ASLEF The train drivers' union

>>> Rail Franchise Handbook 2019

Introduction

Welcome to our new Rail Franchise Handbook. I hope you will find it as interesting, and useful, as I do and a valuable tool for the political and industrial work you do for our union.

We put this handbook together to give our reps and decision makers the inside track on who really runs Britain's railways, how they run our railways, and what they take out from our railway industry every year.

Because we believe the facts and figures revealed in these pages show, with crystal clarity, the utter folly of our privatised, and fragmented, franchise system. A structure – set up by John Major, 25 years ago, and continued by Conservative governments ever since – that separates the wheels and steel and is underwritten by an enormous public subsidy from every taxpayer in this country, and sky high passenger fares, while tens of millions of pounds haemorrhage from the system into the pockets of shareholders in the form of profits and dividends, or increasingly due inefficiencies.

In fact whilst the system has never worked for passengers or taxpayers, there are now signs that it doesn't work for operators either. The franchising system has been put on hold for a couple of years now due to a lack of bidders. This means direct awards have been handed out leading to even less competition. So we now have a system that exists to maintain the system itself, not our railway.

It isn't true to say that all the train and freight operating fill the pockets of shareholders; some TOCs and FOCs are owned by public, not private, operators where shareholders do not skim the cream off the top of the milk. Sadly, it is not the British taxpayer who benefits but taxpayers in France, Germany, Italy and the Netherlands. Keolis, Deutsche Bahn, Trenitalia and Abellio are big players here because state operators on the continent regard our railways as a milch cow – and thanks to Tory ideology we are subsidising the fares of our European neighbours!

When East Coast was brought back into public ownership a few years ago the service improved dramatically, passenger satisfaction increased, and £1 billion was returned to the Treasury. That was good for the route, good for the railway, and very good for Britain.

It makes no sense – in theory or in practice – to run what is a natural monopoly, and what should be a public service, in the private sector. That applies to utilities such as gas, water, and electricity, as well as to our railway.

The railway – like those utilities – is no place to make a private profit at public expense. The 'profit' on the railway is always artificial, anyway. Because all the investment in infrastructure comes from the British taxpayer.

Armed with the facts and stats in this handbook, I hope you will be able to help us in the battle to build a better, fairer, more modern and more efficient railway – a publicly-owned railway for the 21st century – here in Britain.

Yours fraternally
Mick Whelan
General Secretary – ASLEF

Notes when reading this handbook

The information within this report comes from a variety of sources including the Office of Road and Rail and the annual reports of the parent groups who run TOCs.

You will note that some TOCs have more information about them than others. Usually these are TOCs that are owned by publically listed companies. This is because they must present full annual reports for shareholders.

Other publically owned companies such as Deutsche Bahn or Abellio do have annual reports but with less specific commercial information as they have no individual shareholders who they must share this information with. They are often published far later.

Other companies have less information for other reasons. For example, Virgin Group is a private holding company so has no obligation to publish much detail. Where TOCs are co-owned, we have used the annual report with the most detail in it.

In some cases, the 2018 Annual Reports are not available. In this case information has been taken from the most recent Annual Report.

The '2017/18 Annual profit' figure and the 'Government funding per passenger km (in pence)' figures are taken from the Office of Road and Rail report "UK rail industry financial information 2017-18" (30 January 2019).

*It is important to note that this figure is not the same as statutory profit or loss as per statutory accounts. It is simply operator income less expenditure.

**In the past this figure included the train operator subsidy per passenger mile as well as the Network Grant per passenger mile. This figure is no longer available. The figure is now simply the direct subsidy to operators per passenger km.

Contents

>>> Williams Rail Review

It is worth keeping in mind whilst using this document that the Williams Rail Review is currently carrying out a root and branch review of Brain's railway. The Williams review was established in September 2018 to look at the structure of the whole rail industry and the way passenger rail services are delivered. As such the review could have a big impact on the franchising system currently used on Britain's railway.

The review is expected to publish its views and findings in a government white paper in late 2019 with the reform to be implemented in 2020.

As part of the review there was a call for evidence, seeking views on the problems facing the railway and how they might be solved. This call for evidence closed in Spring 2019 and ASLEF submitted a response which can be viewed on ASLEF's website at:

https://www.aslef.org.uk/visageimages/Policy_and_Research/Research/submissionsandreports/ASLEF_WilliamsReviewResponse-web.pdf

Whilst we await the outcome of the Williams Rail Review current contracted franchises and franchise competitions will continue and other live rail projects are outside the scope of the review.

>>> Companies and their franchises

The below table is the current franchise holders and their parent groups. This may vary to the financial details given if the franchise has recently changed hands as this reflects the previous year.

Company	Franchises owned
Abellio (**100%** owned by Nederlandse Spoorwegen, the Dutch State Railway)	**Wholly owned:** • East Midlands Railway • ScotRail **Part ownership:** • Greater Anglia (Including Stansted Express) **(60%)** • Merseyrail **(50%)** • West Midlands Railway (including London Nothwestern) **(70%)**
Amey (Subsidary of Ferrovial, a Spanish multinational company publically listed on the Madrid Stock Exchange)	**Part Ownership:** • Transport for Wales Rail **(30%)**
Arriva UK Trains (**100%** owned by Deutsche Bahn, the German state railway)	**Wholly owned:** • Chiltern Railways • CrossCountry • Grand Central • Arriva Rail London (formerly London Overground) • Northern
DfT OLR Holdings (DOHL) (UK Government owned holding company)	**Wholly owned:** • London North Eastern Railway (previously Virgin Trains East Coast)

