

INTERNATIONAL GROWTH INCENTIVE SCHEME

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1. DEFINED TERMS

1.1 Capitalised terms used in this International Growth Incentive Scheme shall have the following meanings:

Access Proposal	means a written proposal from a TOC to the Infrastructure Manager setting out the TOC's requirements in relation to a New Working Timetable, including specifying its wish to Exercise any Firm Rights or Contingent Rights and/or make changes to any Train Slot included in any previous timetable
Advance Period	means any of the following periods: (a) the first three Periods in a Relevant Year; (b) the three Periods comprising the fourth, fifth and sixth Periods in any Relevant Year; (c) the three Periods comprising the seventh, eighth and ninth Periods in any Relevant Year; and (d) the final four Periods in any Relevant Year
Affected Incentive Term Year	means the Infrastructure Manager has determined pursuant to paragraph 4.3 in relation to an Incentive Term Year, that a Prolonged Adverse Market Disruption has occurred or is ongoing in that Incentive Term Year
Ancillary Movement	means a train movement which is not an express part of any Services but which is necessary or reasonably required for giving full effect to the train movements which are an express part of a Service and shall include any such train movement as is referred to in paragraph (c) of the definition of 'Services' to the extent that it is not expressly provided for in a Framework Track Access Agreement
Applicable Timetable	means, in respect of a Day, that part of the Working Timetable in respect of that Day which is required to be drawn up in accordance with Condition D2.1.1 of Part D as at 2200 hours on the Day prior to that Day, and which is applicable to the Trains
Applicable Timetable Planning Rules	means the Timetable Planning Rules in force in respect of the Routes on the date the relevant Framework Track Access Agreement comes into effect, as from time to time amended or replaced under Part D
Authorised Variation	means a variation to an Established Network Change

	where: (a) the terms and conditions on which the Network Change in question was established contain a variation procedure; (b) that variation procedure has been followed in accordance with its terms; and (c) the result of the operation of that variation procedure is that the Established Network Change has been varied
Change of Law	means the application to any person of any Legal Requirement which did not previously so apply or the change of any Legal Requirement applying to that person (including any such Legal Requirement ceasing to apply, being withdrawn or not being renewed) other than in relation to: (a) corporation tax (or any other tax of a similar nature replacing corporation tax on profits or gains); or (b) Value Added Tax
Channel Tunnel	means the existing fixed link under the English Channel between the southern portal at the Department of Pas-de-Calais in France and the northern portal in the County of Kent in England together with the terminal areas associated therewith
Chargeable Journey Time	means the chargeable journey time specified in column E of Part 2 of Schedule 4 (Track Charges) of the Framework Track Access Agreement
Competent Authority	means any local, national or supra-national agency, authority, department, inspectorate, minister, ministry, official, court, tribunal, or public or statutory person (whether autonomous or not and including the ORR and the Channel Tunnel safety authority) of the United Kingdom, which has jurisdiction over either or both of the Infrastructure Manager and relevant TOC in relation to the subject matter of, or in connection with, a Framework Track Access Agreement provided that a Competent Authority shall not include Her Majesty's Government (or any department, minister, official or nominee thereof) where acting as shareholder of the TOC in question or other than pursuant to the Crown prerogative or a statutory function or power
Competent Authority	means a Restriction of Use (other than one which

Restriction of Use	constitutes an Extended Disruption under and for the purposes of Condition H7 of Part H): (a) as a result of any Change of Law or any Direction of any Competent Authority other than ORR; or (b) pursuant to an agreement between the Infrastructure Manager and any Competent Authority, to the extent only that the Restriction of Use could otherwise have been required pursuant to a Direction of that Competent Authority
Concession Agreement	means the agreement (as amended or restated) made between the Secretary of State for Transport and the Infrastructure Manager granting the concession to the Infrastructure Manager for the design, construction, financing, operation, repair and maintenance of HS1
Contingent Right	means a right which is not a Firm Right and which is subject to the fulfilment of all competing Exercised Firm Rights and any additional contingency specified in Schedule 5 of the relevant TOC's Framework Track Access Agreement
<u>Contract</u>	<u>means a Framework Track Access Agreement or Track Access Agreement between the Infrastructure Manager and a TOC which incorporates the Passenger Access Terms, the HS1 Network Code, and the HS1 Operational Codes</u>
Corresponding Day	means, in respect of any Day (the First Day): (a) a Day which is contained in the same Timetable Period as the First Day and on which the Services scheduled in the First Working Timetable applicable to that Timetable Period are the same as would have been scheduled on the First Day but for Restrictions of Use reflected in the First Working Timetable for the First Day; (b) if no Day is found under paragraph (a), then a Day during the equivalent Timetable Period for that time of year in the year immediately preceding the Timetable Period which includes the First Day and on which the Services scheduled in the First Working Timetable applicable to that Timetable Period are the same as would have been scheduled on the First Day but for Restrictions of Use reflected in

	the First Working Timetable for the First Day; or (c) if no Day is found under paragraph (a) or (b), such other Day as the parties may agree or as may be determined in accordance with paragraph 6 of Section 4 of the Passenger Access Terms
Corresponding Day Timetable	means, in relation to a Corresponding Day, the First Working Timetable applicable to the relevant Timetable Period or such other timetable as may be agreed between the Infrastructure Manager or a TOC or otherwise determined in accordance with paragraph 6 of Section 4 of the Passenger Access Terms
Criteria and Procedures	means the ORR's 'Criteria and Procedures for the approval of framework agreements on the HS1 network', as amended from time to time
Day	means any period of 24 hours beginning at 0200 hours and ending immediately before the next succeeding 0200 hours
Direction	means, in respect of a Framework Track Access Agreement, any direction, requirement, instruction or rule binding on either or both of the Infrastructure Manager and relevant TOC, and includes any modification, extension or replacement of any such direction, requirement, instruction or rule for the time being in force
Discount Factor	means the factor applied to the calculation of IRC in paragraph 2.1 of Part 2 (Track Charges) of Section 7 (Track Charges) of the Passenger Access Terms, as specified in column D of Part 2 of Schedule 4 (Track Charges) of each Framework Track Access Agreement
<u>Displaced Service</u>	<u>has the meaning given to it in paragraph 5.29</u>
<u>Displaced Train Slots</u>	<u>has the meaning given to it in the paragraph 6.11</u>
<u>Displacing Service</u>	<u>has the meaning given to it in paragraph 5.29</u>
Disruptive Event	means any event or circumstance which materially prevents or materially disrupts the operation of trains on any part of HS1 in accordance with the relevant Working Timetable
<u>Emergency Access Code</u>	<u>means the HS1 Emergency Access Code</u>
Engineering Access Statement	means a document setting out, for any part of HS1, each of the following matters:

	(a) the location, number, timing and duration of any Restrictions of Use; and (b) any alternative train routes or stopping patterns which may apply during any Restrictions of Use referred to in paragraph (a)
Environmental Damage	means any material injury or damage to persons, living organisms or property (including offence to man's senses) or any pollution or impairment of the environment resulting from the discharge, emission, escape or migration of any substance, energy, noise or vibration
Established Network Change	means a change falling within the definition of Network Change and which: (a) in the case of a Network Change proposed by the Infrastructure Manager, the Infrastructure Manager is entitled to carry out having complied with the procedural and other requirements of Part G; and (b) in the case of a Network Change proposed by a TOC, the Infrastructure Manager is required by Part G to carry out
<u>Eurotunnel Boundary</u>	<u>has the meaning given to it in Part A</u>
Exercised	shall mean as a consequence of: (a) submitting an Access Proposal to the Infrastructure Manager by the Priority Date in accordance with Conditions D2.4 and D2.5 of Part D; or (b) a Rolled Over Access Proposal
Extended Disruption	means a Disruptive Event which is likely to be of sufficient duration as to make it necessary in the reasonable opinion of the Infrastructure Manager to adopt a revised timetable
<u>Extended Possessions Allowance</u>	<u>means the following HS1 Restrictions of Use:</u> <u>(a) in respect of the Relevant Year commencing on 1 April 2025:</u> <u>(i) four 12 hour Restrictions of Use; and</u> <u>(ii) four 8 hour Restrictions of Use,</u> <u>in each case on the route between St Pancras International and the Eurotunnel Boundary;</u> <u>(b) in respect of the Relevant Year commencing on 1 April 2026:</u> <u>(i) two 12 hour Restrictions of Use;</u>

	(ii) <u>six 8 hour Restrictions of Use; and</u> (iii) <u>all Rolled Over EPA Restrictions of Use, in each case on the route between St Pancras International and the Eurotunnel Boundary;</u> (c) <u>in respect of the Relevant Year commencing on 1 April 2027:</u> (i) <u>eight 12 hour Restrictions of Use;</u> (ii) <u>six 8 hour Restrictions of Use; and</u> (iii) <u>all Rolled Over EPA Restrictions of Use, in each case on the route between St Pancras International and the Eurotunnel Boundary;</u> (d) <u>in respect of the Relevant Year commencing on 1 April 2028:</u> (i) <u>two 8 hour Restrictions of Use;</u> (ii) <u>67 10.5 hour Restrictions of Use; and</u> (iii) <u>all Rolled Over EPA Restrictions of Use, in each case on the route between St Pancras International and the Eurotunnel Boundary; and</u> (e) <u>in respect of the Relevant Year commencing on 1 April 2029:</u> (i) <u>two 8 hour Restrictions of Use;</u> (ii) <u>84 10.5 hour Restrictions of Use; and</u> (iii) <u>all Rolled Over EPA Restrictions of Use, in each case on the route between St Pancras International and the Eurotunnel Boundary</u>
Firm Right	means: (a) in the case of a TOC, a right under a Framework Track Access Agreement in respect of the quantum, or any other characteristic of a train movement; and (b) in the case of the Infrastructure Manager, a right under the Rules
First Working Timetable	means the version of the New Working Timetable published by the Infrastructure Manager 22 weeks before a Timetable Change Date in accordance with Condition D2.7.1 as may be modified in accordance with Condition D2.7.4, in each case of Part D
Flexing Right	means the right of the Infrastructure Manager to vary any Access Proposal or Train Slots as provided under the HS1 Network Code

Framework Track Access Agreement	means an agreement between the Infrastructure Manager and a TOC for access onto HS1 for a duration of more than <u>setting out the rights and obligations of the parties in relation to the infrastructure capacity to be allocated and the charges to be levied over a period in excess of one Timetable Period</u>
HS1	means High Speed 1 rail infrastructure or the Rail Link Facility
HS1 Network Code	means the HS1 Network Code as amended
<u>HS1 Operational Codes</u>	<u>means the Performance Data Accuracy Code, the Systems Code, the Emergency Access Code and such other codes or agreements as may be adopted pursuant to Part C</u>
HS1 Restriction of Use	means any Restriction of Use other than an Operator Restriction of Use or a Competent Authority Restriction of Use
HS1 Standards	means technical standards and operating procedures contributing to safe railway system operation and inter-working issued by the Infrastructure Manager, which are identified as 'CTRL Standards' and compliance with which is mandatory
Incentive Period <u>HS1 Station</u>	means, in relation to any TOC, a Period occurring within that TOC's Incentive Term Year <u>any of St Pancras International station, Stratford International station, Ebbsfleet International station or Ashford International station</u>
Incentive Adjustment	means the adjustment made to any discount payable to a TOC under the New Services Growth Incentive as a result of that TOC introducing any new international high-speed passenger service which displaces another international high-speed passenger service, made in accordance with paragraph 6.9 <u>6.11</u> as part of the <u>annual</u> Wash Up Amount
<u>Incentive Period</u>	<u>means, in relation to any TOC, a Period occurring within that TOC's Incentive Term Year</u>
Incentive Term	means, in relation to any TOC, <u>subject to paragraph 4.4(a),</u> the period of three consecutive years within the Scheme Period starting on the Start Date, provided that, if that Incentive Term commences less <u>fewer</u> than three years before the end of the Scheme Period, that Incentive Term shall end on the last date of the Scheme <u>Period, and no Incentive Term shall continue beyond the last date of</u>

