

Annex C: Example diagram of revised process to determine franchised station LTCs (operational property element)

Step 1	Step 2	Steps 3-4	Step 5	Step 6
CONSISTENT WITH PRE-EFFICIENT SBP SUBMISSION	PROPORTIONS OF CP5 ROUTE EXPENDITURE FOR EACH SFO	ANNUAL 35 YEAR AVERAGE TAKEN FROM DISAGGREGATED STATIONS MODEL (COMBINATION OF CP5 'BOTTOM UP' AND CP6-11 'TOP DOWN' MODELS)	APPLY PROPORTIONS TO SFO'S CP5 SHARE OF SPEND FOR ROUTE (PRE-EFFICIENT)	APPLY 16.64% GENERIC EFFICIENCY OVERLAY
Route A pre-efficient submission CP5 total £20m Annual average £4m	SFO X Pre-efficient annual average CP5 spend £3m (i.e. 75% of total route spend)	Station 1 Pre efficient annual average 35 year spend of £0.7m (20% of total)	SFO X CP5 LTC FOR STATION 1 ON ROUTE A 20%*£3m = £0.6m p.a.	SFO X CP5 LTC FOR STATION 1 ON ROUTE A £0.6m*(1-16.64% efficiency) = £0.50m p.a.
		Station 2 Pre efficient annual average 35 year spend of £1m (29% of total)	SFO X CP5 LTC FOR STATION 2 ON ROUTE A 29%*£3m* = £0.87m p.a.	SFO X CP5 LTC FOR STATION 2 ON ROUTE A £0.87m* (1-16.64% efficiency) = £0.72m p.a.
		Station 3 Pre efficient annual average CP5 spend of £1.8m (51% of total)	SFO X CP5 LTC FOR STATION 3 ON ROUTE A 51%*£3m= £1.53m p.a.	SFO X CP5 LTC FOR STATION 3 ON ROUTE A £1.53m* (1-16.64% efficiency) = £1.27m p.a.
		SFO X 35 YEAR ANNUAL AVERAGE TOTAL FOR ROUTE A: £3.5m	SFO X CP5 LTC ROUTE A PRE- EFFICIENT TOTAL £3M	SFO X CP5 LTC ROUTE A POST-EFFICIENT TOTAL £2.49M
Route B pre-efficient submission CP5 total £30m Annual average £6m	SFO Y Pre-efficient annual average CP5 spend £1m (i.e. 25% of total route spend)	Station 1 Pre efficient annual average CP5 spend of £0.8m (67% of total)	SFO Y CP5 LTC FOR STATION 1 ON ROUTE A 67%*£1m= £0.67m p.a.	SFO Y CP5 LTC FOR STATION 1 ON ROUTE A £0.67m*(1-16.64% efficiency) = £0.56m p.a.
		Station 2 Pre efficient annual average CP5 spend of £0.4m (33% of total)	SFO Y CP5 LTC FOR STATION 2 ON ROUTE A 33%*£1m= £0.33m p.a.	SFO Y CP5 LTC FOR STATION 2 ON ROUTE A £0.33m*(1-16.64% efficiency) = £0.27m p.a.
		SFO Y 35 YEAR ANNUAL AVERAGE TOTAL FOR ROUTE A: £1.2m	SFO Y CP5 LTC ROUTE A PRE-EFFICIENT TOTAL £1M	SFO Y CP5 LTC ROUTE A TOTAL POST EFFICIENT TOTAL £0.83M
		Station 3 Pre efficient annual average CP5 spend of £2.5m (50% of total)	SFO Y CP5 LTC FOR STATION 3 ON ROUTE B 50%*£6m = £3.0m p.a.	SFO Y CP5 LTC FOR STATION 3 ON ROUTE B £3m*(1-16.64% efficiency) = £2.50m p.a.
Route B pre-efficient submission CP5 total £30m Annual average £6m	SFO Y Pre-efficient annual average CP5 spend £6m (i.e. 100% of total route spend)	Station 4 Pre efficient annual average CP5 spend of £1.8m (36% of total)	SFO Y CP5 LTC FOR STATION 4 ON ROUTE B 36%*£6m = £2.16m p.a.	SFO Y CP5 LTC FOR STATION 4 ON ROUTE B £2.16m*(1-16.64% efficiency) = £1.80m p.a.
		Station 5 Pre efficient annual average CP5 spend of £0.7m (14% of total)	SFO Y CP5 LTC FOR STATION 5 ON ROUTE B 14%*£6m = £0.84m p.a.	SFO Y CP5 LTC FOR STATION 5 ON ROUTE B £0.84m*(1-16.64% efficiency) = £0.70m p.a.
		SFO Y 35 YEAR ANNUAL AVERAGE TOTAL FOR ROUTE B: £5m	SFO Y CP5 LTC ROUTE B PRE-EFFICIENT TOTAL £6M	SFO Y CP5 LTC ROUTE B POST-EFFICIENT TOTAL £5M