



Notice under Section 55(6)(a) of the Act

LTS Rail Limited
Central House
Cliffdown Road
Southend-on-Sea
SS1 1AB

Whereas:

- (1) Pursuant to section 68(1) of the Railways Act 1993 ("the Act"), the Regulator investigated whether LTS Rail Limited ("the licence holder") had contravened Condition 7 ("the relevant Condition") of its passenger licence in respect of non compliance with provisions of the Ticketing and Settlement Agreement and the Travelcard Agreement which the Regulator approved under Paragraphs 1(a) and (c) of Condition 7;
- (2) The Regulator was satisfied that the licence holder had contravened the relevant condition and was likely again to contravene that condition by virtue of the matters set out in a statement of conclusions dated 12 March 1997, a copy of which has been provided to you;
- (3) The Regulator therefore requested the licence holder to take specified steps for the purpose of securing or facilitating compliance with the relevant condition.
- (4) The licence holder has provided to the Regulator an undertaking in the form annexed to this notice by way of its agreement to take the steps which it appeared to the Regulator for the time being to be appropriate for the licence holder to take for the purpose of securing or facilitating compliance with the relevant condition and, by its compliance with that undertaking, is taking such steps for the purpose of securing or facilitating such compliance;

In accordance with section 55(6) of the Act, the Regulator therefore gives notice to you, the licence holder, that, being satisfied for the purposes of section 55(5)(b) of the Act, no provisional or final order will be made in relation to the contravention of the relevant condition.

A handwritten signature in black ink, appearing to read 'J.A. Dudgeon', with a long horizontal line extending to the right.

Duly authorised by the Rail Regulator

12 March 1997

LTS UNDERTAKING

Undertaking given by LTS Rail Limited ("LTS") to the Rail Regulator

Part 1 - Corporate Compliance Arrangements

1.1 LTS confirms that it will establish and maintain arrangements to ensure that all terms of the following agreements and any replacements of or amendments to those agreements ("the Agreements") are complied with at all times in respect of its obligations under the Agreements.

- Condition 7 of the Passenger Licence granted to LTS on 14 December 1994
- Travelcard Agreement dated 15 October 1995
- Ticketing and Settlement Agreement dated 23 July 1995 ("the TSA")
- ATOC/LRT Scheme dated 23 July 1995
- Through Ticketing (Non-Travelcard) Agreement dated 15 October 1995

1.2 For this purpose:

- the Board of Directors:
 - acknowledges that it has the ultimate responsibility for ensuring that LTS complies with the Agreements
 - will appoint an individual Director, not having direct operational responsibility for any areas regulated by any of the Agreements to be responsible for monitoring compliance and briefing the Board at regular intervals on issues arising;
- procedures designed to secure compliance with the Agreements will be integrated with the company's operational procedures;
- all staff concerned will be given appropriate information and training on their roles relating to compliance issues;
- there will be regular internal monitoring of compliance with the Agreements.

Part 2 - Specific Controls

2.1 LTS confirms that it has reviewed the detailed internal control procedures relating to the issue of tickets without payments at the time of issue, the authorisation of such issues, the recording of such issues and the storage and transport of tickets, cash and other valuable items, i.e. cash substitutes.

2.2 LTS confirms that arrangements exist or are being put in place to ensure that appropriate and effective controls operate in relation to matters referred to in this undertaking. In particular:

- the Board has issued appropriate instructions to relevant staff via line managers;
- an "Internal Control Group", headed by the Finance Director, has been formed which reports to the Board. It comprises representatives of relevant functional departments of LTS. Its objective is to impart an internal control "culture" throughout LTS and to review all audit reports and agree actions arising;
- a "Compliance Group" has been established which reports to the Managing Director and includes representatives from relevant functional departments. Its function is to determine how compliance with the Agreements should be managed;
- The Internal Control Department now reports to the Board via the Chief Accountant and the Finance Director;
- suitable staff with appropriate levels of competence are in place or being put in place, within the Finance and Internal Control functions;
- training relevant to the roles of staff within the Finance and Internal Control functions has been carried out and will continue as personnel and procedural changes take place;
- in relation to Area Commercial Managers;
 - their job specifications have been reviewed in order that they are able to discharge their responsibilities relevant to this undertaking
 - they have been briefed fully on the obligations of the Agreements and, in particular, on the requirements on the Rail Settlement Plan Ltd ("RSP")
 - their Contracts of Control now include appropriate regulatory compliance matters
 - reviews of their skill base have been undertaken and they will be given additional management skills training where necessary.
- independent individuals from both inside and outside LTS with requisite skills and knowledge have produced new operational guidelines for station procedures which include compliance with the relevant requirements of RSP. Copies are held at each LTS station and the revised procedures are in force;
- briefing for staff relevant to compliance with the Agreements has been carried out and training will continue.

2.3 LTS confirms that, as a result of these actions, effective controls are being operated to ensure that LTS complies with the requirements of the Agreements, and in particular that:

- issues of season tickets without immediate payment are authorised and evidence of appropriate authority is obtained prior to their issue in accordance with approved station operating instructions;
 - items recorded as "outstanding" (i.e. issues of tickets without payment) represent only uses of this facility that are provided for in approved station operating instructions;
 - value items (including tickets, cash, cheques and credit card vouchers) are held securely and accounted for in accordance with formal instructions;
 - "non-issues" of tickets are only made in accordance with formal instructions;
 - the new ATOC rule regarding "remote" issues of Travelcards is complied with;
 - transfers of tickets between locations are only carried out under authority required by approved station operating instructions.
- 2.4 LTS confirms that procedures are in place which operate so as to identify promptly any of the controls listed in 2.3 above which are not operating in accordance with the company's requirements.

Part 3 - Confirmation of Compliance

- 3.1 LTS confirms that it will commission an independent review of its arrangements, by a person approved by the Office of the Rail Regulator, for securing compliance with the Agreements (as described above) and that a copy of the report will be provided to the Office of the Rail Regulator by no later than 30 September 1996.
- 3.2 LTS will commission a further review of these arrangements, by a person approved by the Office of the Rail Regulator, as at 31 March 1997, and the report arising will be provided to the Office of the Rail Regulator by no later than 3 months after that date.