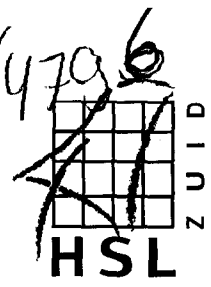


Ven W/DGMO-2009/4796



Fax

To National Express Group Plc
attn. R. Goldson

Copy -

Fax number [44] ~~0021100000000~~ 207 529 ~~2157~~

Subject Registrations HSL-Zuid

Number of pages 1

Date
15-11-99

Dear Sir,

Our reference

We are pleased to announce to you that the government has decided to proceed with the public tender of the international high-speed train services using the Dutch High Speed Line (HSL).

File
Document11
Your reference
-

The Dutch Railways (NS) were invited to bid for the domestic services, but decided to put forward an integrated plan for all services using HSL, plus the other major routes in The Netherlands. This proposal has not been accepted by the Government.

Contact person
Jeroen Kok
Extension
0031 30 2728751

The Government has given NS a last chance to sign a contract for the domestic services on the condition that they will not participate in the public tender for the international services, other than as a junior partner in a consortium. If NS does not accept this before the end of this week, the domestic HSL-services will be publicly tendered as well.

We would like to discuss with you the decision of the Dutch government and the tender procedure as soon as possible. May we call you this week to agree on a suitable time and venue?

Kindest regards,

Jeroen Kok
Project Manager HSL-South Transport

Projectorganisatie
Hogesnelheidslijn-Zuid
Address:
P.O. Box 43
3500 AA Utrecht
The Netherlands
Visiting address:
Catharijnesingel 33
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NATIONAL EXPRESS

NATIONAL EXPRESS GROUP PLC, TRAINS DIVISION, MELTON HOUSE,
65-67 CLARENDON ROAD, WATFORD, WD1 1DP
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22 July 1999

Tel:- 01923 207772
Fax:- 01923 207069

Mr M Wiedenhof
Ministry of Transport, Public Works and Water Management
Project Organisation HSL
PO Box 43
3500 AA Utrecht
The Netherlands

Venw/DGMA 2009/4796.01

Dear Mr Wiedenhof

Interest Registration - HS Services Contracts

Please find attached hard copy of the Registration Form, confirming email file already sent.

As agreed with Bas van Os, we shall be completing the consultation questions on page 18 of the registration document, and these will be available during August.

Yours sincerely,

Richard Goldson
Director, Commercial Development, NEG Trains Division

Enc. *registratie form*



V&W/DGMO_2009/4796.01

A Interest registration - HS-services contract(s)

Please answer all the questions below to register as an interested party for (one of) the contracts over HSL-Zuid.

I Details of Company

Name	National Express Group plc
Current Trading Name	National Express
Previous Trading Names (if different)	None
Principal Address	Worthy Park House, Abbots Worthy, WINCHESTER, SO21 1AN UK
Name of contact person	Richard Goldson Melton House, 65 – 67 Clarendon Road, WATFORD WD1 1DP, UK
Telephone	+44 (0) 1923 207772
Facsimile	+44 (0) 1923 207069
E-mail	goldsonr.nlr@ems.rail.co.uk
Type of Organisation	Public Limited Company
Country of Registration	England
Registration Number	2590560
Year of Registration	20 th October 1992
Describe the nature of the business and the services the company provides.	National Express (NX) is a major integrated transport company providing coach, bus, train and airport services in the UK, USA, Australia and mainland Europe.
Is the company a subsidiary of another organisation?	No.
If yes, please provide name of the parent company	N/A
What interest does the parent company have in the company?	N/A

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II Type of contract(s)

1. Assuming the objectives and conditions laid out in this document and assuming both international and domestic contracts will be publicly offered, do you intend to register for:

• International transport contract	yes
• Domestic transport contract	yes
• The combination of the two	possibly

III Expertise

NB. Any company or consortium with adequate passenger transport experience can register as potential operator on HSL-Zuid. In a later phase consortia can still be formed or modified, provided there is a registered operator as a member in the consortium.