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Company	Franchises owned
FirstGroup (Publically listed on the London Stock Exchange)	**Wholly owned:** • Great Western Railway • Heathrow Express • Hull Trains • TransPennine Express **Part ownership:** • Island Line Trains **(70%)** • South Western Railway **(70%)**
Go-Ahead Group (Publically listed on the London Stock Exchange)	**Part ownership:** • Gatwick Express (GTR) **(65%)** • Great Northern (GTR) **(65%)** • Southeastern **(65%)** • Southern (GTR) **(65%)** • Thameslink (GTR) **(65%)**
Keolis (**70%** – owned by the SNCF (French state railway) and **30%** – owned by the Quebec Deposit and Investment Fund public pension plans in the province of Quebec)	**Part ownership:** • Gatwick Express (GTR) **(35%)** • Great Northern (GTR) **(35%)** • Southeastern **(35%)** • Southern (GTR) **(35%)** • Thameslink (GTR) **(35%)** • Transport for Wales Rail **(70%)**
Mitsui & Co/East Japan Railway Company partnership (Mitsui and East Japan Railway Company listed on the Tokyo stock exchange)	**Part ownership:** • Greater Anglia Including Stansted Express) **(40%)** • West Midlands Railway (including London Northwestern Railway) **(30%)**
MTR Corporation (Hong Kong Government own **75.09%** and **24.91%** privately owned)	**Wholly owned:** • Elizabeth Line (Crossrail) • TfL Rail **Part ownership:** • Island Line Trains **(30%)** • South Western Railway **(30%)**

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Company	Franchises owned
Serco (Publicly listed on the London Stock Exchange)	**Wholly owned:** • Caledonian Sleeper **Part ownership:** • Merseyrail **(50%)**
Stagecoach Group (Publicly listed on the London Stock Exchange)	**Wholly owned:** • East Midlands Trains **Part ownership:** • Virgin Trains **(49%)**
Trenitalia (**100%** owned by Ferrovie dello Stato Italiane, the Italian state railway)	**Wholly owned:** • c2c
Virgin Group (UK based holding group)	**Part ownership:** • Virgin Trains **(51%)**

Ownership Groups

>>> Abellio (Nederlandse Spoorwegen)

Nederlandse Spoorwegen (NS) is the largest passenger rail transport company in the Netherlands. Abellio was established in 2002 by NS, as part of an international strategy to anticipate the effects on the industry of European legislation to liberate rail markets. In the UK Abellio operates train services for East Midlands Railway, ScotRail, Scotland's National Railway, Greater Anglia in a joint venture with Mitsui, Merseyrail in a joint venture with Serco and London Northwestern Railway and West Midlands Railway in a joint venture with West Midlands Trains, Mitsui and JR East.

>>> Greater Anglia

Owned by: Abellio
Franchise period: October 2016 to October 2025
2017/18 Annual profit: £24,000,000*
Government funding per passenger km (in pence): 3p**

>>> Merseyrail

Owned by: Serco-Abellio
Franchise period: July 2003 to July 2028
2017/18 Annual profit: £15,000,000*
Government funding per passenger km (in pence): 19p**

>>> Scotrail

Owned by: Abellio
Franchise period: April 2015 to March 2025
2017/18 Annual profit: -£18,000,000*
Government funding per passenger km (in pence): 21p**

>>> West Midlands Trains

Owned by: Abellio
Franchise period: December 2017 to March 2026.
2017/18 Annual profit: -£32,000,000 *
Government funding per passenger km (in pence): 10p**

Nederlandse Spoorwegen 2018 Annual Report

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2017 in a nutshell

In 2017 Abellio UK reached the largest and most diversified position in its operating history, with the start of the West Midlands franchise in December. In 2018 Abellio was the third largest rail owning group in the UK with around 14% market share by revenue and achieved a consolidated revenue of € 2.47 billion. Abellio's 4 TOCs each have several years remaining on their contracts. The first potential franchise end could be ScotRail in 2022, should the break clause be exercised (a decision will be made in the second half of 2019). If the ScotRail break clause is not exercised, the first time that Abellio will experience a major contract expiry will not be until 2025 when both the ScotRail and Greater Anglia contracts reach their full terms.

Operational Performance

Operational performance remains a priority for the TOCs, with strong partnership with Network Rail across all Abellio TOCs. Performance in the UK is measured using the Public Performance Measure (PPM), representing the percentage of trains that have arrived at their final destination within 5 minutes of their scheduled time – having stopped at all scheduled stations. The Abellio rail franchises are all above the average of all UK TOCs. The following table shows the PPM for 2018 and 2017 and number of trains running per day per UK franchise:

Outlook for 2019

Abellio UK's bidding strategy is based on a considered approach whereby bids are only made for franchises that are lower risk and which complement the existing portfolio. The preferred focus is regional railways and London-commuter railways.

In line with this approach, current growth plans are to add an additional rail franchise to the portfolio. To this end, in 2018 bids were submitted for the South Eastern franchise as part of a 60:40 *venture with Mitsui and East Japan Railway, and for East Midlands. Abellio is awaiting the award decision for both of these franchises. If successful for either, there is expected to be a mobilisation period in early 2019 with start of operations in Q3/Q4 2019.*

Abellio UK will also focus on further enhancing operational performance and revenue growth across the existing portfolio. 2019 will be a transformative year, with major time table changes and new rolling stock and associated service enhancements being introduced in a number of Abellio franchises, towards all having new fleets introduced by 2022. Making a success of this challenging undertaking will be a priority throughout the year. The introduction of new trains in 2019 and subsequent years is a key component of an investment program of over € 3.5 billion for new trains, depots and station enhancements.

TOC	Revenue in € millons	Customer satisfaction	Punctuality	Number of SPADS	CO_2 emissions	LTIFR	Number of stations	Number of train sets/ buses	Number of employees
Greater Anglia	777.5	74.5%	87.1	13	106	2	136	1,064	3,157
Merseyrail*	183.0	91%	95.4	5	37	3	66	177	1,181
Scotrail	889.2	81.5%	87.3	20	173	4	358	1,088	4,989
West Midlands	611.3	82.5%	85.9	10	97	4	152	573	2,764
Abellio London Bus	219.3	–	–	–	45	2	–	732	2,314
Total for TOCs	2,680.3	–	–	48	458	–	712	3,634	14,405
Consolidated (incl head office, excl JVs*)	2,467.0								13,427

* Income and number of Merseyrail employees at 100% (Merseyrail is joint venture (JV) of 50% and is therefore not consolidated in the annual report).

Mitsui & Co/East Japan Railway Company Partnership

Mitsui & Co works in partnership with East Japan Railway to invest in UK rail. Mitsui & Co. is one of the largest general trading companies in Japan, covering energy, machinery, chemicals, food, textile, logistics finance and more. East Japan Railway is a major passenger railway company in Japan which came into existence after privatisation of Japanese rail in 1987.