	<u>the Scheme</u> Period
Incentive Term Quarter	means, in relation to any TOC, an Advance Period in that TOC's Incentive Term, provided that, if an Incentive Term Quarter commences less <u>fewer</u> than three or four Periods (as appropriate) before the end of the Scheme Period, that Incentive Term Quarter shall end on the last date of the Scheme Period
Incentive Term Year	means, in relation to any TOC, a period of 12 consecutive months in that TOC's Incentive Term: (a) the first such Incentive Term Year commencing on the Start Date and ending on the <u>day before the</u> first anniversary of the Start Date; (b) the second Incentive Term Year commencing on the day after the first anniversary of the Start Date and ending on the <u>day before the</u> second anniversary of the Start Date; and (c) the third Incentive Term Year commencing on the day after the second anniversary of the Start Date and ending on the <u>day before the</u> third anniversary of the Start Date, <u>unless any such Incentive Term Year is extended in accordance with paragraph 4.4(a),</u> provided that, if an Incentive Term Year commences less<u>fewer</u> than 12 months before the end of the Scheme Period, that Incentive Term Year shall end on the last date of the Scheme Period
Infrastructure Manager	means HS1 Limited
IRC	means Investment Recovery Charge levied <u>the investment recovery charge imposed</u> by the Infrastructure Manager on TOCs for the purpose of recovering the long term capital costs of constructing HS1 <u>under each Contract</u>
IRC Per Train Per Minute	means the IRC specified in column C of Part 2 of Schedule 4 (Track Charges) of the relevant TOC's Framework Track Access Agreement
Legal Requirement	means (for the purpose of the definition of Change of Law), in relation to any person, any of the following: (a) any treaty, enactment or legislative provision in England to the extent that it applies to that person; and (b) any common law, or any interpretation of law, or finding, contained in any judgment given by a court or tribunal of competent jurisdiction in

	respect of which the period for making an appeal has expired which requires any legal requirement falling within paragraphs (a) or (b) above to have effect in a way which is different from that in which it previously had effect
<u>Marketing Activities</u>	<u>has the meaning given to it in paragraph 7.8</u>
<u>Marketing Purpose</u>	<u>has the meaning given to it in paragraph 7.7</u>
Maximum Incentive	has the meaning given to it in paragraph 5.18 <u>5.20</u>
Multi-Qualifying Train Slot	means a Train Slot which is Qualifying Train Slot under two or more New Services Incentives at the same time
Network Change	means, in relation to a TOC: (a) any change in or to any part of HS1 (including its layout, configuration or conditions) which is likely materially to affect the operation of: (i) HS1; or (ii) trains operated, or anticipated as being operated in accordance with the terms of any Framework Track Access Agreement, by any TOC on HS1; (b) any change to the operation of HS1 (being a change which does not fall within paragraph (a)) which: (i) is likely materially to affect the operation of trains operated, or anticipated as being operated in accordance with the terms of any Framework Track Access Agreement, by any TOC on HS1; and (ii) has lasted or is likely to last for more than six months, including any such change arising from: (A) a temporary speed restriction; (B) a material change to the location of any of the specified points referred to in Condition B1.1.1 of Part B; or (C) a change to the method of delivery of any operational documentation (other than HS1 Standards) owned or used by the Infrastructure Manager and/or any TOC; or (c) any material variation to an Established Network Change other than an Authorised

	Variation, but does not include a closure (as defined in the Railways Act 2005), or a change made under the Systems Code
Network Statement	means the network statement published by the Infrastructure Manager in accordance with regulation 13 of the Rail Regulations 2016, to which the International Growth Incentive Scheme is annexed
New Destination	has the meaning given to it in paragraph 5.9
New Destination Incentive	means the incentive specified in paragraphs 5.8 to 5.13 <u>5.15</u> and calculated in accordance with paragraph 6 in relation to the operation of new international high-speed passenger services to and from New Destinations and New Intermediate Stations
<u>New Discounted Service</u>	<u>has the meaning given to it in paragraph 5.23(b)</u>
New Intermediate Station	has the meaning given to it in paragraph 5.10
New Rolling Stock	means state-of-the-art international high-speed passenger rolling stock that: (a) has been homologated for HS1 and the Channel Tunnel; and (b) was manufactured no more than five years before commencing services on HS1 (or such longer period as HS1 may determine on a case-by-case basis)
New Rolling Stock Incentive	means the incentive specified in paragraphs 5.14 to 5.16 <u>to 5.18</u> and calculated in accordance with paragraph 6 in relation to the deployment of New Rolling Stock on HS1
New Service TOC	has the meaning given to it in paragraph 5.21 <u>5.23(b)</u>
New Services Annual Baseline	means, in relation to any TOC and its Incentive Term, the higher of: (a) the number of that TOC's Timetabled Passenger Trains and Spot Services scheduled to be operated (and those of its subsidiaries, affiliates or companies subject to common control scheduled to be operated in connection with any other Framework Track Access Agreement) in the year immediately preceding

	the commencement of that Incentive Term; or (b) the average number of that TOC's Timetabled Passenger Trains and Spot Services scheduled to be operated (and those of its subsidiaries, affiliates or companies subject to common control scheduled to be operated in connection with any other Framework Track Access Agreement) in the three years immediately preceding the commencement of that Incentive Term
New Services Growth Incentive	means the incentive specified in paragraphs 5.5 to 5.7 and calculated in accordance with paragraph 6 in relation to the growth of new international high-speed passenger services on HS1
New Services Incentive	means the incentive described in paragraph 2.12 and specified in paragraph 5 comprising the New Services Growth Incentive, the New Destination Incentive, and the New Rolling Stock Incentive
New Services Quarterly Baseline	means, in relation to any TOC and an Incentive Term Quarter, the higher of: (a) the number of that TOC's Timetabled Passenger Trains and Spot Services scheduled to be operated (and those of its subsidiaries, affiliates or companies subject to common control scheduled to be operated in connection with any other Framework Track Access Agreement) in the corresponding quarter of the year immediately preceding the commencement of that Incentive Term; or (b) the average number of that TOC's Timetabled Passenger Trains and Spot Services scheduled to be operated (and those of its subsidiaries, affiliates or companies subject to common control scheduled to be operated in connection with any other Framework Track Access Agreement) in the corresponding quarter of each of the three years immediately preceding the commencement of that Incentive Term
New Working Timetable	means the timetable developed in accordance with the process set out in Conditions D2 and D3 of Part D
OMRC	means Operations, Maintenance and Renewals Charge levied<u>imposed</u> by the Infrastructure Manager on TOCs to recover the operations, maintenance, and renewal costs of HS1 (other than the Stations)<u>under each Contract</u>

Operator Restriction of Use	means a Restriction of Use that is: (a) required as a result of any damage to HS1 or Environmental Damage which in each case: (i) arises wholly or mainly from the operations of the TOC or its failure to comply with its obligations under its Framework Track Access Agreement; and (ii) the Infrastructure Manager demonstrates, is in excess of fair wear and tear arising from use of HS1 by the TOC; (b) requested by the TOC (other than for the purposes of inspection, maintenance, renewal or repair of HS1); (c) required in connection with a Network Change proposed by the TOC under Condition G3 of Part G; or (d) a Restriction of Use within the Possessions Allowance
ORR	means the Office of Rail and Road
Passenger Access Terms	specifies<u>means the terms and conditions incorporated by reference in each Contract and published on the Infrastructure Manager's website which specify</u> the operational and commercial arrangements between the Infrastructure Manager and TOCs in relation to each other
Passenger Baseline	means, in relation to a TOC and an Incentive Term Year, the higher of: (a) the total number of fare-paying passengers carried by that TOC on its international high-speed passenger services on HS1 (and those services on HS1 of its subsidiaries, affiliates or companies subject to common control in connection with any other Framework Track Access Agreement) in the year immediately preceding that Incentive Term Year; or (b) the average number of fare-paying passengers carried on those services in the three years immediately preceding that TOC's Incentive Term
Passenger Incentive	means the incentive described in paragraph 2.12 and specified in paragraph 7

Passenger Joint Account<u>Fund</u>	means an account<u>the fund</u> held and administered by the Infrastructure Manager <u>in an Infrastructure Manager account</u> on behalf of a TOC and the Infrastructure Manager for the purpose of holding funds to: (a) described in paragraph 7 jointly promote or market that TOC's international high speed passenger services on HS1 and/or promote the broader high speed rail opportunity (including modal shift to international high speed rail travel); or (b) spend in such other manner as is agreed by the Infrastructure Manager and that TOC (or as otherwise determined in accordance with paragraph 7.7) with the purpose of increasing passenger demand on or improving that TOC's international high speed passenger services on HS1, in either case in accordance with paragraph 7
<u>Performance Data Accuracy Code</u>	<u>means the HS1 Performance Data Accuracy Code</u>
Period	means each consecutive period of 28 days during the term of a Framework Track Access Agreement commencing at 0000 hours on 1 April in each year, provided that the length of the first and last such Period in any year may be varied by up to 14 days on reasonable prior notice from the Infrastructure Manager to the TOC
Possessions Allowance	means: (a) 12 x 8 hours Saturday to Sunday planned disruptive possessions in a Timetable Year on the route between St Pancras International station and the boundary of Temple Mills (provided that if there is a demand for paths on the North London Line this requirement will increase to 20 x 8 hours planned disruptive possessions in a Timetable Year on the route between St Pancras International station and the boundary of Temple Mills); (b) one overnight double line possession of 12 hours per Timetable Year; and (c) two double line possessions of up to 20 minutes per day on Saturdays and Sundays<u>means, in aggregate, the Standard Possessions Allowance and</u>

	the Extended Possessions Allowance
Principal Change Date	means the first, and main, Timetable Change Date occurring on the second Saturday in December unless and until varied by the Infrastructure Manager
Prior Working Timetable	means, in relation to any Timetable Change Date, the timetable published 22 weeks before the immediately preceding Timetable Change Date otherwise known as D-22, as amended in accordance with Condition D2.1.6 of Part D
Priority Date	means the date occurring 36 weeks before a Timetable Change Date, otherwise known as D-36
Prolonged Adverse Market Disruption	means a prolonged period of market disruption which materially adversely affects any of the following: (a) the operations of all TOCs using HS1, or a significant proportion of those operations; (b) a particular Route or Routes and associated wider infrastructure which a TOC uses or TOCs use to operate international high-speed passenger services to or from a Scheme Station or Scheme Stations; or (c) a particular Scheme Station or Scheme Stations, or St Pancras International
Qualifying Train Slot	means a Train Slot which meets the relevant requirements of, as the case may be, the New Services Growth Incentive, the New Destination Incentive or the New Rolling Stock Incentive
Rail Link Facility	has the meaning given to it in the Rail Regulations 2016
Rail Regulations 2016	means The Railways (Access, Management and Licensing of Railway Undertakings) Regulations 2016 as amended
Relevant Quarter	means each of the following periods: (a) the first three Periods in a Relevant Year; (b) the three Periods comprising the fourth, fifth and sixth Periods in any Relevant Year; (c) the three Periods comprising the seventh, eighth and ninth Periods in any Relevant Year; and (d) the final four Periods in any Relevant Year
Relevant Year	means a year commencing at 0000 hours on 1 April and ending at 2359 hours on the following 31 March or, in respect of the first Relevant Year and a TOC,

	the period from the date that TOC's Framework Track Access Agreement becomes effective in accordance with its terms until 2359 hours on the following 31 March and, in respect of the last Relevant Year, the period ending or on the expiry or termination of that Framework Track Access Agreement and beginning at 0000 hours on the immediately preceding 1 April
Restriction of Use	means, in respect of any Day, any restriction of use of all or any part of the Routes (other than one caused by a Recovery Allowance which was contained in the Applicable Timetable Planning Rules relevant to that Day notified to each TOC on or before 22 weeks before a Timetable Change Date, otherwise known as D-22) which results in: (a) a difference between the Applicable Timetable on that Day as compared with the First Working Timetable in respect of that Day; and/or (b) a difference between the First Working Timetable applicable for that Day as compared with the Corresponding Day Timetable in respect of the Corresponding Day
Rolled Over Access Proposal	means an Access Proposal submitted in a previous revision of the Working Timetable resulting in Train Slots being included in the Prior Working Timetable which the relevant TOC does not seek to vary in the New Working Timetable in accordance with Part D
<u>Rolled Over EPA Restriction of Use</u>	<u>means, in relation to a Relevant Year, a Restriction of Use falling within the Extended Possessions Allowance for any prior Relevant Year that:</u> <u>(a) has not been taken during any prior Relevant Year; and</u> <u>(b) is included in the Engineering Access Statement in accordance with Condition D2.2 of the HS1 Network Code for a Timetable Period that corresponds (in whole or in part) to the Relevant Year and following any appeals by a Timetable Participant pursuant to Condition D2.2.8 and D2.2.9 of the HS1 Network Code, provided that where a Restriction of Use falling within the Extended Possession Allowance:</u> <u>(i) is included in an Engineering Access Statement but such Restriction of Use is not taken for any reason; or</u> <u>(ii) is included in and then removed from an</u>