<p>1. What is the specific expertise and/or experience that your company can bring to attract and accommodate passengers and make HSL-Zuid transport services a success?</p>	<p>National Express has built its business by accurately understanding market demand for passenger transport services and providing service and customer satisfaction levels which enable each operation to develop its growth potential. We do not have a universal formula for doing this and believe that each market is unique; the key is that we work hard to understand and satisfy the particular characteristics of each. In relation to the HSL-Zuid opportunity, we believe that integrating the services of HSL into existing rail, bus air and road services will be key so that customers fully benefit from the time savings which are potentially available compared with air and car alternatives.</p>
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DG/MO-2009/4796.01

<p>2. Please describe the activities or projects relevant to HSL-Zuid transport services that you are or were involved in. Please include in your description:</p>	<p>The principal relevant activities are shown below. In the case of Eurostar, figures relate to the entire Eurostar Group operation where we have a current 40% share in the management company (ICRR) of the UK arm (Eurostar UK Ltd.).</p>		
	Midland Main Line	Eurolines	Eurostar
<p>mode of transport</p>	<p>High Speed Inter City Rail Passenger Services</p>	<p>International Coach Operations</p>	<p>High Speed International Rail Operations</p>
<p>number of passenger trips per year, number of passenger kilometres per year,</p>	<ul style="list-style-type: none"> • 6.7m passenger journeys; • 834m passenger-km. 	<ul style="list-style-type: none"> • 543,000 passenger journeys • 6,003,000 vehicle-km. (Passenger-km not available) 	<ul style="list-style-type: none"> • 6.3m passenger journeys; • 3,000m passenger-km.
<p>type of involvement (operator running trains, ticketing and distribution, additional customer services, etc)</p>	<p>Franchised operation through UK Government (OPRAF). Includes train service operation, ticketing and distribution, station operations, all customer service operations including provision of full classic on train catering service.</p>	<p>International coach operations, including Anglo-Dutch scheduled services. Ticketing and distribution.</p>	<p>Provision of high speed International rail services in co-operation with other members of Eurostar Group (SNCF and SNCB). Includes train and station service operations, distribution and ticketing and provision of full rolling stock maintenance services.</p>
<p>annual turnover in passenger transport (at least €50m per year)</p>	<p>£85.4m (€130m)</p>	<p>£17.2m (€25.9m)</p>	<p>£350m (€534m)</p>
<p>relevance to, lessons learnt for HSL-Zuid</p>	<p>Needs of motorists if they are to be attracted to rail from congested and overused motorways. Delivery of very high levels of reliability when combined with very high levels of rolling stock utilisation.</p>	<p>Dutch cultural and business environment.</p>	<ul style="list-style-type: none"> • Service requirements of different nationalities. • Importance of objective demand forecasting. • Impact of competitive environment especially low cost airlines

<p>3. Do you intend to form a consortium or otherwise expand to pre-qualify for operation of transport services and accommodation of passenger over HSL-Zuid. If so, what types of partners/expertise (banks, local transport companies, travel agencies, etc) would you engage and would your choice for partners in your consortium be different depending on whether you bid for the international and/or the domestic contract(s)?</p>	<p>Our existing expertise covers most of the areas involved.</p> <p>Rolling Stock provision and finance is one area where we shall consider external involvement, though this need not be in a consortium partnership role.</p> <p>We shall also consider the possibility of local partners in particular with reference to:-</p> <ul style="list-style-type: none">• Distribution and ticketing• Rolling Stock Maintenance• Catering Supply and Provision
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III Consultation questions - HSL-Zuid transport contracts

Consultation Questions	Response
Tender Process	
1. From a potential bidder's perspective, in what ways could the tender procedure be enhanced to ensure that it attracts a high level of interest from operators?	As always, bidders will be concerned about the cost of bidding and the probability of securing an adequate level of remuneration. Until the concession lengths are clarified, bidders will be concerned about the costs of bidding in relation to a possible 5-year term. For the International Concession, a key risk relates to the approach of the government and railways in Belgium and France: firstly, greater clarity is needed as to whether NS/Thalys would be allowed to compete for these concessions with the benefit of the existing Thalys rolling stock; and secondly bidders would not relish the prospect of being test cases for EU railway directives, For the domestic Concession, bidders will be concerned about the level of co-operation from NS (given that the scenario only arises if NS' own proposal has failed). We suggest that further information and reassurance should be given on these issues.
2. Given the need for operators to establish arrangements to procure rolling stock during the tender and contracting process, do operators feel that the Government can help facilitate this process and if so, how?	Our perception is that the draft timescale in Section G of the Registration Document looks pessimistic and that 156 weeks should not be required for construction of the two fleets. However, the government could reduce risk by developing draft specifications which the successful operators could adopt or adapt. Even if an operator wants to adapt it extensively, the time taken should be less than starting a new specification from scratch.
Objectives	
3. The Government has a clear objective to encourage people to use rail services rather than cars and aeroplanes. As a result, the Government is interested to understand the role operators can play and the approach they would take to maximise substitution of car and air travel by rail. What changes, if any, to the proposed contract arrangements and contract structures would operators propose in order to ensure this objective is met?	We believe that the objective will be realised by ensuring that the time advantage inherent in the rail/HSL mode is effectively exploited. In developing our bid, we would look <i>inter alia</i> at the following:- <ul style="list-style-type: none"> • Minimising check-in (seat allocation) time; • Reservation/ticketing system that can be voice actuated from a car cellphone; • Incorporating car parking as part of the basic transaction; • "Frequent Traveller" Incentives • Effective yield management so that cheap fares can be offered to price sensitive market elements. • co-operation with the Schipol Airport Authority relating to policies on surface access and transfers from Long haul Air to surface. We would of course integrate with the basic Dutch ticketing and distribution systems.