Mitsui & Co/East Japan Railway Company owns a 40% share in Greater Anglia, listed as 40% solely belonging to Mitsui & Co. The partnership also has a 30% share in West Midlands Trains split evenly 15% in East Japan Railway Company and 15% with Mitsui & Co.

>>> AMEY

Amey is a UK based infrastructure support service provider, since 2003 Amey has been a subsidiary of the Spanish company Ferrovial. Amey purchased Carillion's rail contracts in February 2018 following Carillion's liquidation.

Amey operates two tram concessions and the Wales & Borders services in a 30:70 partnership with Keolis, taking on the running of the service via a grant from the Welsh Government in October 2018. Amey has also been operating the Docklands Light Railway (DLR) on behalf of Transport for London in a 30:70 partnership with Keolis since December 2014.

>>> Arriva UK Trains (Deutsche Bahn)

Deutsche Bahn AG is the German national railway company, it is a private joint-stock company however the federal government is currently its single shareholder, its headquarters are in Berlin.

>>> Arriva Trains Wales

Owned by: Arriva (on behalf of DB Schenker)
Franchise period: December 2003 to **October 2018** *(there was no bid to renew the contract, Keolis/Amey were granted operation of the service from the Welsh Government)*
2017/18 Annual profit: £23,000,000*
Government funding per passenger km (in pence): 26p**

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>>> Chiltern Railways

Owned by: Arriva (on behalf of DB Regio)
Franchise period: March 2002 to December 2021
2017/18 Annual profit: £6,000,000*
Government funding per passenger km (in pence): 3p**

>>> CrossCountry

Owned by: Arriva (part of Deutsche Bahn (DB)
Franchise period: November 2007 to October 2020
2017/18 Annual profit: £22,000,000*
Government funding per passenger km (in pence): 6p**

>>> Arriva Rail London (formerly London Overground)

Owned by: Arriva UK Trains
Franchise period: November 2016 to May 2024
2017/18 Annual profit: £5,000,000*
Government funding per passenger km (in pence): 10p**

>>> Northern

Owned by: Arriva UK Trains
Franchise period: April 2016 to April 2025
2017/18 Annual profit: £11,000,000*
Government funding per passenger km (in pence): 26p**

Deutsche Bahn 2018 Annual Report

> **"*UK trains line of business***
> - *Strikes had a dampening effect on business development.*
> - *Significant operational challenges at Arriva Rail North.*
> - *Arriva Trains Wales transport contract ended in October.*
> - *More positive developments in remaining transport contracts.*

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			Change	
UK Trains line of business	**2018**	2017	absolute	%
Passengers (million)	**370.9**	387.6	-16.7	-4.3
Volume sold (million pkm)	**10,729**	11,091	-362	-3.3
Volume produced (million train-path km)	**124.2**	126.2	-2.0	-1.6
Total revenues (€ million)	**2,312**	2,223	+89	+4.0
External revenues (€ million)	**2,261**	2,184	+77	+3.5
EBITDA adjusted (€ million)	**112**	124	-12	-9.7
EBIT adjusted (€ million)	**78**	89	-11	-12.4
Gross capital expenditures (€ million)	**61**	65	-4	-6.2
Employees as of Dec 31 (FTE)	**10,775**	12,656	-1,881	-14.9

In the case of UK Trains, the Night Overground service operated by Arriva Rail London (ARL), on behalf of Transport for London (TfL), has been successfully helping to keep London moving 24/7. This project also saw ARL shortlisted for the Outstanding Teamwork Award at the National Rail Awards 2018.

Parts of the UK rail network experienced significant challenges following the introduction in May 2018 of the most extensive timetable changes for a generation. Major delays to electrification projects by Network Rail, the infrastructure provider, meant that Arriva Rail North (ARN) had to rewrite its entire new timetable and do so in 16 weeks rather than the normal 40 weeks. This caused delays to driver training, leading to major disruption on parts of the network at the start of the new timetable. ARN put in place an interim timetable on some routes to stabilize services and a full service was restored later in 2018. An independent inquiry from the Office of Rail and Road (ORR) concluded that regulators, government, Network Rail and operators all made mistakes which contributed to the issues. The inquiry found the root cause for the problems affecting ARN was significant delays to electrification projects, which were due to be completed in 2016 but are now expected to finish in 2019.The UK Government announced an independent review of the UK rail industry, covering industry structures and the current franchising system. Alongside this, the

Government announced the CrossCountry tender will not proceed. Services will continue to be operated by CrossCountry with options to be considered by the UK Government in due course.

Revenue development was positive because of higher support payments and revenues from fares. In contrast, the cessation of the Arriva Trains Wales and Tyne and Wear Metro services as well as negative exchange rate effects had a weakening impact.

Other operating income (+ 24.7%) rose in particular because of financial contributions for projects costs (however, this was offset by other operating expenses being higher).

The development of expense items was mainly driven by Arriva Rail North. The notable increase in the cost of materials (+9.4%) was primarily a result of higher expenses for rail replacement transport, infrastructure utilization and maintenance. Exchange rate effects reduced expenses in this area.

Personnel expenses (+2.0%) rose because of an increased number of employees on average. Exchange rate effects, in contrast, reduced expenses. Other operating expenses (+4.1%) rose because of project costs (however, this was compensated by other operating income being higher) and increased franchise payments. Depreciation was at the previous year's level. Gross capital expenditures decreased slightly due to timing of contractual capital expenditure requirements. The number of employees fell because of the cessation of the Arriva Trains Wales franchise. This was partially offset by recruitment at Arriva Rail North. ”

>>> DfT OLR Holdings (DOHL)

DOHL fulfils the Secretary of State for Transport's requirements under Section 30 of the Railways Act to maintain the continuity of passenger rail services if a passenger rail franchise terminates and is not immediately replaced.

On 24 June 2018, DOHL took over the running of the East Coast Mainline from Stagecoach/ Virgin (Virgin Trains), through a wholly owned subsidiary, London North Eastern Railway (LNER).

