Privately provided public transport: an operator's perspective from North America and the UK

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Overview

- An introduction to FirstGroup
- The UK Bus Industry
  - A quick history
  - What do customers want?
  - How do we attract more customers?
  - What do employees want?
  - What do politicians want?
  - Where now?
- The Public Policy Debate
- FGA Transit
- An Advert
FirstGroup Business Overview

We are the largest UK-listed surface transport group:
- Transport some 2.5 billion passengers a year
- Annualised revenues of over £6bn
- More than 130,000 employees

**UK Bus**
- UK No. 1
- 23% market share
- 8,500 buses
- Bus, coach, yellow school bus and rail replacement
- 3 million passengers a day
- Some 25,000 employees

**UK Rail**
- UK No. 1
- Operating one quarter of the UK passenger rail network
- 5 passenger rail operations
  - (4 franchises, 1 open access)
- Rail freight operation
- More than 280 million passengers a year
- Some 13,000 employees

**North America**
- US No. 1
- 60,000 yellow school buses
- Greyhound intercity coach services
- Transit management & contracting
- Vehicle maintenance & support services
- 4 million students to and from school every day
- Some 94,000 employees
Public policy and ownership changes

- 1967 – last major private bus operator sold to the Government
- 1986 – deregulation
- 1988 – 89 National Bus Co. sold by Government (as 70 lots)
- 1990 – 91 Scottish Bus Group sold
- 1993 – 95 London bus operating companies sold

Now

- Outside London c. 80% network private sector planned and delivered
- London network 100% privately operated under contract to Government
FirstGroup’s GB Bus operations
Bus Industry Margins

Source: TAS Bus Industry Monitor database
Customer Satisfaction

Passenger Focus initial surveys of satisfaction in 2009

Proportion of passengers satisfied with their trip

- Lincolnshire
- Tyne & Wear
- Dorset
- Southampton
- West Midlands
- Bristol
- Overall

90%
Long Term Trends in the Bus Market

Great Britain Local Bus Journeys vs. Car Ownership 1950-2008

Bus Deregulation
October 1986
What do customers want?

<table>
<thead>
<tr>
<th>Improvement</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>More buses are on time or within 5 minutes of when they are scheduled to arrive</td>
<td>1</td>
</tr>
<tr>
<td>All passengers are able to get a seat on the bus for the duration of their journey</td>
<td>2</td>
</tr>
<tr>
<td>All bus drivers are helpful and have a positive attitude</td>
<td>3</td>
</tr>
<tr>
<td>Buses run more frequently at times when you want to use the bus</td>
<td>4</td>
</tr>
<tr>
<td>Buses go to a wider range of destinations in your local area</td>
<td>5</td>
</tr>
<tr>
<td>All bus stops have a well-maintained shelter</td>
<td>6</td>
</tr>
<tr>
<td>Tickets/passes are available that entitle you to travel on all bus services in your local area, not just those operated by a specific company</td>
<td>7</td>
</tr>
<tr>
<td>The correct route number and destination is clearly displayed on the outside of all buses</td>
<td>8</td>
</tr>
<tr>
<td>Tickets/passes are available that entitle you to travel on all types of public transport in your local area, not just buses</td>
<td>9</td>
</tr>
<tr>
<td>Accurate timetable and route information is available at all bus stops</td>
<td>10</td>
</tr>
<tr>
<td>All buses have low floors and are easy to get on and off</td>
<td>11</td>
</tr>
<tr>
<td>All buses drive at an appropriate speed and are free from jolting</td>
<td>12</td>
</tr>
<tr>
<td>Bus fares, tickets and passes offer better value for money</td>
<td>13</td>
</tr>
<tr>
<td>Personal security onboard the bus is improved through the use of CCTV cameras on all buses</td>
<td>14</td>
</tr>
<tr>
<td>All buses have sufficient room for wheelchair users and people with a pushchair to travel in comfort without obstructing other passengers</td>
<td>15</td>
</tr>
</tbody>
</table>

Source: Passengers Focus surveys 2009
Do something else with your time
Good information
Bad information
Good interchange
Not so good interchange
The environment
## Hybrid Buses

<table>
<thead>
<tr>
<th></th>
<th>Diesel</th>
<th>Hybrid</th>
<th>Diff</th>
</tr>
</thead>
<tbody>
<tr>
<td>£k 15 years</td>
<td>175</td>
<td>275</td>
<td>-100</td>
</tr>
<tr>
<td>Purchase</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fuel cost</td>
<td>269</td>
<td>230</td>
<td>39</td>
</tr>
<tr>
<td>Duty saving</td>
<td></td>
<td>-54</td>
<td>54</td>
</tr>
<tr>
<td>Maintenance cost</td>
<td>201</td>
<td>242</td>
<td>-41</td>
</tr>
<tr>
<td>Total</td>
<td>645</td>
<td>693</td>
<td>-48</td>
</tr>
</tbody>
</table>
Government funding in the bus industry

- English PTEs
- London
- Shires
## Public Policy Debate

<table>
<thead>
<tr>
<th>Ownershp</th>
<th>Control</th>
<th>Partnership</th>
<th>Quality Contract</th>
<th>Competition</th>
</tr>
</thead>
<tbody>
<tr>
<td>General acceptance that the private sector will deliver more efficiently</td>
<td>Frequency of service changes</td>
<td>Voluntary agreements</td>
<td>Area based</td>
<td>New review of the market by the Competition Commission</td>
</tr>
<tr>
<td></td>
<td>Price and ticketing integration</td>
<td>Statutory schemes</td>
<td>In the public interest</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Vehicle quality</td>
<td>What does it really mean?</td>
<td>No compensation for incumbents</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Information provision</td>
<td></td>
<td>Transition issues</td>
<td></td>
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<tr>
<td></td>
<td>Driver training and behaviour</td>
<td></td>
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</tbody>
</table>
First Transit Market

**Fixed Route**
$15 billion
- In-house/conversion ~ $13.5B, 90%
- Contracted/share shift ~ $1.5B, 10%

**First Transit Fixed Route**
$330 million
- Total market share ~ 2%
- Total contracted share ~ 22%

![Pie chart showing the market share of different companies in the transit fixed route market. The largest portion is for FT, $330 million, representing 22%. Other companies include Veolia, $250 million, representing 16%; MV, $200 million, representing 13%; and Others, $750 million, representing 49%.]
Redefining coach travel in the US and the UK
Keeping passengers happy the older way too!
Career / management lessons

- Modelling and the reality of life
  - Inertia of what you already have
  - Elasticity based modelling dominates

- Team work
  - Running a business you MUST understand / be familiar with all aspects
  - Never underestimate the power of the distraction

- Public private partnership
  - Social contract

- The economic cycle

- The long bath