for the taster sessions (assume 3 staff per station, rates to be confirmed), plus contractor costs to open and close the stations. We anticipate less staff will be required for the VVIP day as this will be managed by Stark Events and third party security. On this basis we have included total resource cost to as an indicative figure.
- We will have contractor costs for the opening ceremony: a contractor will be required on site at Tweedbank to supervise Stark Events and their suppliers. We assume three days required.
- Based on the late change to plans for the launch, we consider it necessary to include a provision for train planning support of 20 days x per day k. It is unlikely that all of this will be used.
- An indicative revised summary of cost and revenue is presented below

* after deduction of sales agency fees.

Net Revenue*:		75% loading:	50% loading
Cost of procuring steam locomotives	BROC: + standby Tasters		
Total resource cost			
Catering			
Marketing			
Revenue Detriment	)		
Train Planning support			

Total Cost	(		
Contingency			
Programme Total			

For the avoidance of doubt the figures stated above are exclusive of the costs summarised in the table to the paper dated 13th July (being the costs unrelated to steam train costs: i.e. golden ticket day costs and cost of provision of diesel unit for opening ceremony).