>>> London North Eastern Railway (LNER)

Owned by: DfT OLR Holdings (DOHL)
Franchise period: June 2018 to June 2025
2017/18 Annual profit: N/A
Government funding per passenger km (in pence): NA

FOR THE FINANCIAL DETAILS OF EAST COAST MAINLINE PLEASE LOOK AT STAGECOACH

>>> First Group

FirstGroup is a British transport group, registered and operating in the United Kingdom. The company also operates transport services in Ireland, Canada and the United States. It is listed on the London Stock Exchange and is a constituent of the FTSE 250 Index.

FirstGroup operates three UK rail franchises – Great Western Railway, TransPennine Express and South Western Railway – and one open access passenger rail service – Hull Trains. FirstGroup also operate the Tramlink service on behalf of Transport for London and the Heathrow Express service with Heathrow Airport.

>>> Great Western Railway

Owned by: First Group
Franchise period: April 2006 to April 2020
2017/18 Annual profit: £36,000,000*
Government funding per passenger km (in pence): 6p**

>>> TransPennine Express

Owned by: First Group
Franchise period: April 2016 to April 2023
2017/18 Annual profit: £-6,000,000*
Government funding per passenger km (in pence): 6p**

First Group Annual Report 2019

" ***UK Rail***

- *Revenue £2,666.7m (2018: £1,968.8m).*
- *Adjusted operating profit £72.3m (2018: £57.8m).*
- *Adjusted operating margin 2.7% (2016 2.9%).*
- *Number of employees 12,500 (2016: 10,500).*

First Rail's goal remains to add value through our operational expertise and strong industry relationships. Our UK rail franchise portfolio has generated £330.9m in adjusted profit with net cash and dividends to the Group over the last five years. However, given our reduced expectations for our two most recently awarded franchises, we have concerns with the current balance of risk and reward being offered. We await the outcome of the UK government's review into the structure of the whole rail industry chaired by Keith Williams as it seeks to address these and other industry issues. Any future commitments to UK rail will need to have an appropriate balance of potential risks and rewards for our shareholders.

First Rail division revenue increased to £2,666.7m (2018: £1,968.8m), principally reflecting the inclusion of the SWR franchise for the full financial year (FirstGroup operated SWR for seven months of the prior financial year) and the transition of GWR from premium to subsidy in the year due to the cost of new rolling stock. Like-for-like passenger revenue growth was 5.8% and passenger volume growth improved to 2.0%. Growth rates across the industry continue to be affected by UK macroeconomic uncertainty, modal shift due to lower fuel prices and changing working practices, while our networks have experienced challenges from strike action in SWR's case and the effect of rail infrastructure upgrade works. The latter is particularly relevant to GWR, although like-for-like passenger revenue growth of 5.1% in the franchise accelerated during the year, benefiting in part from the additional capacity generated by the introduction into service of the Intercity Express Trains (IETs). TPE delivered like-for-like passenger revenue growth of 8.0%, with greater growth expected as we complete the introduction into service of new fleets in the coming period. At 6.0%, SWR's like-for-like passenger revenue growth and operational performance has been affected by a number of factors including infrastructure disruption.

Continuous improvement in operating and financial performance

We work closely with Network Rail, the DfT and all industry partners to deliver infrastructure upgrade projects while minimising disruption for passengers. Completion of these projects allows *additional train capacity or services to be introduced, generating patronage growth that in turn drives franchise business plans and premia to the government. Each of our three franchises are undergoing periods of significant change, which require careful planning, management and negotiation with Network Rail and our other partners, in particular where delays can affect the delivery of franchise assumptions. Failure to manage these risks adequately could result in financial and reputational impacts to the Group. Network Rail's upgrade work on the Great Western mainline, including electrification, continues albeit to a different timescale than originally envisaged. GWR have worked closely with our industry partners to ensure our franchise plans reflect the impact of this extended delivery time. Suburban electrification has now been completed on GWR's Newbury line, which allowed for further new electric trains and a new timetable to be introduced in January 2019. In turn, our transfer of suburban diesel trains to enhance capacity in Bristol and the West Country is ongoing. We have now taken delivery of 93 IETs from Hitachi, enabling a 40% increase in seat numbers on long-distance services compared to 2015, with quicker journey times and more frequent services.*

SWR performance levels were challenging during the 2018 calendar year, reflecting historic infrastructure issues dating from before we took over the franchise in August 2017. We are working with Network Rail on plans to return service to levels that our customers expect, as set out in the independent review by Sir Michael Holden. The improvements made as part of these plans have helped lead to more stable performance since January. Our SWR customers have also faced considerable disruption to their journeys due to unnecessary and as yet unresolved industrial action by the National Union of Rail, Maritime and Transport Workers (RMT). We have guaranteed that a guard with safety critical competencies will be rostered on every train, no guards will lose their job because of these changes, and reminded our stakeholders that SWR will want more guards in future since our plans call for more services to be introduced. SWR remains focused on delivering a resolution of the industrial dispute in the interests of our passengers. Later this year SWR will begin introducing a fleet of 90 suburban trains manufactured by Bombardier, providing a 46% increase in peak capacity on London routes. Existing fleets are being completely refitted and refreshed, and an additional set of 18 fully refurbished trains will be re-introduced to the LondonPortsmouth route by the summer. The May 2019 timetable change resulted in more than 300 additional train services a week for customers across the network, many of which have been introduced following extensive consultations and feedback sessions with local stakeholders and customers. Our TPE franchise is being transformed into a true intercity network for the North, with capacity due to be increased by more than 80%. We have begun taking delivery of the first of 220 new carriages, comprising Hitachi IET-type trains and a further intercity fleet from CAF. TPE *and others in the region were able to make changes in the December 2018 timetable which have helped to stabilise the poor performance resulting from the timetable changes earlier in the year.*

Our open access operator Hull Trains continues to score well in the independent National Rail Passenger Survey. The company saw some challenges due to performance issues with the fleet during the year. New trains are due to be brought into the fleet later in 2019, and in the meantime two former GWR trains have been redeployed to give greater resilience to the service.