	<u>Engineering Access Statement for any reason (including following an appeal by a Timetable Participant),</u> <u>such Restriction of Use may be included in any subsequent Engineering Access Statement in accordance with Condition D2.2 of the HS1 Network Code</u>
Routes	means in respect of Framework Track Access Agreement, those parts of HS1 which a TOC has permission to use pursuant to that Framework Track Access Agreement
Rules	means the Timetable Planning Rules and the Engineering Access Statement
Scheduled	means, in relation to the quantum, timing or any other characteristic of a Service, that quantum, timing or other characteristic as included in the Applicable Timetable
Scheme Period	means the period between and including [insert date International Growth Incentive Scheme operative] to and including 31 March 2035, unless otherwise limited or extended by the Infrastructure Manager in its absolute discretion pursuant to paragraph 4
<u>Scheme Station</u>	<u>means a station which:</u> <u>(a) no Timetabled Passenger Trains were scheduled to call at in the Period immediately before the start of the Scheme Period;</u> <u>(b) is located in Europe, provided that if it is located in Great Britain, that station is either a HS1 Station or is outside the M25; and</u> <u>(c) has juxtaposed border controls for departing passengers which are compliant with the laws of the country within which that station is located (except where it is lawful in relation to that Scheme Station for border checks of those departing passengers to be carried out on arrival in another country)</u>
Service Group	means a collection of Services specified in column A of Part 2 of Schedule 4 (Track Charges) of a Framework Track Access Agreement
Services	means the Scheduled passenger railway services to be operated by the <u>relevant</u> TOC on HS1 pursuant to the permission to use the Routes granted under Section 3 of the Passenger Access Terms and in accordance with the rights provided in Schedule 5 of

	that TOC's Framework Track Access Agreement
Spot Services	means, for the purpose of the International Growth Incentive Scheme only, as the context requires: (a) each international high-speed passenger rail service on HS1 scheduled to be operated by the relevant TOC in an Incentive Term Quarter pursuant to a Train Operator Variation and which are not Timetabled Passenger Trains save for any which cannot be operated by virtue of a Restriction of Use; or (b) means each international high-speed passenger rail service on HS1 scheduled to be operated by the relevant TOC in an Incentive Term Year pursuant to a Train Operator Variation and which are not Timetabled Passenger Trains save for any which cannot be operated by virtue of a Restriction of Use
<u>Standard Possessions Allowance</u>	<u>means, in respect of the Relevant Year commencing on or after 1 April 2025:</u> <u>(a) eight 12 hour Restrictions of Use on Saturday and Sunday on the on the route between St Pancras International and the Eurotunnel Boundary;</u> <u>(b) 32 8 hour Restrictions of Use on Saturday to Sunday on the on the route between St Pancras International and the Eurotunnel Boundary;</u> <u>(c) 42 weeks of overnight double line Restrictions of Use on Monday to Thursday inclusive on the route between St Pancras International and the Eurotunnel Boundary; and</u> <u>(d) three double line Restrictions of Use of up to 30 minutes per day on the route between St Pancras International and the Eurotunnel Boundary</u>
Start Date	means, in relation to a TOC, the first date of the Advance Period in respect of which that TOC's IRC is first discounted under the International Growth <u>New Services</u> Incentive Scheme <u>and/or set aside under the Passenger Incentive</u>
Station	means any of St Pancras International station, Stratford International station, Ebbsfleet International station or Ashford International station
Systems Code	means the HS1 Railway Systems Code
Timetable Change Date	means the change implementation date on which the

	Working Timetable is revised in accordance with the process set out in Part D
<u>Timetable Participant</u>	<u>has the meaning given to it in Part D</u>
Timetable Period	means the period between two Timetable Change Dates
Timetable Planning Rules	means a document regulating, for any part of HS1, the standard timings and other matters necessary to enable trains to be included in the New Working Timetable or scheduled into the Working Timetable applicable to HS1, being rules which specify (amongst other matters): (a) the timings (including specified allowances) allowed for travel between specified points on HS1 for each type of train and for each type of traction used, taking into account any particular constraints imposed by railway vehicles which may form part of the train; (b) timing margins or allowances for stopping at junctions and other specified points; (c) minimum timing margins or headways between successive trains travelling on the same section of track; (d) minimum and maximum time periods for stopping at stations and other specified points; and (e) restrictions as to the speed of railway vehicles on any section of track
Timetable Year	means the period of time between (and including) one Principal Change Date and (but excluding) the immediately succeeding Principal Change Date
Timetabled Passenger Train	means, for the purpose of the International Growth Incentive Scheme only, as the context requires: (a) each international high-speed passenger rail service on HS1 scheduled by the relevant TOC in an Incentive Term Quarter, as specified in the relevant parts of the First Working Timetables which occur in that Incentive Term Quarter, save for any which cannot be operated by virtue of a Restriction of Use; or (b) each international high-speed passenger rail service on HS1 scheduled to be operated by the relevant TOC in an Incentive Term Year, as specified in the relevant parts of the First

	Working Timetables which occur in that Incentive Term Year, save for any which cannot be operated by virtue of a Restriction of Use
TOC	means a train operating company, being any public or private undertaking, licensed according (or exempt from licensing) to applicable legislation, the principal business of which is to provide services for the transport of passengers by rail
<u>Track Access Agreement</u>	<u>means an agreement between the Infrastructure Manager and a TOC setting out the rights and obligations of the parties in relation to the infrastructure capacity to be allocated and the charges to be levied over a period of up to one Timetable Period</u>
Train	means each train, whether operated by the TOC or another train operator, operating a scheduled service for the carriage of passengers or goods by railway, excluding any and all trains making an Ancillary Movement
Train Operator Variation	means a variation proposed by a TOC to vary either the New Working Timetable if it is before a Timetable Change Date, or otherwise the Working Timetable on an ad hoc basis by: (a) adding an additional Train Slot on one or more occasions; (b) amending the detail of one or more Train Slots; and/or (c) removing one or more Train Slots
Train Plan	means the plan (including sub-plans) prepared by the TOC specifying the rolling stock to be used (including configuration), and origin, destination and intermediate stations for each Train Slot in the New Working Timetable (including First Working Timetable) and Working Timetable, <u>the corresponding return Train Slot (if any) for each such Train Slot,</u> including the information set out in paragraph 6.5, as amended from time to time during that TOC's Incentive Term in accordance with the International Incentive Growth Scheme
Train Slot	means a train movement or a series of train movements, identified by arrival and departure times at each of the start, intermediate (where appropriate) and end points of each train movement
Value Added Tax	means value added tax as provided for in the Value

	Added Tax Act 1994, and any tax similar or equivalent to value added tax or any turnover tax replacing or introduced in addition to them, and 'VAT' shall be construed accordingly
Wash Up Amount	means the amount calculated annually in respect of each Relevant Year pursuant to paragraph 10, and quarterly in respect of each Relevant Quarter pursuant to paragraph 10A, in each case of Part 2 (Track Charges) of Section 7 (Track Charges) of the Passenger Access Terms
Withdrawing TOC	has the meaning given to it in paragraph 5.21 <u>5.23</u> (a)
<u>Withdrawn Service</u>	<u>has the meaning given to it in paragraph 5.23(a)</u>
Working Day	means each of Monday to Friday (inclusive) excluding common law and statutory public holidays on which banks in the City of London are not open for business
Working Timetable	means the timetable which the Infrastructure Manager is obliged to draw up in respect of HS1 pursuant to Part D

1.2 This document relies on many principles and defined terms from the suite of regulatory and contractual documents on which the timetabling and operation of international high-speed passenger services on HS1 relies, such as the Network Statement, the HS1 Network Code, the Passenger Access Terms, and Framework Track Access Agreements. As much as possible, this document is intended to be self-standing without the need to cross refer to any of those other documents, and so incorporates all relevant and linked definitions from those sources, adapted as necessary to match the International Growth Incentive Scheme language. In the event of a conflict between a definition used in this document and the corresponding one in any of those other sources, the definition in that other source will prevail.

1.3 Unless otherwise stated, references in this International Growth Incentive Scheme to:

- (a) a paragraph are to a paragraph in this International Growth Incentive Scheme; ~~and~~
- (b) a Part or a Condition are to a Part or Condition of the HS1 Network Code; ~~;~~
- (c) the singular include the plural and vice versa; and
- (d) an international high-speed passenger service are to an international high-speed passenger service which, as the context requires, operates on or is intended to operate on HS1.

2. SCHEME OBJECTIVES

Growth of international high-speed passenger services and passenger numbers

- 2.1 The Infrastructure Manager is committed to driving the growth of international high-speed passenger services and passenger numbers on HS1. New services, whether operating on HS1 to new European destinations, or delivering increased frequency to existing destinations (including domestic ones) offer greater choice for passengers, deliver higher sustainable travel outcomes, increase connectivity, and ensure more efficient use of the HS1 infrastructure, all of which drive higher passenger numbers, higher commercial returns for the Infrastructure Manager and TOCs (including potential OMRC reductions), and wider economic growth.
- 2.2 High-speed rail can have a transformative societal effect. In particular, high-speed rail can connect relatively local economies for leisure, work and business, thereby creating entirely new economic activity, employment, local renewal, and new housing. Significantly, rail travel has a much lower carbon footprint per kilometre than other modes of transport, and so offers a more environmentally-friendly travel choice. Environmentally-friendly transport modal shift remains a key policy objective of both the UK (under the Transport Decarbonisation Plan) and EU (under the Sustainable and Smart Mobility Strategy), and more passengers travelling by high-speed rail travel is seen as being part of efforts to effect meaningful energy transition.
- 2.3 High-speed rail is a particularly competitive travel choice between European city destinations. As stated in section 4.4.4 of the Network Statement, there is capacity available on HS1, and the current utilisation means real opportunities remain to offer high-speed rail services between the UK and many mainland European cities with a potential catchment area of upwards of 25 million people. The Infrastructure Manager wishes to better utilise its infrastructure by incentivising higher utilisation and passenger growth.
- 2.4 The International Growth Incentive Scheme has been introduced pursuant to paragraph 6(3) of Schedule 3 of the Rail Regulations 2016, which entitles infrastructure managers to grant time-limited discounts of access charges to encourage the development of new rail services, or encourage the use of considerably under-utilised lines.
- 2.5 The scheme comprises a coordinated package of discounts of access charges and funding arrangements, giving all international high-speed passenger service TOCs using and proposing to use HS1, the incentive to optimise their passenger offerings, thereby allowing for business growth in a way that is beneficial both to them and to the Infrastructure Manager.

Lowering costs to introducing new services

- 2.6 The Infrastructure Manager recognises the significant challenges a TOC wishing to introduce a new international high-speed passenger service faces, including meeting the up-front investment costs, which are high.
- 2.7 A substantial financial commitment is required to introduce a new fleet of rolling stock, particularly a high-speed one, where advanced engineering and technology is essential to achieve and maintain high speeds efficiently and safely, and one which operates between the UK and mainland Europe with its specific safety standards. New rolling stock is delivered several years after an order is placed, requiring large capital payments in the meantime, and long before that rolling stock enters service and starts to deliver a return on that investment. The Infrastructure Manager is committed to fostering a modern, efficient and sustainable high-speed offering on its and related railway infrastructure.
- 2.8 The European rail passenger market has seen significant efforts in recent years to liberalise. The establishment of a single European railway area, with greater technical integration and commonality of regulation, has driven higher levels of competition and growth of rail services, particularly high-speed ones, across Europe. But, despite the progress, it remains that many complex authorisations are required before any new international high-speed passenger service can be introduced, including in relation to safety, border control, licensing, access, and technical requirements (such as interoperability) across multiple jurisdictions. These challenges drive significant initial fixed development costs.
- 2.9 Then, when a new international service launches, during its ramp-up phase, it can take time to reach financial break even. A new service operating to a new station is typically introduced at a lower frequency and with lower ridership than the service frequency and ridership the TOC ultimately wishes to reach, reflecting the fact that brand recognition and customer loyalty is only secured after significant marketing and promotional efforts, and really only once a reliable, affordable and frequent service has been established, initially leading to operating losses.
- 2.10 In aggregate, the costs associated with meeting these challenges can be prohibitive to the introduction of new high-speed passenger services, thereby stifling growth and passenger choice. The scheme therefore offers discounts against the IRC charges the Infrastructure Manager levies for access to HS1 to whichever TOC is seeking to introduce new international high-speed passenger services on HS1 and ~~for increase~~ funding for marketing opportunities to whichever TOC increases passenger numbers. The Infrastructure Manager believes that offering discounts against and distributions of its access charges could make a meaningful contribution to a TOC's business case to introduce a new service, and ultimately, the service's early viability.

The components of the scheme

- 2.11 Consistent with the Rail Regulations 2016, the International Growth Incentive Scheme is focused on reducing the costs of introducing new international high-speed passenger services on HS1 and growing passenger markets. Consequently, the scheme is open to all TOCs who wish to introduce new international high-speed passenger services and grow passenger numbers on HS1, and thereby seeks to identify, measure, and incentivise actual growth in such services and passengers.
- 2.12 Specifically, the International Growth Incentive Scheme offers two separate incentives:
- the first, a discount to incentivise the sustainable growth of new international high-speed passenger services on HS1, the calling at new destinations and new intermediate stations by new services, and the deployment of new rolling stock to deliver new services, thereby enhancing the passenger experience and providing efficient and reliable operations. These incentives are collectively referred to as the **New Services Incentive** and are specified in paragraph 5; and
 - the second, ~~a discount~~ the creation of a fund to incentivise the growth in passenger numbers travelling on HS1 by promoting international high-speed passenger services that travel on it. This incentive is known as the **Passenger Incentive** and is specified in paragraph 7.
- 2.13 IRC is payable quarterly in advance but calculated in respect of periods of typically 28 days in length. Each of the incentives comprising the New Services Incentive constitute up-front discounts against those advance quarterly payments according to the timetabled growth that a TOC brings to HS1, so the TOC pays less IRC than it otherwise would, creating immediate savings for its business. Those up-front discounts are then reconciled each subsequent quarter and at the end of the relevant year according to the actual growth that a TOC operates. The Passenger Incentive constitutes a ~~rebate on~~ distribution of a proportion of those advance quarterly payments according to the actual passenger growth that a TOC brings to HS1, ~~which rebate.~~ Each such distribution is held by the Infrastructure Manager on behalf of the TOC in order to fund increased marketing and promotion of TOC services and the high-speed offering. Any incentives a TOC qualifies for will be applied ~~during~~ in respect of that TOC's Incentive Term – a 3-year period within the overall Scheme Period of 10 years.
- 2.14 In the context of the Rail Regulations 2016, the scheme offers similar discounts to all TOCs who operate similar international high-speed passenger services delivering growth on HS1 in the scheme's key metrics. Providing a TOC has qualified for the International Growth Incentive Scheme, and complies with its terms and conditions, that TOC will qualify for ~~payments~~ discounts under it according to the new international high-speed passenger services it delivers

~~and~~ during its Incentive Term and access to funds under it according to the additional passengers it carries on HS1 ~~during~~ in relation to its Incentive Term.

