Institutional challenges and opportunities for competitive contracting in Intercity Passenger Rail.

Tim Buxton  FirstGroup International Business Development Director
FirstGroup
the leading transport operator in Europe and North America

- 2.5 billion passengers a year
- Revenues of more than $11 billion (2014)
- Approximately 117,000 employees
FirstGroup Vision

To provide solutions for an increasingly congested world... keeping people moving and communities prospering.
First Transit
Greyhound
FirstBus (UK & Ireland)
• Currently the largest rail operator in the UK with approximately a quarter of the country’s passenger rail network

• Over 13,500 members of staff employed across four major heavy rail franchises, operating one long-distance open access network

• Operator of London’s only tram network

• More than 330m annual passengers on commuter, Intercity, Regional, Sleeper, Long Distance and Light Rail trains

• Intercity passenger rail operations between Denmark and Sweden in a JV with Danish State Railways (DSB)
Awards

2013/14

- UK Rail Business of the Year
- UK Train Operator of the Year
- European Intercity Operator of the Year
- Outstanding Contribution to Railway Industry
Liberalisation of the UK Rail Market

• **Railway Act 1993**
  Moving away from a nationalised industry to a privately-run and publicly-accountable railway

• **Introduction of the Franchising Model**
  Private train companies compete to win and run passenger rail services (usually 7-10 years with extension periods)

• **Strong partnership between public and private sectors**
  Delivering sustainable growth

• **Generating more revenues**
  Helping to reduce public subsidies and net direct government support to train operating companies

• **Reducing commercial risk**
  Borne by the operator with greater incentives to grow revenues and reduce costs
More InterCity Trains

Number of trains per day

- First TransPennine Express
  - Leeds to Manchester
  - 46

- ScotRail
  - Glasgow to Edinburgh
  - 61

- First Great Western
  - Cardiff to London
  - 31

- First Great Western
  - Bristol to London
  - 33

- First Great Western
  - 22

SOURCE: ATOC
Net Government support to TOCS
Reduced from £1.4 billion to £81 million in a decade

SOURCE: ATOC
Surplus Generated by Train Operators

Money to Government to reinvest in rail

1997-98

1997-98

2011-12

2011-12

Train company operating profits

1997-98

1997-98

2011-12

2011-12

£100 Million

£100 Million

SOURCE: ATOC Growth & Prosperity
FirstGroup
Intercity Services
First TransPennine Express
Intercity Service

- Dedicated Intercity service linking key cities and major towns in the North West of England since 2003
- 300 services daily to 105 stations
- 70,000 customers daily
- Services running 24 hours a day
First TransPennine Express

On-time performance: percentage of trains arriving on time (2003-2014)

Source: FTPE
First Hull Trains
Intercity Service

- Open access Intercity service linking London and Hull, North East of England, since 2000
- 7 weekday services and 5 weekend services to 9 stations
- 735,000 customers annually
- Free Wi-Fi throughout with complimentary at-seat catering in First Class
First Hull Trains
National Rail Passenger Survey 2014

<table>
<thead>
<tr>
<th>Category</th>
<th>First Hull Trains</th>
<th>Intercity Average</th>
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<tr>
<td>Overall Satisfaction</td>
<td>96</td>
<td>86</td>
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<tr>
<td>Punctuality / Reliability</td>
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<td>83</td>
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<td>Sufficient Room to Sit</td>
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<td>72</td>
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<tr>
<td>Value for Money</td>
<td>66</td>
<td>55</td>
</tr>
</tbody>
</table>

SOURCE: Passenger Focus
First Great Western
Intercity Service

- Franchised Intercity service linking London to Western England and Wales since 1998
- One of the largest and the most complex rail network in the UK
- 9,000 services calling at 276 stations, serving 1.5 million passengers every week
- The only UK rail company to operate High-Speed Intercity, Commuter, Regional, and Sleeper services
First Great Western

Growth in passenger journeys and fewer complaints (2006-2013)

SOURCE: ATOC
Innovation & Growth

FirstGroup UK Rail & UK Bus

- Leveraging our bus network and capabilities for increased rail ridership – developing a feeder system
- Integration of all modes of transport – seamless end-to-end journeys (e.g. RailAir connecting Reading Station to Heathrow Airport)
- Value-added services to increase customer experience (e.g. RailFly – partnership between FGW and Singapore Airlines)
- Proven experience in lengthening life of assets
- Extensive special event management experience (e.g. Henley Regatta, Glastonbury Music Festival, Ryder Cup)
Summary

Government support to the rail industry

Net Subsidy to TOCs  Payment to National Rail  Passenger Journeys

SOURCE: KPMG
Successes of UK Intercity Rail Privatisation

- **Record numbers of passengers**, reversing a downward trend, with the longest sustained growth in history
- **Significant improvements in performance**, punctuality and service frequency between major cities
- **Improvements in safety and passenger approval ratings**
- **Operators are generating more revenues**, helping to reduce public subsidies and sustain investment while earning modest operating margins
- **Record levels of satisfaction**, while the network is managed more intensively and the average price per mile paid by passengers has remained almost flat
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