Outlook
We remain focused on working with our industry partners to deliver our plans for more capacity and better customer experiences at all our train operating companies, which will in turn drive patronage growth over time. Our rail portfolio has continued to generate good returns overall, although, because of ongoing industry conditions and the difficult operational environment our portfolio is experiencing, we expect a smaller year-on-year adjusted operating profit contribution from the rail division in 2019/20. The payments associated with network unavailability due to infrastructure improvements and repairs will continue to cause swings in period-to-period profits. Looking ahead, we have a portfolio of separately managed rail franchise businesses in the UK which we will operate in accordance with their contractual terms. The UK government's rail franchising system is the subject of a major review of the most appropriate organisational and commercial frameworks to deliver services in future, which is currently ongoing. Any future commitments we make to UK rail will need to have an appropriate balance of potential risks and rewards for our shareholders. ”

>>> Govia

Govia is a joint venture between the Go-Ahead Group (65%) and Keolis (35%), two substantial transport companies in their own right. Govia has extensive experience running rail operations, managing significant change programmes.

Govia currently operates GTR (Govia Thameslink Railway) which runs the Thameslink, Southern and Great Northern (TSGN) rail franchise. Govia also runs the Southeastern franchise.

Go-Ahead Group
Go-Ahead is one of the UK's leading public transport providers. Since their foundation in the 1980s, they have transformed from a small bus operator in north-east England to an organisation providing

more than a billion journeys each year on UK bus and rail services. The Group is listed on the London Stock Exchange and is included in the FTSE 250 Index.

Go-Ahead also operate rail outside the UK. Operating 5 rail contracts in Germany and one in Norway with operations expected to begin there in December 2019.

Keolis

The Keolis Group is a world leader in public transport operations. Present in 16 countries, Keolis operates urban, suburban, and regional networks on behalf of 300 local authorities. The Group carries over 3 billion passengers every year.

The Keolis Group is 70% owned by SNCF, the French state rail operator and 30% by the Caisse de dépôt et placement du Québec (CDPQ).

In the UK, the Group operates three networks, including Govia Thameslink Railway (GTR), the country's largest rail franchise. Keolis in a 70:30 split with Amey started operating the Wales & Borders franchise in October 2018 under the name Transport for Wales Services, taking over the franchise which was previously run by Arriva. Keolis-Amey took over the franchise via a Grant agreement with the Welsh Government whom set up Transport for Wales Services (TfWRS).

>>> Thameslink, Southern and Great Northern

Owned by: Govia
Franchise period: September 2014 to September 2021
2017/18 Annual profit: £17,000,000*
Government funding per passenger km (in pence): 2p**

>>> Southeastern

Owned by: Govia
Franchise period: April 2006 to March 2020
2017/18 Annual profit: £36,000,000*
Government funding per passenger km (in pence): 7p**

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The Go-ahead Annual Report and Accounts 2019

> *Go-Ahead's rail operations carry more train journeys than any other operator in the UK, responsible for around 30% of all passenger journeys.*

Overview

Rail performance

The rail division has delivered a financial result slightly ahead of the Board's expectations, but behind that of the prior year. Overall margins have remained at historically low levels, impacted in particular by GTR.

Rail overview	**2019**	Restated 2018	Increase/ (decrease) £m	Increase (decrease) %
Total rail operators				
Total revenue (£m)	**2,804.9**	2,527.3	277.6	11.0
Operating profit (£m)	**25.4**	44.5	(19.1)	(42.9)
Operating profit margin	**0.9%**	1.8%	n/a	(0.9ppt)
Like-for-like revenue growth				
Southeastern	**6.0%**	3.8%	n/a	2.2ppt
GTR	**8.0%**	7.7%	n/a	0.3ppt
Like-for-like passenger growth				
Southeastern	**3.7%**	1.4%	n/a	2.3ppt
GTR	**7.7%**	2.1%	n/a	5.6ppt

Individual franchise performance

GTR
The business reported like-for-like growth in passenger journeys of 7.7% (2018: 2.1%) and in passenger revenue of 8.0% (2018: 7.7% rise).

Agreement was reached in December 2018 with the Department for Transport (DfT) regarding contractual matters. This agreement resolved the matters relating to the industry wide failures concerning the introduction of the May 2018 timetable, as well as bringing to a close, discussions around other outstanding contractual variations.

As part of the agreement, a plan for the remainder of the franchise term to September 2021 was agreed, aimed at building on recent performance improvements and delivering a better customer experience. As part of this agreement GTR provided for £15m of funding during the year for passenger enhancements and separately accounted for the fine from the Office of Rail and Road (ORR).

A profit-sharing mechanism with the DfT is now in place for the remainder of the franchise. As part of this mechanism, no profit was made in the year. The operating profit margin over the whole franchise term is expected to be between 0.75 and 1 per cent.

Southeastern
Southeastern recorded good trading performance and has delivered excellent operating performance in recent months, with a marked improvement in customer satisfaction and punctuality.

On a like-for-like basis, passenger revenue rose by 6.0% (2018: 3.8%) while passenger numbers increased by 3.7% (2018: 1.4%). The improvement was supported by a full year of complete service operation through London Bridge station from January 2018, following three years of partial closure.

Southeastern's strong financial performance enabled a contribution of £19.7m to be made to the DfT during the year through the contract's profit sharing mechanism included in the directly awarded contract that it has operated under since October 2014.

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Bidding and international developments
Bidding and international development cost in the year were £16.0m (2018: £15.9m), primarily relating to bidding for Southeastern, bids in Germany and Nordic countries, and preparation for the start of secured rail contracts in Germany and Norway.

Capital expenditure and depreciation
Capital expenditure for the rail division was £22.6m (2018: £27.1m), predominantly relating to the building of a depot in Germany as part of the mobilisation of the first two contracts there. Depreciation was £14.2m (2018: £20.9m), reflecting the timing of capex which is being depreciated over the life of the franchises.

In 2020, capital expenditure for the rail division is expected to be around £20m, including mobilisation of and continued investment in our international rail operations.