- 2.15 Some worked examples have been set out in the Appendix (*Incentives and Worked Examples*) to this scheme showing how each of the components of the scheme is intended to work.

3. APPLYING FOR THE SCHEME

Making an application

- 3.1 Any international passenger TOC which intends to operate new international high-speed passenger services or grow passenger numbers on HS1 may apply at any time during the Scheme Period for any of the discounts under the International Growth Incentive Scheme by making a formal application in accordance with paragraph 3.2.

- 3.2 A TOC that wishes to apply must make a written formal application to the Infrastructure Manager at the following address:

business.development@stpancras-highspeed.com

Any application will need to set out the following information:

- (a) details of the proposed international high-speed passenger services, including:
 - (i) origin, destination, stopping pattern, frequency, duration, ramp-up, and nature of the services assuming the anticipated discounts under the scheme are available; and
 - (ii) the extent to which the proposed international high-speed passenger services use existing Firm Rights and/or Contingent Rights or require additional such rights to be granted by the Infrastructure Manager;
- (b) evidence that the proposed international high-speed passenger services are sustainable in the long term with the anticipated International Growth Incentive Scheme discounts, including:
 - (i) evidence of:
 - (A) potential demand for the new international high-speed passenger services and detailed forecasts of traffic and revenue;
 - (B) the likely demand response to any reduction in fares facilitated by discounted access charges, such as fares elasticities; and

- (C) any expected public sector support or contribution from other infrastructure managers (including other discounts);
 - (ii) forecast operating costs and relative importance of HS1 infrastructure costs, including staff costs, rolling stock costs, and other infrastructure charges, necessary investments and their payback ~~period~~periods; and
 - (iii) the business case for the proposed international high-speed passenger services, both with and without the anticipated discounts, including expected profit and loss of the anticipated international high-speed passenger services during and after the anticipated discount period, taking account of the preceding factors and expected changes over time;
- (c) when the relevant Incentive Term is anticipated to commence, and the profile of IRC discount the TOC anticipates earning thereunder in each Incentive Term Year;
- (d) if relevant, forecast abstraction and displacement of existing services and routes as a result of introducing the proposed new international high-speed passenger services;
- (e) the net passenger volume creation, including the expected modal shift the discounted international high-speed passenger services are expected to bring about; and
- (f) any required investment in HS1 or connected infrastructure in order for the proposed international high-speed passenger services to be brought into operation.

3.3 The Infrastructure Manager will assess any application made pursuant to paragraph 3.2, and will endeavour to respond within six weeks of receipt of all relevant information. During that period, the Infrastructure Manager may require the relevant TOC to engage in discussions to clarify and test aspects of the application, and will ensure the ORR is kept informed of any such TOC engagement. As part of the Infrastructure Manager's assessment, it will consider whether, among other things, the relevant TOC's proposition is clear and comprehensive, the proposed services will be sustainable beyond the relevant TOC's Incentive Term, and what the potential impact of the proposed new services on other TOCs might be. In addition, the Infrastructure Manager will consider the impact of introducing the proposed new international high-speed passenger services on HS1's capacity and, should it be necessary, will look to identify ways with the proposing TOC to avoid any resulting congestion on HS1 or on given routes. Proposed new services which would, in the Infrastructure Manager's opinion, result in significant capacity constraints on HS1 (as contemplated by Regulation 26 of the Rail Regulations 2016) will not be permitted to qualify for the scheme.

- 3.4 To ultimately qualify to receive any of the discounts under the scheme, a TOC must meet the conditions for access specified in section 2.2 [of the Network Statement](#) (including subject to ORR approval, entering into a Framework Track Access Agreement containing the contractual provisions giving effect to the scheme). The time required to secure all necessary approvals, fulfil all necessary rolling stock orders, and recruit [and otherwise obtain](#) all necessary resources will be an important consideration, among others, in optimising the start of a TOC's Incentive Term and so the availability of possible discounts under the scheme. Significantly, a TOC's Incentive Term does not commence until it first pays discounted IRC under the scheme, thereby mitigating potential delays to the anticipated introduction of new services or growth in passenger numbers.
- 3.5 TOCs are encouraged to engage informally with the Infrastructure Manager at an early stage in order to help plan for formal consultation and regulatory approval, the timely introduction of services and passenger growth, and the optimisation of discounts. If the Infrastructure Manager is satisfied with a TOC's application at this initial stage (including having all relevant information), and if the TOC requires in order to develop its business case further or facilitate necessary investment, the Infrastructure Manager will provide the TOC with written confirmation that the Infrastructure Manager expects the proposed services will be eligible for discounting under the scheme at the relevant time, and that it would be willing, subject to due consultation, and ORR approval, to enter into a Framework Track Access Agreement with the TOC which effects the scheme.
- 3.6 Nothing under the International Growth Incentive Scheme shall oblige the Infrastructure Manager to:
- (a) grant a TOC any Firm Rights or Contingent Rights in relation to any services;
 - (b) to accept any Access Proposal, Rolled Over Access Proposal or Train Operator Variation, except in accordance with and subject to the terms of the HS1 Network Code;
 - (c) exercise its Flexing Right; or
 - (d) act in a manner contrary to the Rail Regulations 2016 or Part D.

Consultation and contracting the scheme

- 3.7 If the Infrastructure Manager and a TOC formally proceed with an application to qualify for discounts under the International Growth Incentive Scheme, they will need to consult on the application (including the terms to be included in any Framework Track Access Agreement which would give effect to IRC discounts under the scheme) with other TOCs and interested stakeholders whose interests will be affected by the relevant TOC's application in accordance with the Criteria and Procedures. The Infrastructure Manager would prepare those terms, whether as part of a supplemental agreement

amending an existing Framework Track Access Agreement or a new Framework Track Access Agreement. Some of the anticipated provisions which give contractual effect to the scheme are described in paragraph 6.

- 3.8 Following consultation, and subject to its outcome, the Infrastructure Manager will then submit a request to the ORR for formal approval of the Framework Track Access Agreement terms incorporating the scheme. This may include some or all of the information provided by the TOC in its application to the Infrastructure Manager under paragraph 3.2. Information provided by a TOC in support of an application to qualify for the International Growth Incentive Scheme will be held in confidence by the Infrastructure Manager except if it is required to be released to the ORR as part of its approval process (or in relation to any dispute or appeal). The ORR may require a hearing to be held for the purpose of deciding whether to approve the provisions of a Framework Track Access Agreement which reflect the terms of the scheme. Such a hearing may be closed for matters that the ORR considers should be kept confidential. The process around hearings is described in the Criteria and Procedures.
- 3.9 An application to the Infrastructure Manager for the International Growth Incentive Scheme, potential consultation, and subsequent approval by the ORR is expected to take around six months. But the requirement to obtain other approvals, the requirement to justify the redaction of any confidential provisions from consultation, and the need for iterative consultation around complex or impactful proposals, including any requirement for ORR hearings, can lead to the process taking longer, in line with the general procedures set out in the Criteria and Procedures.

Appeals

- 3.10 A TOC can appeal to the ORR under the Rail Regulations 2016 if it is unable to reach agreement with the Infrastructure Manager on whether it qualifies for the International Growth Incentive Scheme or the extent to which discounts are available to it or others under the scheme.

4. DURATION AND APPLICABILITY OF THE SCHEME

- 4.1 ~~In~~ The International Growth Incentive Scheme is time limited in accordance with the Rail Regulations 2016 purpose of discounting access charges on a time-limited basis to help a TOC achieve new service sustainability, ~~the International Growth Incentive Scheme is time limited.~~
- 4.2 Any TOC may qualify for the International Growth Incentive Scheme at any time during the Scheme Period, but only benefit from the discounts offered by the scheme during one Incentive Term within the Scheme Period. ~~The~~ Subject to paragraph 4.4, the Infrastructure Manager has no obligation to extend the Scheme Period or any individual Incentive Term.
- 4.3 The International Growth Incentive Scheme is a voluntary incentive scheme offered by the Infrastructure Manager. As such, the Infrastructure Manager

reserves the right to amend, suspend or withdraw the International Growth Incentive Scheme on no ~~less~~fewer than three months' prior notice (without prejudice to any accrued rights and obligations thereunder), ~~except where~~ unless there is ~~an~~ an:

- (a) any adverse regulatory or legal determination regarding the scheme and the Infrastructure Manager's obligations under the provisions of the Rail Regulations 2016 relating to discounts or otherwise; or
- (b) any other material change in circumstances (such as where HS1's utilisation (including its stations) approaches capacity), ~~in~~ except where the material change in circumstances constitutes, in the Infrastructure Manager's opinion, a period of Prolonged Adverse Market Disruption, for which paragraph 4.4 shall apply,

in which case, the Infrastructure Manager may amend, suspend or withdraw the scheme on notice. ~~—~~ (without prejudice to any accrued rights and obligations thereunder).

4.4 Where the Infrastructure Manager has determined that a period of Prolonged Adverse Market Disruption has occurred pursuant to paragraph 4.3(b), the Infrastructure Manager shall extend:

- (a) the Affected Incentive Term Year of any Incentive Term of any TOC whose Start Date occurred prior to that period of Prolonged Adverse Market Disruption for the duration of that period of Prolonged Adverse Market Disruption. In this way, any such TOC can continue to be eligible for discounts under the scheme where possible during that period of Prolonged Adverse Market Disruption, provided that no Affected Incentive Term Year or Incentive Term shall extend beyond the Scheme Period; and
- (b) the Scheme Period by a period of time that the Infrastructure Manager considers would:
 - (i) permit the extension of the Incentive Terms referred to in paragraph 4.4(a); and
 - (ii) maximise the prospect of the Incentive Term of every TOC whose Start Date had yet to occur, achieving a 3-year undisrupted term as the scheme originally intended,

provided that the Scheme Period shall not extend beyond the term of the Concession Agreement.

4.5 The Infrastructure Manager will notify all affected TOCs of the start and end of any period of Prolonged Adverse Market Disruption.

4.6 It is expected that if the Infrastructure Manager seeks to make substantive amendments to the scheme, this would require consultation in accordance with the Criteria and Procedures.

5. NEW SERVICES INCENTIVE

Incentives comprising the New Services Incentive

- 5.1 The New Services Incentive comprises three components:
- (a) the New Services Growth Incentive;
 - (b) the New Destination Incentive; and
 - (c) the New Rolling Stock Incentive.
- 5.2 The New Services Incentive is available to all existing or prospective TOCs that have met the requirements for qualification referred to in paragraph 3. A TOC may qualify concurrently for each or separately for any of the incentives comprising the New Services Incentive. Where a TOC does qualify concurrently for more than one of the discounts comprising the New Services Incentive, it will result in the aggregation of the associated discounts, provided that a TOC shall not receive more than the maximum possible discount, as specified in paragraph ~~5.18~~5.20.
- 5.3 Each of the New Services Growth Incentive, New Destination Incentive, and the New Rolling Stock Incentive incentivise qualifying Train Slots by applying a discount factor to the IRC payable for them.
- 5.4 Specifically, as explained in section 6.3 of the Network Statement, IRC is payable quarterly in advance, but calculated by reference to railway periods (typically 28 days) and Service Groups on a per-train basis. An adjusted periodic IRC amount is calculated under paragraph 2.1 of Part 2 (Track Charges) of Section 7 (Track Charges) of the Passenger Access Terms, which form part of each separate Framework Track Access Agreement between the Infrastructure Manager and each TOC, by adjusting for inflation and factoring in any applicable discount. If there is an applicable discount, the calculation applies the relevant discount factor specified in column D of Part 2 of Schedule 4 (Track Charges) of a TOC's Framework Track Access Agreement. The incentives which make up the New Services Incentive would each introduce different levels of discounts by Incentive Term Year to that schedule and calculation, and those discounts would then be applied depending on the year in question and how much service growth a TOC delivered in that year according to the qualifying criteria. More detail on the anticipated ~~scheme~~New Service Incentive mechanics ~~are~~is set out in paragraph 6.

New Services Growth Incentive

- 5.5 The New Services Growth Incentive seeks to incentivise genuine growth in international high-speed passenger services operating on HS1. HS1 is currently under-utilised. The operation of more international high-speed passenger services would offer passengers greater service frequency, increasing their travel options, reducing travel times, and providing greater connectivity for leisure and business. Increased frequency would also mitigate the risk to

passengers of cancellations and delays, improving the reliability of the high-speed offering overall.

- 5.6 The New Services Growth Incentive incentivises new service growth by identifying the additional Train Slots which have been allocated by a TOC to the operation of new international high-speed passenger services above those allocated previously. These Train Slots are Qualifying Train Slots to which a discount is applied under the scheme. Specifically, for each quarterly IRC calculation, the Qualifying Train Slots for a TOC for the relevant Incentive Term Quarter are calculated as follows:

$$QTS_{\alpha} = TPT_{\alpha} + SSTS_{\alpha} - NSQB_{\alpha}$$

where:

TPT_q means the aggregate number of that TOC's Train Slots which operate Timetabled Passenger Trains in that Incentive Term Quarter, as specified in the parts of the First Working Timetables occurring in that Incentive Term Quarter;

$SSTS_q$ means the aggregate number of that TOC's Train Slots which operate Spot Services in that Incentive Term Quarter, as specified in the parts of the New Working Timetables or Working Timetables occurring in that Incentive Term Quarter; and

$NSQB_q$ means the New Services ~~Quarter~~Quarterly Baseline for that TOC.