As to contract structures, the government can exercise leverage by specifying base levels of frequency and capacity., and by mandating the operators to co-operate to ensure a perception in the market place of a simple pricing/ticketing structure.

Contracts on offer

4. Do you have a preference for contract length, if so, what is it and why? What is your preference between 5-year contract terms and contract terms with duration of a maximum of 15 years? If you have a preference, please explain.

As indicated in our response to Question 1, we believe that a longer term will attract more interest from bidders and represent better value for the government, for the following reasons:-

 - Bidding cost and risk;
 - Life cycle and span of railway improvement initiatives;
 - Early risk of "end-of-contract" sterilisation

We suggest 15 years as an appropriate contract length, representing the approximate time span for half-life fleet refurbishment. Fifteen years is also the length of contract found by the UK Government to be economic for franchises involving total provision of new trains where the private sector has been prepared to take residual value risk
5. Do you have any concerns as to the proposed arrangements for the international transport services contract? If so, what are they and why are you concerned? Do you feel the international transport services contract could be made more attractive to potential operators? If so, how?

As indicated in the response to Question 1, we are concerned about the interface issues relating to Belgium and France, including infrastructure charging; in short, about the risk of being a test application for EU railway directives and procedures.

We shall seek further discussions on this issue shortly.
6. Do you have any concerns as to the proposal arrangements for the domestic transport services contract? If so, what are they and why are you concerned? Do you feel that the domestic transport services contract could be made more attractive to potential operators? If so, how?

The opportunity to bid only arises in the event that the NS proposal has failed. We regard this mechanism as an honest and open approach by the Dutch Government and respect it accordingly. If this scenario arises, we would regard the opportunity to bid as an attractive and serious possibility. But we would look for evidence that the co-operation of NS Reizigers had been secured.
7. To what extent would being able to bid for the domestic and international transport contracts in combination be more or less attractive to bidding for one or both separately? Please explain your reasoning.

The major problems and risks on each are essentially separate, and we would take each decision to bid (or not) individually. If we were to bid for both, we would expect to offer an improved bid for the combination, based on operating cost synergies and marketing opportunity.
8. What is your view on allowing the transport of domestic passengers on international train services between Rotterdam and Amsterdam? Which of the following arrangements will best meet the

We believe that high service frequency will be essential to attract the maximum number of passengers to the Rotterdam/Amsterdam corridor. For most market segments, the ability to take the

Government's objectives:

- open competition between domestic and international trains
- allowing voluntary co-operation between the operators of domestic and international trains
- available capacity on international trains to be sold by the domestic operator only
- establishing one integrated domestic and international operator
- other arrangements, please explain

next train that comes - regardless of operator or ticket held - will be important.

There is no perfect answer to the competition/co-operation question, but we have much first hand experience of it in the UK and would advise as follows:-

- For most market segments, competition should be on service quality, not on price;
- Prices and tickets should in general be interavailable, and set to maximise combined operator revenue (which is a good proxy for consumer value).
- At times when one operator has more excess capacity than the other (and is hence incentivised to "dump" volume), single-operator products to be targeted specifically at low-yield market segments (e.g. full car loads of 3+ passengers travelling together);
- Such single-operator products to be sold only through channels which ensure proper product understanding and consumer suitability. (e.g. advance telesales)

We would also mention the subject of revenue allocation between operators which can distort pricing policies and the service offer if "games playing" strategies are permitted. We have experienced some of the effects of this in the UK and through our bid we could help the Dutch government avoid some of the risks.

See answer to Q8.

9. If there are separate domestic and international operators, what contract arrangements would you expect to see in the Bid Book with regard to competition or co-operation between them?