Rail financial outlook
In August 2019, we were informed by the DfT of its decision to terminate the competition for the new South Eastern franchise Following the DfT's decision to extend the current Southeastern franchise term, we will operate the franchise until 1 April 2020. We are engaging with the DfT regarding the future of the operation beyond that date. Passenger journeys and revenue growth for Southeastern is expected to continue the improvement shown in the second half of 2019.

GTR is expected to return a modest operating profit margin for 2020 following the break even result reported in 2019. Over its franchise term, GTR is still expected to achieve an operating margin of between 0.75 and 1 per cent.

In Germany, following a four year mobilisation period, two of the five secured rail contracts have now started operating. In December 2019, additional services associated with these first two contracts will begin, along with the introduction of the third contract. In the same month we will also begin operating rail services in Norway.

Overall for the rail division, we expect lower operating profit for 2020 with increased profitability at GTR being more than offset by a reduction in Southeastern reflecting its new contractual arrangements and a part year of operation. ”

>>> MTR Corporation

MTR Corporation Limited) is a Hong Kong company listed on the Hong Kong Exchange, and a component of Hang Seng Index. MTR runs Hong Kong's Mass Transit Railway (MTR), and is also a major property developer and landlord in Hong Kong. It also invests in railways in different parts in the world, and has obtained contracts to operate rapid transit systems in London, Stockholm, Beijing, Shenzhen, Hangzhou, Melbourne, and Sydney.

In May 2015, MTR Crossrail commenced an eight-year contract to operate the Crossrail concession, with an option for a further two years. TfL Rail currently operates the Liverpool Street to Shenfield and Paddington to Heathrow Airport services. When the new service from Paddington to Abbey Wood via Liverpool Street is finished, the entire line will be known as the Elizabeth Line.

>>> TfL Rail

Owned by: MTR Corporation
Franchise period: June 2015 to May 2023
2017/18 Annual profit: £3,000,000*
Government funding per passenger km (in pence): 10p**

The MTR Annual Report and Accounts 2018

European Railway Businesses

United Kingdom
In London, MTR Corporation (Crossrail) Limited ("MTR Crossrail"), a wholly owned subsidiary of the Company, currently operates two phases of the Crossrail operating concession under the "TfL Rail" brand. The first phase, a 32.5-km, 14-station route between Liverpool Street Station and Shenfield, commenced service under MTR Crossrail in May 2015. The second phase, providing services between Paddington Station and Heathrow Airport, commenced in May 2018. The TfL Rail service will be renamed the Elizabeth Line when the tunnel section through central London is completed and becomes operational. It will eventually extend to 118 km from Reading in the west and crossing to the east of London, serving 41 stations. TfL Rail's performance in 2018 was good and it remains one of the most reliable rail services in the UK.

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To allow Transport for London ("TfL") to complete the final infrastructure works and extensive testing required to ensure the Elizabeth line opens as a safe and reliable railway, the previously announced Autumn 2019 opening date could no longer be committed to. As the operator, MTR Crossrail has adjusted its operational plan accordingly and continues to support TfL on the phased opening. The delay will not have any significant financial impact on MTR Crossrail.

Through our associate First MTR South Western Trains Ltd, as a 30% shareholder, we have partnered with FirstGroup plc on the South Western Railway franchise. South Western Railway is one of the UK's largest rail networks, with a route length of 998 km serving 203 stations, covering London and south western England. Financial performance in 2018 was impacted by factors including an industry-wide slowdown in growth in passenger numbers, industrial action, the delayed introduction of timetable changes and incidents involving infrastructure under the control of a third party. If the abovementioned factors continue to adversely impact South Western Railway, and are not appropriately ameliorated under the Franchise Agreement or by the relevant third party, the long-term financial viability of South Western Railway is expected to be impacted.

An independent review was commissioned in April 2018 by the UK government, covering both South Western Railway and the related rail infrastructure, to see if all possible steps were being taken to improve performance and passenger experience. The report confirmed that improvements to the performance management system, changes to the control centre, and more and better monitoring and maintenance of infrastructure were required, as well as the removal of speed restrictions. Together with our partner we are now working with the infrastructure owner, Network Rail, to implement these recommendations. ”

>>> Serco

Serco Group plc is a British services company based in Hook, North Hampshire in the United Kingdom. It is listed on the London Stock Exchange and is a constituent of the FTSE 250 Index. Serco operates across five sectors in four continents, operating Defence, Justice & Immigration, Transport, Health and Citizen Services, in the UK, Europe, North America, Asia Pacific and the Middle East.

The majority of Serco's turnover is generated from UK operations, but the company also operates in Continental Europe, the Middle East, the Asia Pacific region and North America.

Serco operates the Santander Cycle Hire scheme (for Transport for London), the NorthLink Ferries Northern Isles lifeline ferry service in Scotland and the Dubai Metro and Dubai Tram. Serco-Abellio, a joint venture between the two businesses, has a 25-year concession for Merseyrail in Liverpool until 2028.

On 31 March 2015, Serco commenced a 15-year contract to operate the Caledonian Sleeper between London and Scotland.

>>> Caledonian Sleeper

Owned by: Serco
Franchise period: April 2015 to March 2030
2017/18 Annual profit: -£11,000,000*
Government funding per passenger km (in pence): 16p**

Serco 2018 Annual Report

> *In 2018, the most significant joint ventures and associates in terms of scale of operations were AWE Management Limited and Merseyrail Services Holding Company Limited, with dividends received of £20.0m (2017: £17.1m) and £8.7m (2017: £7.3m) respectively. Total revenues generated by these businesses were £1,024.7m (2017 restated: £951.8m) and £160.8m (2017 restated: £155.1m) respectively.*

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Summarised financial Information	AWEML (100% of results) £m	MSHCL (100% of results) £m
Revenue	1,024.7	160.8
Operating profit before exceptional items	100.4	17.1
Exceptional items	–	(0.6)
Operating profit	100.4	16.5
Net investment revenue/(finance costs)	0.6	0.2
Income tax charge	(18.6)	(3.3)
Profit from continuing operations	82.4	13.3
Profit from continuing operations before exceptional items	82.4	14.0
Other comprehensive income	–	4.1
Total comprehensive income	82.4	17.5
Non-current assets	518.5	8.0
Current assets	210.1	45.7
Current liabilities	(190.6)	(28.0)
Non-current liabilities	(517.6)	(0.8)
Net assets	20.4	24.9
Proportion of group ownership	24.5%	50.0%
Carrying amount of investment	5.0	12.4

”

Details of Merseyrail found under Abello

>>> Stagecoach

Stagecoach Group, is a transport group based in Perth, Scotland, operating buses, trains, trams and express coaches in the United Kingdom.