- 5.7 A discount is applied under the New Services Growth Incentive to the IRC a TOC pays per Qualifying Train Slot allocated by that TOC to the operation of a new international high-speed passenger service. Subject to paragraphs ~~5.17~~5.19 and ~~5.18~~5.20, the following discounts will be applied to the IRC that a TOC pays for a Qualifying Train Slot in respect of each Incentive Term Quarter in the relevant Incentive Term Year:

Incentive Term Year	Incentive: IRC discount per Qualifying Train Slot
Year 1	30%
Year 2	20%
Year 3	10%

New Destination Incentive

- 5.8 The New Destination Incentive seeks to incentivise the operation of international high-speed passenger services ~~using HS1~~ to direct new destinations and new intermediate stations. The incentive has been introduced to recognise the value of HS1 serving European passengers more broadly. Connectivity is of significant value to passengers, offering more

opportunities for leisure and work travel, boosting local economies and economic growth. Greater geographical connectivity will increase passenger choice and sustainable travel options, driving modal shift in keeping with UK and EU policy objectives.

5.9 For the purpose of the New Destination Incentive, subject to paragraph 5.11, a **New Destination** is a ~~terminus station~~ Scheme Station which:

~~(a) was not served by an international high-speed passenger service using HS1 at the start of the Scheme Period;~~

~~(b) is located in Europe, provided that if it is located in Great Britain, that terminus station is either a Station or is outside the M25; and~~

~~(c)~~ in relation to a TOC:

(a) ~~(i)~~ is ~~a~~ the final stop or originating station for that TOC's international high-speed passenger services which call there;

(b) only permits:

(i) ~~(ii) on arrival allows for both~~ the boarding ~~and alighting~~ of passengers when any such service originates from that Scheme Station; and

~~(iii) is directly served by those services from HS1 in both directions, provided that those services are either the first international passenger services using HS1 to stop at or originate from that terminus station during the Scheme Period, or begin stopping at or originating from that terminus station within 12 months of that station first qualifying as a New Destination for any other TOC.~~

(ii) the alighting of passengers when any such service terminates at that Scheme Station;

(c) is directly served by those services from HS1 in both directions:

(i) first during the Scheme Period; or

(ii) within 12 months of that Scheme Station first qualifying as a New Destination for the TOC whose international high-speed passenger services met the condition in paragraph 5.9(c)(i),

provided that paragraph 5.9(c)(i) and (ii) shall not apply to any Scheme Station that is a HS1 Station; and

(d) that has a role in the management of that Scheme Station, allows for the passenger services of other TOCs to call there on a fair and non-discriminatory basis in accordance with relevant domestic law.

5.10 For the purpose of the New Destination Incentive, subject to paragraph 5.11, a **New Intermediate Station** is a ~~station~~Scheme Station which:

~~(a) was not served by an international high-speed passenger service using HS1 at the start of the Scheme Period;~~

~~(b) is located in Europe, provided that if it is located in Great Britain, that intermediate station is either a Station, or is outside the M25; and~~

~~(c)~~ in relation to a TOC:

(a) ~~(i)~~ is not a final stop or originating station for that TOC's international high-speed passenger services which call there;

(b) only permits:

(i) the boarding of additional passengers on the outbound journey of any such service; and

(ii) ~~on arrival allows for both the boarding and the~~ alighting of passengers on the return journey of any such service; and

~~(iii) is directly served by those services from HS1 in both directions, provided that those services are either the first international passenger services using HS1 to call at that station during the Scheme Period, or begin calling at that station within 12 months of that station first qualifying as a New Intermediate Station for any other TOC.~~

(c) is directly served by those services from HS1 in both directions:

(i) first during the Scheme Period; or

(ii) within 12 months of that Scheme Station first qualifying as a New Intermediate Station for the TOC whose international high-speed passenger services met the condition in paragraph 5.10(c)(i),

provided that paragraph 5.10(c)(i) and (ii) shall not apply to any Scheme Station that is a HS1 Station; and

(d) that has a role in the management of that Scheme Station, allows for the passenger services of other TOCs to call there on a fair and non-discriminatory basis in accordance with relevant domestic law.

5.11 A Scheme Station may become re-eligible as a New Destination or New Intermediate Station for a TOC during the Scheme Period, such that that TOC may be entitled to receive discounts under the New Destination Incentive for its international high-speed passenger services terminating at, originating from or calling at (as the case may be) that Scheme Station, where, subject to paragraph 5.12:

- (a) another TOC previously qualified for discounts under the New Destination Incentive in relation to its international high-speed passenger services terminating at, originating from or calling at (as the case may be) that Scheme Station, but that Scheme Station is no longer served by any TOC's international high-speed passenger services; or
- (b) another TOC's international high-speed passenger services continue to terminate at, originate from or call at (as the case may be) that Scheme Station, but the Infrastructure Manager reasonably determines that they do so infrequently, irregularly and/or minimally over a reasonably sustained period thereby not offering passengers a reliable, sufficiently frequent, service to/from that Scheme Station,

provided that the conditions of, as the case may be, paragraph 5.9(c) or 5.10(c) shall apply in relation to such re-eligibility where in each case, the 12-month period specified in each provision shall commence from the date occurring after that Scheme Station became re-eligible hereunder on which a TOC's international high-speed passenger services first start (as the case may be) terminating at, originating from or calling at that Scheme Station.

5.12 A Scheme Station will not become re-eligible as a New Destination or New Intermediate Station for a TOC under:

- (a) paragraph 5.11(a) where the Infrastructure Manager has determined in accordance with paragraph 5.28 that that TOC's international high-speed passenger services to and from that Scheme Station were Displacing Services which caused that Scheme Station to be no longer served by any other TOC's international high-speed passenger services; or
- (b) paragraph 5.11 where that TOC's international high-speed passenger services terminate at, originate from or call at (as the case may be) that Scheme Station outside of its Incentive Term.

5.13 ~~5.11~~ Like the New Services Growth Incentive, the New Destination Incentive operates by identifying the relevant Train Slots to which a discount applies. The New Destination Incentive takes the Qualifying Train Slots identified under the New Services Growth Incentive in an Incentive Term Quarter (that is, those Train Slots which constitute growth), and isolates which of those were timetabled in that Incentive Term Quarter for the operation of new international high-speed passenger services to or from New Destinations and to or from New Intermediate Stations, in either case, as specified in the parts of the First Working Timetables occurring in that Incentive Term Quarter, or included as Spot Services in the parts of the New Working Timetables or Working Timetables occurring in that Incentive Term Quarter.

5.14 ~~5.12~~ A discount is applied under the New Destination Incentive to the IRC a TOC pays per Qualifying Train Slot allocated by that TOC to the operation of a new international high-speed passenger service to ~~or from~~ a New Destination.

where there is a corresponding return Qualifying Train Slot timetabled on the same day. In those circumstances, a discount will also be applied in the same way to that return Qualifying Train Slot. Subject to paragraphs ~~5.17~~5.19 and ~~5.18~~5.20, the following discounts will be applied to the IRC that a TOC pays for a Qualifying Train Slot in respect of each Incentive Term Quarter in the relevant Incentive Term Year:

Incentive Term Year	Incentive: IRC discount per Qualifying Train Slot
Year 1	20%
Year 2	15%
Year 3	10%

5.15 ~~5.13~~ A discount is also applied under the New Destination Incentive to the IRC a TOC pays per Qualifying Train Slot allocated by that TOC to the operation of a new international high-speed passenger service to or from a New Intermediate Station where there is a corresponding return Qualifying Train Slot timetabled on the same day. In those circumstances, a discount will also be applied in the same way to that return Qualifying Train Slot. Subject to paragraphs ~~5.17~~5.19 and ~~5.18~~5.20, the following discounts will be applied to the IRC that a TOC pays for a Qualifying Train Slot in respect of each Incentive Term Quarter in the relevant Incentive Term Year:

Incentive Term Year	Incentive: IRC discount per Qualifying Train Slot
Year 1	10%
Year 2	7.5%
Year 3	5%

New Rolling Stock Incentive

5.16 ~~5.14~~ The New Rolling Stock Incentive is designed to incentivise the introduction of state-of-the-art high-speed trains which are more energy efficient, environmentally friendly, and manufactured and maintained to the highest safety standards, and which offer passengers a better experience with improved reliability and performance, the latest amenities, and enhanced passenger comfort.

5.17 ~~5.15~~ Like the New Services Growth Incentive and the New Destination Incentive, the New Rolling Stock Incentive operates by identifying the relevant Train Slots to discount. The New Rolling Stock Incentive takes the Qualifying Train Slots identified under the New Services Growth Incentive in an Incentive Term Quarter (that is, those Train Slots which constitute growth), and isolates

using the Train Plan, which of those were timetabled in that Incentive Term Quarter for the operation of new international high-speed passenger services using New Rolling Stock, as specified in the parts of the First Working Timetables occurring in that Incentive Term Quarter, or included as Spot Services in the parts of the New Working Timetables or Working Timetables occurring in that Incentive Term Quarter.

5.18 ~~5.16~~ A discount is applied under the New Rolling Stock Incentive to the IRC a TOC pays per Qualifying Train Slot allocated by that TOC to the operation of a new international high-speed passenger service using New Rolling Stock. Subject to paragraphs ~~5.17~~5.19 and ~~5.18~~5.20, the following discounts will be applied to the IRC that a TOC pays for a Qualifying Train Slot in respect of each Incentive Term Quarter in the relevant Incentive Term Year:

Incentive Term Year	Incentive: IRC discount per Qualifying Train Slot
Year 1	15%
Year 2	10%
Year 3	5%

The New Services Baselines

5.19 ~~5.17~~ As the New Services Incentive is an incentive which, in aggregate, targets new service and destination growth, and new rolling stock investment, it is a condition of qualifying for any of its incentives that the TOC is delivering real service growth during its Incentive Term. Consequently, a TOC:

- (a) must have timetabled more Train Slots for the operation of international high-speed passenger services on HS1 in an Incentive Term Quarter than its New Services Quarterly Baseline in order to qualify for any discounts under the International Growth Incentive Scheme; and
- (b) ultimately must have timetabled more Train Slots for the operation of international high-speed passenger services on HS1 in the Incentive Term Year in which any such Incentive Term Quarter occurs than its New Services Annual Baseline in order to retain such discounts at the end of that Incentive Term Year.

See paragraphs 6.6 to ~~6.8~~6.11 which explain the mechanics of how those conditions are applied in the proposed calculations.

Maximum Incentive

5.20 ~~5.18~~ The cumulative nature of the discounts available under the New Services Incentive are such that a Train Slot which qualifies for more than one New Service Incentive (a Multi-Qualifying Train Slot) can lead to significant IRC

savings. To ensure the discounts for Multi-Qualifying Train Slots remain proportionate, the maximum discount that will be applied to the IRC payable per Multi-Qualifying Train Slot (again expressed as a Discount Factor in the calculation in paragraph 2.1 of Part 2 of Section 7 of the Passenger Access Terms) (the **Maximum Incentive**) will be limited to:

Incentive Term Year	Maximum Incentive: IRC discount per Multi-Qualifying Train Slot
Year 1	50%
Year 2	40%
Year 3	30%

5.21 ~~5.19~~—The Appendix to this scheme contains a summary of the scheme’s discounts for each Incentive Term Year and the maximum available incentives.

Incentive Adjustment

5.22 ~~5.20~~—The Infrastructure Manager wants to encourage competition in international high-speed passenger services, in keeping with one of the broader purposes of the Rail Regulations 2016. However, the Infrastructure Manager does not wish to do so at the expense of existing services as this would not deliver growth. Consequently the International Growth Incentive Scheme only seeks to incentivise genuine growth in new services. For this reason, the scheme provides for the application of an Incentive Adjustment to disincentivise the displacement of existing services by new ones.

5.23 ~~5.21~~—Where:

- (a) a TOC (a Withdrawing TOC) has withdrawn an existing international high-speed passenger service from operation in a Relevant Year (a ~~Withdrawing TOC~~ Withdrawn Service); and
- (b) the Withdrawing TOC reasonably believes that the direct cause of that withdrawal was the introduction ~~of a new international high-speed passenger service~~ by another TOC (a **New Service TOC**) of a new international high-speed passenger service which has benefitted in that Relevant Year or a previous Relevant Year from a discount under the New Services Incentive (a New Discounted Service),

the Withdrawing TOC may submit a certificate to the Infrastructure Manager no later than 31 March of the Relevant Year in which the withdrawal is made, signed by a statutory director, certifying that the withdrawal would not have been made without the introduction of the New Discounted Service ~~TOC’s new, discounted service~~. The certificate must be accompanied by detailed supporting evidence of the claim.