Stagecoach operated East Midlands trains from November 2007 until 17 August 2019. An Invitation to Tender was issued by the DfT in June 2018, detailing the improvements that bidders for the franchise must make. The contract was awarded in April 2019 to Abellio East Midlands, which is branded as East Midlands Railway. The new franchise runs from 18 August 2019 until 22 August 2027.

Stagecoach had a 90% share in the Virgin Trains East Coast business with the Virgin Group of Companies holding the other 10%. The Virgin Trains East Coast franchise began in March 2015 and was planned to run until 31 March 2023, with the option for a one-year extension at the discretion of the UK Department for Transport. In February 2018, due to poor financial performance of the franchise, the date of the end of the contract was brought forwards to 'a small number of months'. On May 16 2018 it was announced that the London North Eastern Railway, a temporary government controlled operator of last resort, would take over the operation of the line from 24 June 2018.

Stagecoach Group has a 49% shareholding in a joint venture with Virgin Group, in Virgin Rail Group. Virgin Rail Group operates the InterCity West Coast franchise. The current InterCity West Coast franchise runs until December 8th 2019, after which it will be replaced by West Coast Rail, which will include the operation of High Speed 2 and will be run by First Trenitalia (First Group (70%) and Trenitalia (30%).

>>> East Midlands Trains

Owned by: Stagecoach
Franchise period: November 2007 to August 2019
2017/18 Annual profit: £20,000,000*
Government funding per passenger km (in pence): 5p**

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>>> Virgin Trains

Owned by: 51% Virgin Group, 49% Stagecoach
Franchise period: March 1997 to December 2019
2017/18 Annual profit: £55,000,000*
Government funding per passenger km (in pence): 1p**

>>> Virgin Trains East Coast

Owned by: 90% Stagecoach, 10% Virgin
Franchise period: March 2015 to June 2018 (Contract terminated early due to poor performance).
2017/18 Annual profit: -£67,000,000
Government funding per passenger km (in pence): -2p**

Stagecoach Group Annual Report and Financial Statements 2019

Summary

- *Good profitability reflecting strong trading at East Midlands Trains and positive resolution of contractual matters for the former South West Trains franchise.*
- *Legal action commenced against Department for Transport in relation to three disqualified franchise bids.*
- *Wholly owned major train operations expected to end in August 2019.*

Financial performance

The financial performance of the UK Rail Division for the year ended 27 April 2019 is summarised below:

	2019 £m	2018 (restated) £m	Change
Revenue	**589.5**	1,556.0	(62.1)%
Like-for-like revenue	**444.1**	434.1	2.3%
Operating profit	**26.4**	24.9	6.0%
Operating margin	**4.5%**	1.6%	290bp

The reported revenue for the prior year includes revenue at the South West Trains franchise which expired in August 2017 and the Virgin Trains East Coast franchise which ended in June 2018. The substantial fall in reported revenue reflects the end of these franchises.

The like-for-like revenue includes the ongoing East Midlands Trains and Sheffield Supertram businesses.

As expected, like-for-like revenue growth has been suppressed during the year, due to the effects on the East Midlands Trains franchise of both the revised timetable necessary to accommodate changes to the Thameslink network effective May 2018 and the current year resignalling programme at Derby railway station. While these changes have adversely affected East Midlands Trains' revenue, there has been no significant impact on profit due to the contractual arrangements in place.

The operating profit for the year reflects strong profitability at East Midlands Trains, in addition to continued progress in achieving favourable outcomes from concluding industry charges and contractual matters associated with the expired South West Trains franchise.

The UK Rail Division's reported profit reflects the utilisation of the onerous contract provision in respect of the Virgin Trains East Coast franchise. In the period up to the transfer of train services on 24 June 2018, the franchise continued to incur trading losses, which have been applied against the onerous contract provision.

Rail contract update and Williams review
We were surprised and disappointed to be informed by the Department for Transport in April 2019 that three rail franchise bids in which the Group was involved with had been disqualified for being non-compliant, principally in respect of pensions risk. We refused to accept all of the substantial pension risks that the Department for Transport asked operators to bear as part of these bids. We believe the rail system should be about appointing the best operator for customers and tax payers, not about passing unquantifiable, unmanageable and inappropriate risk to train companies or taking decisions which create uncertainty for rail workers over their pensions. We are challenging the Government's disqualification decisions and seeking to have these overturned. Our objective is to encourage a more sensible risk profile for rail contracts and restore confidence in the procurement process. Keith Williams, who is leading the independent review of the rail system, has already made clear that the current franchising model is not fit for purpose.

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East Midlands Trains

Strong operational performance and high levels of customer satisfaction continue to underpin our success at East Midlands Trains, which has maintained its position as the most punctual long distance UK rail operator for around a decade. Latest independent research from Transport Focus found that 84% of customers were satisfied with their journeys, higher than the average for the long-distance sector. This has been achieved during a period following the introduction of a major new timetable in May 2018 in support of the industry's wider Thameslink programme and the extensive resignalling work at Derby railway station. East Midlands Trains worked closely with Network Rail and other partners on the delivery of these projects.

In February 2019, Stagecoach agreed a new Direct Award contract with the Department for Transport to continue to operate the East Midlands rail network until 18 August 2019. Stagecoach has operated the East Midlands Trains franchise successfully since 2007 and it has delivered industry-leading levels of performance during that time.

In the final months of our current East Midlands franchise, we are continuing to work hard to deliver a safe, high quality and professional service to our customers, meet our obligations and ensure a smooth transition to the new operator. We are most grateful to all our employees and partners who have been involved in delivering our transformation of the East Midlands rail network over the past 12 years, as well as those who contributed to our strong, deliverable bid for the new franchise. We know they share our disappointment in the result.