- 5.24 ~~5.22~~ The Infrastructure Manager shall promptly acknowledge receipt of any certificate it receives pursuant to paragraph ~~5.21~~5.23, notify the New Service TOC that such certificate has been received, and investigate the cause of the notified withdrawal and the correlation (if any) between the ~~new service~~New Discounted Service introduction and the ~~existing service~~ withdrawal of the Withdrawn Service.
- ~~5.23 The Infrastructure Manager may in its sole discretion, where a TOC which has withdrawn an existing international high-speed passenger service in a Relevant Year, but has not submitted a certificate in accordance with paragraph 5.21, investigate the cause of that withdrawal and the correlation (if any) between the new service introduction and the existing service withdrawal.~~
- 5.25 Where a certificate has not been submitted in accordance with paragraph 5.23, the Infrastructure Manager may in its sole discretion investigate the cause of a Withdrawn Service and the correlation (if any) between the New Discounted Service introduction and the withdrawal of the Withdrawn Service.
- 5.26 ~~5.24~~ Where the Infrastructure Manager is investigating the cause of the withdrawal of ~~an existing international high-speed passenger service~~a Withdrawn Service, the Infrastructure Manager may reasonably require either or both of the Withdrawing TOC and the relevant New Service TOC to provide the Infrastructure Manager with relevant information to allow the Infrastructure Manager to make the determination referred to in paragraph ~~5.26~~5.28, and either/both (as the case may be) shall promptly comply with such requirement.
- 5.27 ~~5.25~~ It is a condition of a TOC's entitlement to discounts under the International Growth Incentive Scheme that it provides all relevant information requested in accordance with paragraph ~~5.24~~5.26 in a timely manner. The Infrastructure Manager reserves the right to suspend and ultimately withdraw the availability of the International Growth Incentive Scheme to a TOC if it does not comply in this regard.
- 5.28 ~~5.26~~ Once ~~an investigation has been initiated and~~ the Infrastructure Manager has obtained all relevant available information following the completion of an investigation into a Withdrawn Service pursuant to paragraph 5.24 or 5.25, it shall promptly determine ~~(acting reasonably) the extent of the displacement (if any), whether an Incentive Adjustment should be made, and if so, the amount.~~ The whether the determinative cause of the withdrawal by the Withdrawing TOC of that Withdrawn Service was the introduction into service by a New Service TOC of a New Discounted Service. The Infrastructure Manager shall make any such determination acting reasonably, having regard to all available evidence and the following considerations:

- (a) the similarities and differences between that New Discounted Service and the Withdrawn Service in terms of stopping patterns, timings, and the passenger markets they each serve;
- (b) the extent to which that New Discounted Service competed with the Withdrawn Service for the same passengers before its withdrawal, having regard to the passenger numbers carried on both services and the relevant revenue of both TOCs, measured in the case of the Withdrawn Service over the two years prior to the competing period, or if shorter, its period of operation prior to the competing period, as well as the competing period, and measured in the case of that New Discounted Service, over the competing period;
- (c) the reasonable steps the Withdrawing TOC took to avoid withdrawing the Withdrawn Service, including those in relation to pricing and marketing, whether and if so what further investments the Withdrawing TOC made to the passenger experience for that Withdrawn Service and similar international high-speed passenger services it operates, and operational efficiencies, such as alternative timetabling initiatives, rolling stock utilisation efficiencies, and customer service and wider staff training initiatives;
- (d) whether there is a demonstrable direct causal link between the introduction by the New Service TOC of that New Discounted Service and the withdrawal by the Withdrawing TOC, and, if there is such a link, whether that link was determinative of that withdrawal; and
- (e) any other relevant consideration.

5.29 If the Infrastructure Manager determines in accordance with paragraph 5.28 that the introduction into service by a New Service TOC of a New Discounted Service was determinative of the withdrawal of a Withdrawn Service, such New Discounted Service shall be a **Displacing Service** and such Withdrawn Service shall be a **Displaced Service**.

5.30 If the Infrastructure Manager makes a determination pursuant to paragraph 5.28, it shall notify the relevant New Service TOC and the Withdrawing TOC (if the Withdrawing TOC has submitted a certified claim pursuant to paragraph ~~5.24~~ 5.23) of ~~its~~that determination and its reasoning, and ~~the~~if that determination is that there are Displacing Services and Displaced Services, the Infrastructure Manager shall notify that New Service TOC of the amount of ~~any~~the resulting Incentive Adjustment ~~if so determined~~. Any Incentive Adjustment will be applied as part of the annual Wash Up Amount calculation set out in the relevant Framework Track Access Agreement. See paragraph ~~6.9~~6.11 for more detail about how an Incentive Adjustment is calculated.

6. CALCULATING INCENTIVE PAYMENTS FOR THE NEW SERVICES INCENTIVE

Incentive Term Quarter calculations

6.1 If a TOC qualifies for the International Growth Incentive Scheme, subject to ORR approval:

- (a) paragraphs 2.1, 10 and 10A of Part 2 (Track Charges) of Section 7 (Track Charges) of the Passenger Access Terms will be ~~substituted~~^{supplemented} for the duration of that TOC's Incentive Term with provisions which provide for the calculation of applicable discounts under the scheme and associated wash ups respectively, as described in the remaining paragraphs of this paragraph 6. Outside of that Incentive Term, the normal provisions of paragraphs 2.1, 10 and 10A of Part 2 of Section 7 of the Passenger Access Terms and non-discounted IRC will prevail;
- (b) the discount percentages specified in paragraphs 5.7, ~~5.12~~^{5.14}, ~~5.13~~^{5.15} and ~~5.16~~^{5.18} will be converted into equivalent Discount Factors and inserted in Part 2 of Schedule 4 (Track Charges) of that TOC's Framework Track Access Agreement, where the Discount Factor for Train Slots which do not qualify for a discount under the International Growth Incentive Scheme will be 1.0, and, for example, the Discount Factor for Qualifying Train Slots under the New Services Growth Incentive in Incentive Term Years 1 to 3 will be 0.7, 0.8, and 0.9 (30%, 20%, and 10%) respectively; and
- (c) such other related changes shall be made to the relevant Framework Track Access Agreements as are necessary to give effect to the International Growth Incentive Scheme.

6.2 In respect of each Incentive Term Quarter, paragraph 2.1 of Part 2 of Section 7 of the Passenger Access Terms will operate to calculate the adjusted IRC payable in relation to each Service Group for each Incentive Period within that Incentive Term Quarter by:

- (a) taking, in each case in respect of those Incentive Periods, the Train Slots which do not qualify for a discount under the International Growth Incentive Scheme, the Qualifying Train Slots under the New Services Growth Incentive, the Qualifying Train Slots under the New Destination Incentive, and the Qualifying Train Slots under the New Rolling Stock Incentive;
- (b) separately multiplying each by the IRC Per Train Per Minute rate, the Chargeable Journey Time, the appropriate indexation factor, and the relevant Discount Factor; and
- (c) aggregating the resulting IRC from those separate calculations.

6.3 If in relation to an Incentive Term Quarter, a TOC has timetabled in the parts of the First Working Timetables, New Working Timetables and Working Timetables occurring in that Incentive Term Quarter:

- (a) more Train Slots for the operation of international high-speed passenger services on HS1 in that Incentive Term Quarter than its New Services Quarterly Baseline, the relevant Discount Factors will be applied from Part 2 of Schedule 4 (Track Charges) of that TOC's Framework Track Access Agreement for any Qualifying Train Slot in the calculation for that Incentive Term Quarter made under paragraph 2.1 of Part 2 (Track Charges) of Section 7 (Track Charges) of the Passenger Access Terms; and
- (b) the same number of or ~~less~~fewer Train Slots for the operation of international high-speed passenger services on HS1 in that Incentive Term Quarter than its New Services Quarterly Baseline, no discount will be available for that Incentive Term Quarter and a Discount Factor of 1.0 shall be applied for any Qualifying Train Slot in the calculation for that Incentive Term Quarter made under paragraph 2.1 of Part 2 of Section 7 of the Passenger Access Terms.

6.4 If a TOC has the necessary access rights, and has bid in accordance with the HS1 Network Code to operate an international high-speed passenger service in an Incentive Term Quarter, but that service was either not included in the relevant timetable, or it was but has since been removed or amended such that the related Train Slot no longer meets the relevant qualifying criteria to be a Qualifying Train Slot, in each case because of a HS1 Restriction of Use caused by the Infrastructure Manager, that Train Slot shall nonetheless be deemed a Qualifying Train Slot which met the intended qualifying criteria for a discount.

6.5 It is a condition of receiving any of the discounts under the New Services Incentive, that the TOC submits a Train Plan to the Infrastructure Manager at the start of each Incentive Term Quarter, certified by a statutory director as a true statement of the Train Slots:

- (a) that will be operated in that Incentive Term Quarter, and of those Train Slots, which will be operated to and from New Destinations and New Intermediate Stations, and ~~that~~which will be operated using New Rolling Stock; and
- (b) that were actually operated in the preceding Incentive Term Quarter, and of those Train Slots, which were actually operated to and from New Destinations and New Intermediate Stations, and which were actually operated using New Rolling Stock.

Quarterly and annual Wash Up Amount calculations

6.6 Paragraphs 10A and 10 of Part 2 (Track Charges) of Section 7 (Track Charges) of the Passenger Access Terms set out the quarterly and annual Wash Up

Amount calculations respectively, providing for, among other things, quarterly and annual reconciliations of IRC to take account of intervening changes in the number of services from those originally timetabled, the crystallisation of previously estimated charges, and indexation. Quarterly and annual Wash Up Amounts may be either positive or negative, resulting in further IRC payments from TOCs or credit notes issued by the Infrastructure Manager respectively, and the calculations may be undertaken by the Infrastructure Manager on an interim basis.

6.7 During an Incentive Term, further reconciliations will be made in these calculations to determine:

- (a) in relation to the immediately preceding Incentive Term Quarter, whether more or less discounted IRC is applicable to that Incentive Term Quarter, depending on whether the TOC was above, at, or below its New Services ~~Quarter~~Quarterly Baseline at the end of that Incentive Term Quarter, and if above, the extent of the applicable discounts, taking account of any extra Qualifying Train Slots ~~timetabled~~operated by the TOC in that Incentive Term Quarter as Spot Services and those Scheduled Train Slots which would have been Qualifying Train Slots in that Incentive Term Quarter, but for an intervening HS1 Restriction of Use caused by the Infrastructure Manager which, in each case, have not already been taken account of in any earlier calculations for the Incentive Term Year in which that Incentive Term Quarter occurs; and
- (b) in relation to the immediately preceding Incentive Term Year, whether more or less discounted IRC is applicable to that Incentive Term Year, depending on whether the TOC was above, at, or below its New Services Annual Baseline at the end of that Incentive Term Year, and if above, the extent of the applicable discounts, taking account of any extra Qualifying Train Slots ~~timetabled~~operated by the TOC in that Incentive Term Year as Spot Services and those Scheduled Train Slots which would have been Qualifying Train Slots in that Incentive Term ~~Quarter~~Year, but for an intervening HS1 Restriction of Use caused by the Infrastructure Manager which, in each case, have not already been taken account of in any earlier calculations for that Incentive Term Year.

6.8 ~~6.7 For each annual IRC calculation~~When assessing the correct IRC that should be paid for the relevant Incentive Term Year as part of the annual Wash Up Amount, the Qualifying Train Slots for the relevant Incentive Term Year are calculated as follows:

$$\text{OTS}_t = \text{TPT}_t + \text{SSTS}_t - \text{NSAB}_t \quad \text{OTS}_t = \text{TPT}_t + \text{SSTS}_t - \text{NSAB}_t$$

where:

TPT_t means the aggregate number of ~~that~~the relevant TOC's Train Slots which were to operate Timetabled Passenger Trains in that Incentive

Term Year, as specified in the parts of the First Working Timetables occurring in that Incentive Term Year;

SSTS_t means the aggregate number of that TOC's Train Slots ~~which were to operate Spot Services on HS1~~ operated by that TOC as a result of Train Operator Variations in that Incentive Term Year, as specified in the parts of the New Working Timetables or Working Timetables occurring in that Incentive Term Year minus the number of Scheduled Train Slots which were not operated by that TOC due to any HS1 Restriction of Use caused by HS1 in that Incentive Term Year; and

NSAB_t means the New Services Annual Baseline for that TOC.

~~6.8 While considered unlikely, if a TOC had previously:~~

6.9 As annual wash-ups are performed at the end of and in relation to Relevant Years (financial years), and Incentive Term Years start and finish according to when TOCs initiate their Incentive Terms, there is a reasonable prospect that Relevant Years and Incentive Term Years will not be coterminous. For this reason, the discount adjustments (if any) in relation to an Incentive Term Year will only be made in the next annual Wash Up Amount calculation that is performed after that Incentive Term Year has ended.

6.10 ~~(a) not received discounts in an Incentive Term Year, but~~ While considered unlikely, if the calculation under paragraph 10 of Part 2 (Track Charges) of Section 7 (Track Charges) of the Passenger Access Terms determined that ~~the~~ the TOC had ~~timetabled~~ :

(a) more Train Slots ~~for the operation of international high-speed passenger services on HS1~~ in that Incentive Term Year than its New Services Annual Baseline, despite not previously receiving any discounts during that Incentive Term Year, the resulting annual Wash Up Amount shall include all discounted IRC that TOC is entitled to for that Incentive Term Year and the Infrastructure Manager shall ~~pay~~ issue a credit note to that TOC for that discounted IRC in accordance with the terms of Part 2 of Section 7 of the Passenger Access Terms; and

(b) ~~received discounts in an Incentive Term Year, but the calculation under paragraph 10 of Part 2 of Section 7 of the Passenger Access Terms determined that the TOC had timetabled~~ fewer or the same number of ~~or less~~ Train Slots ~~for the operation of international high-speed passenger services on HS1~~ in that Incentive Term Year than its New Services Annual Baseline, despite previously receiving discounts during that Incentive Term Year, the resulting annual Wash Up Amount shall include the discounted amount of IRC the TOC previously received for that Incentive Term Year and the TOC shall pay that additional IRC in accordance with the terms of Part 2 of Section 7 of the Passenger Access Terms.

6.11 ~~6.9~~ Paragraph 10 of Part 2 of Section 7 of the Passenger Access Terms will provide for Incentive Adjustments to be made if relevant, in addition to the ordinary course IRC adjustments referred to in the first sentence of paragraph 6.6 and the new adjustments referred to in ~~the remainder of paragraph 6.7~~. If the Infrastructure Manager has determined that a New Service TOC has introduced Displacing Services in accordance with paragraph ~~5.26 that a TOC has displaced the services of another through the introduction of new services discounted under the New Services Growth Incentive~~5.28, an Incentive Adjustment will be calculated by taking for the Relevant Year, 50 per cent. of the New Services Growth Incentive that New Service TOC received and multiplying that by the number of Train Slots ~~displaced of the relevant Withdrawing TOC that pertain to Displaced Services (Displaced Train Slots)~~, divided by the number of that New Service TOC's Qualifying Train Slots (expressed as a percentage), provided that for the purposes of determining the Incentive Adjustment, the number of Displaced Train Slots shall be no more than the number of that New Service TOC's Qualifying Train Slots. The normal provisions of paragraph 10 of Part 2 of Section 7 of the Passenger Access Terms will prevail outside of Incentive Terms.

7. PASSENGER INCENTIVE

Objective of the Passenger Incentive

7.1 The Passenger Incentive seeks to incentivise passenger growth and promote modal shift in the context of TOCs seeking to grow services. It is recognised that it is in TOC interests to operate fuller trains as this increases its operating revenues while optimising the use of its assets, and that it is in the Infrastructure Manager's interests if more people travel on international high-speed passenger services ~~using HS1~~ because this hopefully increases its own commercial revenues at HS1 stations and its access charges.

~~7.2~~ The Passenger Incentive is therefore designed to support aligned revenue management strategies ~~by creating a joint fund between the TOC and the Infrastructure Manager. The fund is to be spent on agreed marketing initiatives and promotional activities, the purpose of which is to jointly promote or market the TOC's international high-speed passenger services on HS1, promote the broader high-speed rail opportunity (including modal shift to international high-speed rail travel), or otherwise spent in such manner as the Infrastructure Manager and the TOC agree (or as otherwise determined in accordance with paragraph 7.7) with the purpose of increasing passenger demand on or improving that TOC's international high-speed passenger services on HS1~~. It is envisaged that the Passenger Incentive will be helpful wherever TOCs operate services to/from, but it is believed to be particularly helpful where a TOC is seeking to operate new services to new destinations, where awareness of international high-speed passenger services to and from London St Pancras International station will likely be lower than around established destinations.

7.2 ~~7.3~~ The Passenger Incentive is available to all existing or prospective TOCs that have met the requirements for qualification referred to in paragraph 3 and whose passenger volumes grow. Specifically, if a qualifying TOC grows its passenger numbers in accordance with paragraph 7.4, a proportion of IRC will be set aside for the purpose of promoting that TOC's international high-speed passenger services on HS1, among other things, as specified in paragraph 7.7.

7.3 The Infrastructure Manager and each qualifying TOC will enter into a separate joint marketing agreement which will operate for the duration of the relevant Incentive Term (and, if paragraph 7.12 applies, the 12 months after that Incentive Term) and provide, among other things, for the principles set out in the remainder of this paragraph 7, as well as the creation and management of intellectual property rights in any marketing campaigns/materials, information handling, and subcontracting. The Infrastructure Manager will publish the common terms of the joint marketing agreement on its website.

How a Passenger Joint Fund accrues

7.4 The Infrastructure Manager will create and administer an account in which the Passenger Joint Fund will be held. If in any Incentive Term Year, a TOC carries more fare-paying passengers on its international high-speed passenger services ~~operating on HS1~~ than its Passenger Baseline for that year, the Infrastructure Manager will, subject to paragraph 7.6, promptly pay into the Passenger Joint ~~Account~~Fund after the end of that Incentive Term Year, £1 (indexed in accordance the indexing of IRC in the Passenger Access Terms) per additional passenger carried.

7.5 If the number of passengers a TOC was able to carry in a given Incentive Term Year was restricted by a HS1 Restriction of Use caused by the Infrastructure Manager, for the purpose of determining the total amount payable into the Passenger Joint ~~Account~~Fund in respect of that Incentive Term Year, the total number of passengers carried by that TOC in that Incentive Term Year shall be deemed to include the number of passengers which could not be carried as a result. Such an adjustment shall be determined by the Infrastructure Manager (acting reasonably) having regard to the passenger loading data the TOC has made available under paragraph 7.6 and any other relevant information.

7.6 No later than 10 Working Days after each Incentive Period, the relevant TOC shall provide the Infrastructure Manager with passenger loading data for that Incentive Period, certified by a statutory director as setting out the number of fare-paying passengers (disaggregated by passenger class of travel) which travelled on its international high-speed passenger services ~~using HS1~~ on each day of that Incentive Period. That data will be treated as confidential by the Infrastructure Manager.

The Marketing Purpose

7.7 Sums accrued in the Passenger Joint Fund in accordance with paragraph 7.4 (excluding interest earned thereon) are to be spent on directly promoting the

international high-speed passenger services of the relevant TOC, awareness of that TOC's brand and that of the Infrastructure Manager, the broader high-speed rail opportunity (including modal shift to international high-speed rail travel) and/or on increasing passenger demand on or improving that TOC's international high-speed passenger services (the **Marketing Purpose**).

How Passenger Joint Funds to be spent on achieving the Marketing Purpose

7.8 The Infrastructure Manager and each TOC shall use the Passenger Joint Fund to achieve the Marketing Purpose by carrying out agreed integrated marketing campaigns comprising a combination of paid and/or earned joint marketing activities, or separate initiatives that contribute to a wider marketing strategy, illustrative examples of which in each case include:

- (a) Out-of-Home advertising and other related media;
- (b) TV, radio or Video on Demand;
- (c) print;
- (d) paid social/influencer promotion;
- (e) Pay-per-Click advertising;
- (f) sponsorships/partnerships;
- (g) events;
- (h) programmatic/display advertising; and
- (i) PR/advertorial,

(the **Marketing Activities**).

7.9 The Infrastructure Manager and each qualifying TOC shall achieve the Marketing Purpose by carrying out the relevant Marketing Activities in a collaborative manner, with a degree of flexibility which will ensure the most efficient use of the Passenger Joint Fund, and in compliance with the marketing and spending restrictions specified in paragraphs 7.13 to 7.15.

7.10 Subject to paragraph 7.12, each Marketing Activity, including the anticipated spend and spend profile, the programme by which that Marketing Activity will be delivered, which party will be responsible for delivering that Marketing Activity, and the supplier (if any) chosen to deliver that Marketing Activity, must, in each case, be agreed by the Infrastructure Manager and the relevant TOC, each acting reasonably.

7.11 The Infrastructure Manager shall release funds from the Passenger Joint Fund in a timely manner for the purpose of achieving any agreed Marketing Activity or wider campaign or strategy, and the Infrastructure Manager and/or the

relevant TOC shall spend that fund in accordance with the agreement reached pursuant to paragraph 7.10.

7.12 ~~7.7 For the purpose of paragraph 7.2, if~~ the Infrastructure Manager and ~~the~~ TOC cannot agree what to spend any of the ~~funds from the~~ Passenger Joint Account Fund on, the amount of spending, the timing of payments, or ~~any other matter concerning the funds in the Passenger Joint Account~~ whether that spending achieves or contributes to the achievement of the Marketing Purpose, in each case within ~~three~~12 months of the end of the Incentive Term, ~~the Infrastructure Manager will in its absolute discretion, decide those disputed matters without further reference to the TOC. Any such decision taken by the Infrastructure Manager alone shall not be regarded as nor comprise an exercise of discretion.;~~

- (a) the Infrastructure Manager shall promptly pay half the Passenger Joint Fund to that TOC and retain the other half;
- (b) each of the Infrastructure Manager and the TOC shall promptly spend their half on directly promoting their own businesses (in the case of the TOC, insofar as that business relates to its international high-speed passenger services on HS1); and
- (c) if requested, the TOC shall provide evidence to the Infrastructure Manager of the TOC's compliance with paragraph 7.12(b).

Marketing, spending and information restrictions

7.13 The Infrastructure Manager and each qualifying TOC shall ensure that:

- (a) each Marketing Activity they carry out is carried out in accordance with their branding standards or guidelines, and where there is a conflict between the Infrastructure Manager's and that TOC's branding standards or guidelines, the Infrastructure Manager and that TOC shall each, acting reasonably, seek to agree which of those conflicting standards or guidelines or which other standard or guideline to use for that Marketing Activity; and
- (b) each Marketing Activity they carry out is carried out in accordance with the applicable laws of the country or countries in which that Marketing Activity is being carried out.

7.14 The Infrastructure Manager will not carry out or permit the carrying out of any Marketing Activity under this paragraph 7 that could be perceived as denigrating another brand or experience. Nothing in this paragraph 7 shall restrict any TOC from engaging in any other marketing campaign or marketing activity which has not been agreed to by the Infrastructure Manager and funded by the Passenger Joint Fund under this paragraph 7.

7.15 The Infrastructure Manager shall treat any passenger data it receives pursuant to paragraph 7.6 as confidential information and shall not disclose that

information except as permitted under the joint marketing agreement referred to in paragraph 7.3, which confidentiality provisions will be substantially the same as the confidentiality provisions in Section 9 of the Passenger Access Terms.

APPENDIX: INCENTIVES AND WORKED EXAMPLES

1. SUMMARY OF INCENTIVES (AS PERCENTAGES) FOR NEW SERVICES INCENTIVE

Incentive Term Year	New Services Growth Incentive	New Destination Incentive		New Rolling Stock Incentive	Maximum Incentive
		New Destinations	New Intermediate Stations		
	IRC discount per Qualifying Train Slot				Maximum IRC discount per Multi-Qualifying Train Slot
Year 1	30%	20%	10%	15%	50%
Year 2	20%	15%	7.5%	10%	40%
Year 3	10%	10%	5%	5%	30%

2. INTERNATIONAL GROWTH INCENTIVE SCHEME WORKED EXAMPLES

Information used in the worked examples

2.1 The following New Services Incentive worked examples are intended to show the cumulative effect of the various components of the New Services Incentive. Each example assumes the fact base in Worked Example 1 in paragraph 2.5, where a TOC operates new international high-speed passenger services during its Incentive Term above its baseline, thereby qualifying for the discounts under the New Services Growth Incentive. In each subsequent worked example, it is assumed that the TOC also qualifies for other components of the New Services Incentive to show the cumulative effects of the scheme. Worked Example 4 in paragraph 2.8 shows how the Maximum Incentive is intended to work. Worked Example 5 in paragraph 2.9 shows the application of the Incentive Adjustment.

2.2 For simplicity, in the worked examples:

- (a) there is no application of indexation – when performing actual IRC calculations under paragraph 2.1 of Part 2 (Track Charges) of Schedule 7 (Track Charges) of the Passenger Access Terms, indexation will also be applied to the IRC Per Train Per Minute amount;
- (b) the final year-end calculations has been shown against the New Services Annual Baseline, and not the quarterly calculations against the New Services Quarterly Baseline;
- (c) the numbers have been rounded; and

- (d) the discounts are expressed as percentages, rather than Discount Factors, consistent with how they are expressed in the scheme.
- 2.3 The worked examples are based on the IRC Per Train Per Minute as at the start of the Scheme Period, and a Chargeable Journey Time of 31 minutes.
- 2.4 The following key applies in the worked examples:
- | | |
|---------|---|
| CJT | means Chargeable Journey Time of a train, specified in column E of Part 2 of Schedule 4 (Track Charges) of the relevant TOC's Framework Track Access Agreement; |
| D% | means the percentage discount for the relevant New Services Incentive; |
| FWT | means the relevant TOC's Train Slots included in relevant First Working Timetable; |
| IRC | means Investment Recovery Charge payable in an Incentive Period; |
| IRC PTM | means IRC Per Train Per Minute, specified in column C of Part 2 of Schedule 4 of the relevant TOC's Framework Track Access Agreement; |
| NDI | means the New Destination Incentive; |
| NISI | means the new intermediate stations incentive, forming part of the New Destination Incentive; |
| NSGI | means the New Services Growth Incentive; |
| NSI | means New Services Incentive; |
| NRSI | means the New Rolling Stock Incentive; |
| QTS | means Qualifying Train Slots for the relevant New Services Incentive; and |
| TOV | means the relevant TOC's Train Slots included in any accepted Train Operator Variation for the relevant New Working Timetable or Working Timetable. |

New Services Growth Incentive Worked Example 1

- 2.5 A TOC operates new international high-speed passenger services on HS1 in each of its three Incentive Term Years. The TOC is operating more services than its New Services Annual Baseline in each Incentive Term Year.