Outlook

Our UK Rail operating profit for 2019/20 is expected to be minimal, reflecting the end of the East Midlands Trains franchise in August 2019. Over more than 20 years, we have delivered industry-leading performance, record passenger growth, excellent industrial relations, and the highest levels of customer satisfaction in the sector. We will continue to focus on delivering high quality services for our customers at our existing rail businesses. However, we have no intention to bid for new UK rail franchises on the current risk profile offered by the Department for Transport. ”

Joint Venture – Virgin Rail Group

Virgin Trains East Coast (2018 report)

> *As previously announced, we have reported further, significant exceptional costs in the year ended 28 April 2018 in respect of our Virgin Trains East Coast franchise. Further details of these are provided in section 1.5.4 of this Annual Report. We regret the losses the Group has experienced on the East Coast franchise, notwithstanding that these were significantly influenced by factors outside of our control. We nevertheless continue to see good opportunities in UK rail. The introduction by the Department for Transport of a new "Forecast Revenue Mechanism" ("FRM") will result in the Department taking a greater share in revenue risk on new franchises and this reduction in revenue risk for train operators has been important in our decision to continue bidding for new UK rail franchises.*
>
> *While we were surprised and disappointed by the decision of the Secretary of State for Transport to transfer responsibility for operating the East Coast train services from Virgin Trains East Coast to a publically owned company, we welcome the clarity that the decision brings.*

Virgin Trains (2019 Report)

Summary

- *Continuing good financial performance.*
- *Customer improvement initiatives.*
- *Virgin Rail Group's franchised train operations expected to come to an end in November 2019.*

Financial performance

The financial performance of the Group's Virgin Rail Group joint venture for the year ended 27 April 2019 is summarised below:

49% share	**2019 £m**	2018 £m
Revenue	**609.5**	(574.0)
Operating profit	**25.7**	30.0
Net finance income	**0.8**	0.4%
Taxation	**(5.2)**	(4.5)
Profit after tax	**21.3**	25.9
Operating margin	**4.2%**	5.2%

Virgin Rail Group's West Coast rail franchise is continuing to deliver strong growth and profitability. In the last financial year, there were around 40m journeys, nearly triple the 14m in 1997 when Virgin took over the West Coast route. While, as expected, the level of profitability has fallen year-on-year as a result of the business moving onto new contractual terms, the operating margin remains good.

This success has followed more than two decades of partnership between the private and public sector on the routes to deliver industryleading innovation and investment. As well as modernising Victorian infrastructure, improvements have included new tilting train fleets, successfully introducing one of the biggest timetable changes since privatisation, and transforming the offer to customers.

Recent research by the Campaign for Better Transport found that these improvements have achieved not just better journeys and increased passenger numbers, but also regional and local economic growth, less congested roads and lower carbon emissions from transport. Between 2006 and 2018, Virgin Trains journeys grew by 105%, compared with growth of 59% across all train operators and 62% in the long-distance sector.

During the year to 27 April 2019, Virgin Rail Group became the first train operator to introduce digital season tickets for use on mobile devices, as well as offering a print at home facility. It has also led the rail industry in permanently removing all peak-hour restrictions on its trains that travel on Friday afternoons from London Euston station. The move helps customers save money and eases overcrowding on services to destinations such as Birmingham, Manchester and Liverpool.

Virgin Trains is the first travel company in the world to sell tickets through the Amazon Alexa platform. Customers who require travel assistance can also now book JourneyCare via Alexa-enabled devices, including the Amazon Echo. In addition, Virgin Trains became the first rail operator to adopt the JAM card scheme outside of Northern Ireland. The card is designed to support anyone who has a communication barrier to travel or use other services by discreetly letting the member of staff know that they require "just a minute".

The current West Coast franchise is expected to run until November 2019 although the contractual terms allow for it to run through to March 2020. ”

>>> Trenitalia

Trenitalia is the primary train operator in Italy. A subsidiary of Ferrovie dello Stato Italiane, itself owned by the Italian government, it was established in 2000 following a European Union directive on the deregulation of rail transport.

In January 2017, Trenitalia purchased English train operating company c2c from National Express which has a contract to operate the Essex Thameside franchise until November 2029.

In August 2019, the First Trenitalia consortium was awarded the West Coast Partnership contract, replacing Virgin Trains as the operator. West Coast Rail is due to commence operation on December 8th 2019 in a 30/70 split with First Group.

Ferrovie dello Stato Italiane group Annual Report 2018

> “***UK***
>
> *Trenitalia c2c Ltd, which offers passenger transport services between London and Essex, is the most punctual railway company in the United Kingdom, with 97.6% (93.8% in 2017) arriving on time in the period examined, compared to a national average of 87.3%.*
>
> *Passenger satisfaction is measured six-monthly via the National Rail Passenger Survey. The results are higher than the average for sector companies (London and the south-east) on almost all criteria. Overall satisfaction with the journey was 88%, compared to a sector average of 79% (+9%).*
>
> *Trenitalia c2c Ltd was awarded the best railway company of Great Britain in 2018 at the*
>
> *National Transport Awards (also thanks to the supply of 60 new carriages, the roll-out of an improved reimbursement system in the event of train delays and cancellations, and free wifi connection for all passengers).*”

>>> C2C

Owned by: Trenitalia
Franchise period: September 2014 – November 2029
2017/18 Annual profit: £-8,000,000*
Government funding per passenger km (in pence): -0p**

>>> Virgin

Virgin Group Ltd. is a British multinational branded venture capital conglomerate company founded by business tycoon Sir Richard Branson and Nik Powell. Its core business areas are travel, entertainment and lifestyle and it consists of more than 400 companies worldwide.

Virgin Group created Virgin Rail Group in 1997 to bid for rail franchises during rail privatisation in Britain. In October 1998 Virgin group sold 49% of its shares in Virgin Rail Group to Stagecoach.

As of 8th December 2019 Virgin Rail Group will not be operating any train services in the UK after their InterCity West Coast franchise will become the West Coast Partnership and run by First Trenitalia.

FOR INFO ON VIRGIN TRAINS AND VIRGIN EAST COAST PLEASE LOOK AT STAGECOACH

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Notes

The train drivers' union

Notes

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