Measure	Unit	Incentive Term Year 1	Incentive Term Year 2	Incentive Term Year 3
New Services Annual Baseline	Slots	10,000	10,000	10,000
Operated Services (FWT + Spots)	Slots	20,000	20,000	20,000
Delta Train Slots from baseline	Slots	10,000	10,000	10,000
<u>Qualifying Train Slots</u>	Slots	10,000	10,000	10,000
IRC (IRC PTM x CJT)	£k/slot	3.978	3.978	3.978
<u>Undiscounted IRC payable on QTS</u>	£k	39,780	39,780	39,780
(QTS x IRC)				
Discount	%	30	20	10
<u>New Services Growth Incentive</u>	£k	11,934	7,956	3,978
(QTS x IRC x D%)				
<u>Discounted IRC payable on QTS</u>	£k	27,846	31,824	35,802
(Undiscounted IRC – Total NSGI)				

New Destination Incentive Worked Example 2

- 2.6 The fact base is the same as Worked Example 1, except a proportion of the TOC's additional Train Slots are to be operated to New Destinations and New Intermediate Stations, with those additional Train Slots which go to New Destinations not also stopping at the New Intermediate Stations:

Measure	Unit	Incentive Term Year 1	Incentive Term Year 2	Incentive Term Year 3
New Services Annual Baseline	Slots	10,000	10,000	10,000
Operated Services (FWT + Spots)	Slots	20,000	20,000	20,000
Delta Train Slots from baseline	Slots	10,000	10,000	10,000
<u>Qualifying Train Slots</u>	Slots	10,000	10,000	10,000
o to existing destinations/stations	Slots	2,500	2,500	2,500
f to New Destinations	Slots	5,000	5,000	5,000
w to one New Intermediate Station	Slots			
h		2,500	2,500	2,500
i				
c				
h				
:				
IRC (IRC PTM x CJT)	£k/slot	3.978	3.978	3.978
<u>Undiscounted IRC payable on QTS</u>	£k	39,780	39,780	39,780
(QTS x IRC)				
New Services discount	%	30	20	10
New Destinations discount	%	20	15	10
New Intermediate Station discount	%	10	7.5	5
<u>Discount %s by Qualifying Train Slot type</u>				
To existing destinations/stations (NSGI)	%	30	20	10
To New Destinations (NSGI + NDI)	%	50	35	20
To New Intermediate Stations (NSGI + NISI)	%	40	27.5	15
<u>NSI by Qualifying Train Slot type</u>				
To existing destinations/stations (NSGI)	£k	2,984	1,989	995
To New Destinations (NSGI + NDI)	£k	9,945	6,962	3,978
To New Intermediate Stations (NSGI + NISI)	£k	3,978	2,735	1,492
in each case: QTS x IRC x D%				
<u>NSI by incentive type</u>				
New Services Growth Incentive	£k	11,934	7,956	3,978
New Destination Incentive	£k	3,978	2,984	1,989
New Intermediate Stations Incentive	£k	995	746	497
in each case: QTS x IRC x D%				
<u>Total New Services Incentive</u>	£k	16,907	11,685	6,464

Measure	Unit	Incentive Term Year 1	Incentive Term Year 2	Incentive Term Year 3
(NSGI + NDI (inc. NISI))				
<u>Discounted IRC payable on QTS</u>	£k	22,874	28,095	33,316
(Undiscounted IRC – Total NSI)				

New Rolling Stock Incentive Worked Example 3

- 2.7 The fact base is the same as Worked Example 1, except a proportion of the TOC's additional Train Slots are to be operated using New Rolling Stock:

Measure	Unit	Incentive Term Year 1	Incentive Term Year 2	Incentive Term Year 3
New Services Annual Baseline	Slots	10,000	10,000	10,000
Operated Services (FWT + Spots)	Slots	20,000	20,000	20,000
Delta Train Slots from baseline	Slots	10,000	10,000	10,000
Qualifying Train Slots	Slots	10,000	10,000	10,000
of which using existing rolling stock	Slots	0	0	0
which using New Rolling Stock	Slots	10,000	10,000	10,000
IRC (IRC PTM x CJT)	£k/slot	3.978	3.978	3.978
Undiscounted IRC payable on QTS	£k	39,780	39,780	39,780
(QTS x IRC)				
New Services discount	%	30	20	10
New Rolling Stock discount	%	15	10	5
Discount % by Train Slot type				
Using existing rolling stock (NSGI)	%	30	20	10
Using New Rolling Stock (NSGI+NRSI)	%	45	30	15
NSI by Train Slot type				
Using existing rolling stock (NSGI)	£k	0	0	0
Using New Rolling Stock (NSGI+NRSI)	£k	17,901	11,934	5,967
in each case: QTS x IRC x D%				
NSI by incentive type				
New Services Growth Incentive	£k	11,934	7,956	3,978
New Rolling Stock Incentive	£k	5,967	3,978	1,989
in each case: QTS x IRC x D%				
Total New Services Incentive	£k	17,901	11,934	5,967
(NSGI + NRSI)				
Discounted IRC payable on QTS	£k	21,879	27,846	33,813
(Undiscounted IRC – Total NSI)				

Maximum Incentive Worked Example 4

- 2.8 The fact base is a combination of Worked Example 2 and Worked Example 3 with the TOC operating to New Destinations and New Intermediate Stations using New Rolling Stock. The Maximum Incentive has been applied:

Measure	Unit	Incentive Term Year 1	Incentive Term Year 2	Incentive Term Year 3
New Services Annual Baseline	Slots	10,000	10,000	10,000
Operated Services (FWT + Spots)	Slots	20,000	20,000	20,000
Delta Train Slots from baseline	Slots	10,000	10,000	10,000
Qualifying Train Slots	Slots	10,000	10,000	10,000
of wh ich :	<u>using existing rolling stock:</u>			
	to existing destinations/stations	0	0	0
	to New Destinations	0	0	0
	to one New Intermediate Stations	0	0	0
	<u>using New Rolling Stock:</u>			
	to existing destinations/stations	2,500	2,500	2,500
	to New Destinations	5,000	5,000	5,000
	to one New Intermediate Stations	2,500	2,500	2,500
IRC (IRC PTM x CJT)	£k/slot	3.978	3.978	3.978
Undiscounted IRC on QTS	£k	39,780	39,780	39,780
(QTS x IRC)				
New Services discount	%	30	20	10
New Destinations discount	%	20	15	10
New Intermediate Station discount	%	10	7.5	5
New Rolling Stock discount	%	15	10	5
Discount % by Train Slot type (pre-Max Incentive) (excess discount shown in red)				
<u>Using existing rolling stock:</u>				
to existing destinations/stations (NSGI)	%	30	20	10
to New Destinations (NSGI + NDI)	%	50	35	20
to New Intermediate Stations (NSGI + NISI)	%	40	27.5	15
<u>Using New Rolling Stock:</u>				
to existing destinations/stations (NSGI + NRSI)	%	45	30	15
to New Destinations (NSGI + NDI + NRSI)	%	65	45	25
to New Intermediate Stations (NSGI + NISI + NRSI)	%	55	37.5	20
Maximum Incentive (per QTS)	%	50	40	30

Measure	Unit	Incentive Term Year 1	Incentive Term Year 2	Incentive Term Year 3
<u>NSI by Train Slot type (pre-Max Incentive)</u>				
<u>Using existing rolling stock:</u>				
to existing destinations/stations (NSGI)	£k	0	0	0
to New Destinations (NSGI + NDI)	£k	0	0	0
to New Intermediate Stations (NSGI + NISI)	£k	0	0	0
<u>Using New Rolling Stock:</u>				
to existing destinations/stations (NSGI + NRSI)	£k	4,475	2,984	1,492
to New Destinations (NSGI + NDI + NRSI)	£k	12,929	8,951	4,973
to New Intermediate Stations (NSGI + NISI + NRSI)	£k	5,470	3,729	1,989
<u>Total discounted IRC pre Maximum Incentive</u>	£k	22,874	15,663	8,453
<u>NSI by Train Slot type (post-Max Incentive)</u> (adjustment shown in green)				
<u>Using existing rolling stock:</u>				
to existing destinations/stations (NSGI)	£k	0	0	0
to New Destinations (NSGI + NDI)	£k	0	0	0
to New Intermediate Stations (NSGI + NISI)	£k	0	0	0
<u>Using New Rolling Stock:</u>				
to existing destinations/stations (NSGI + NRSI)	£k	4,475	2,984	1,492
to New Destinations (NSGI + NDI + NRSI)	£k	9,945	7,956	4,973
to New Intermediate Stations (NSGI + NISI + NRSI)	£k	4,973	3,729	1,989
<u>Total discounted IRC post Max Incentive</u>	£k	19,393	14,669	8,453
<u>Total New Services Incentive</u>	£k	19,393	14,669	8,453
(NSGI + NDI (inc. NISI) + NRSI)				
<u>Discounted IRC payable on QTS</u>	£k	20,387	25,111	31,327

Incentive Adjustment Worked Example 5

- 2.9 The fact base is the same to Worked Example 4, with the TOC (TOC A) operating to New Destinations and New Intermediate Stations, and deploying New Rolling Stock as before, but a proportion of its new international high-speed passenger services ~~directly cause the displacement~~ are Displacing Services which have displaced a number of TOC B's ~~existing~~ international high-speed passenger services (Displaced Services):

Measure	Unit	Incentive Term Year 1	Incentive Term Year 2	Incentive Term Year 3
New Services Annual Baseline	Slots	10,000	10,000	10,000
Operated Services (FWT + Spots)	Slots	20,000	20,000	20,000
Delta Train Slots from baseline	Slots	10,000	10,000	10,000
<u>Qualifying Train Slots</u>	Slots	10,000	10,000	10,000
<u>Using existing rolling stock:</u>				
to existing destinations/stations	Slots	0	0	0
to New Destinations	Slots	0	0	0
of to New Intermediate Stations	Slots	0	0	0
which :				
<u>Using New Rolling Stock:</u>				
to existing destinations/stations	Slots	2,500	2,500	2,500
to New Destinations	Slots	5,000	5,000	5,000
to New Intermediate Stations	Slots	2,500	2,500	2,500
IRC (IRC PTM x CJT)	£k/slot	3.978	3.978	3.978
<u>Undiscounted IRC on QTS</u>	£k	39,780	39,780	39,780
(QTS x IRC)				
New Services discount	%	30	20	10
New Destinations discount	%	20	15	10
New Intermediate Station discount	%	10	7.5	5
New Rolling Stock discount	%	15	10	5
<u>NSI by Train Slot type (post-Max Incentive) as per Worked Example 4 (adjustment shown in green)</u>				
<u>Using existing rolling stock:</u>				
to existing destinations/stations (NSGI)	£k	0	0	0
to New Destinations (NSGI + NDI)	£k	0	0	0
to New Intermediate Stations (NSGI + NISI)	£k	0	0	0
<u>Using New Rolling Stock:</u>				
to existing destinations/stations (NSGI + NRSI)	£k	4,475	2,984	1,492
to New Destinations (NSGI + NDI + NRSI)	£k	9,945	7,956	4,973
to New Intermediate Stations (NSGI + NISI + NRSI)	£k	4,973	3,729	1,989

Measure	Unit	Incentive Term Year 1	Incentive Term Year 2	Incentive Term Year 3
Total discounted IRC post Max Incentive	£k	19,393	14,669	8,453

<u>Measure</u>	<u>Unit</u>	<u>Incentive Term Year 1</u>	<u>Incentive Term Year 2</u>	<u>Incentive Term Year 3</u>
INCENTIVE ADJUSTMENT CALCULATION:				
New Services Growth Incentive	£k	11,934	7,956	3,978
TOC B reduction in services	Slots	-	-	(5,000)
TOC A increase in services	Slots	10,000	10,000	10,000
Proportion of TOC A services (Displacing Services) responsible for displacing TOC B services (TOC B displaced) Displaced Services calculated by reference to relevant Train Slots (TOC B Displaced Train Slots/TOC A new Train Slots x 100)	%	-	-	50.0
50% of TOC A's New Services Growth Incentive	£k	5,967	3,978	1,989
<u>Incentive Adjustment</u>	£k	-	-	(995)
(50% of TOC A's New Services Growth Incentive x proportion of New Service TOC A services)				
<u>Adjusted Total New Services Incentive</u>	£k	19,393	14,669	7,459
(NSGI + NDI (inc. NISI) + NRSI)				
<u>Discounted IRC payable on QTS</u>	£k	20,387	25,111	32,321

Passenger Incentive Worked Example

- 2.10 The year before a TOC's Incentive Term, it carries 10 million passengers. The TOC carries more passengers than its prevailing Passenger Baseline in Incentive Term Year 1 and 3, but ~~less~~fewer in Incentive Term Year 2. Indexation has not been applied for simplicity:

Measure	Unit	Incentive Term Year 1	Incentive Term Year 2	Incentive Term Year 3
Passenger Baseline (preceding year)	k pax	10,000	11,000	10,800
Passengers above Passenger Baseline	k pax	1,000	(200)	1,000
Total passengers	k pax	11,000	10,800	11,800
Passenger Incentive	£/pax	1.00	1.00	1.00
IRC contribution to Passenger Joint Fund	£k	1,000	0	1,000

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Delete	224
Move From	12
<u>Move To</u>	12
<u>Table Insert</u>	23
Table Delete	1
<u>Table moves to</u>	0
Table moves from	0
Embedded Graphics (Visio, ChemDraw, Images etc.)	2
Embedded Excel	0
Format changes	0
Total Changes:	646