East Midlands defeat piles the pressure on National Express

BY ROBERT JACK

NATIONAL EXPRESS Group is reeling after discovering that its must-win bid for the new East Midlands franchise has failed.

The Department for Transport announced last week that Stagecoach would be awarded the seven-year contract, which will combine the Midland Mainline intercity operation and the eastern section of Central Trains - both currently operated by NEG.

The defeat came in the same week that the DfT announced that it will terminate NEG’s Gatwick Express franchise on November 11 and hand the operation to Govia’s Southern subsidiary.

The loss of these franchises further contributes to the dramatic dismantling of what was once Britain’s largest train operator. After acquiring Prinrail in 2001, NEG’s UK train division held a total nine UK rail franchises. This has since been reduced to six, but will drop further on November 11 this year when the group will hand over Midland Mainline, Central Trains, Silverlink and Gatwick Express Express to new owners.

Commenting on the East Midlands decision, Bowker said: “We are very disappointed with these results. The NEC has been reduced to six, but will drop further on November 11 this year when the group will hand over Midland Mainline, Central Trains, Silverlink and Gatwick Express Express to new owners. All of these operations have been run by NEG since the mid-1990s. The group’s two remaining franchises will be C2C and its struggling One (Greater Anglia) operation. The East Midlands result is a major setback for the group’s hopes in franchise competitions. We believe that success in one of these competitions is essential for NEC. Damian Brewer, transport analyst at JP Morgan, said: “We think that to satisfy investors’ appetite for National Express to grow profits it has to win’ one bid, and losing a contract where it was the incumbent is not good news.”

Failure to bounce back with a victory in either the East Midlands or East Coast competitions will see NEC’s turnover fall sharply. This could leave the group vulnerable to a takeover from a rival group.

Industry speculation suggests that Arriva will shortly be named as winner of Cross Country. But even if NEC is the victor, Brewer believes it would open a “Pandora’s box” of competition issues relating to its express coach network.

This leaves the hotly-contested East Coast competition, where NEC is battling against East Coast, Virgin/Stagecoach. The winners of this franchise will be announced in late summer.

NEG’s defeat was announced in the same week that the winners of the West Midlands franchise and Transport for London’s London Overground contract were named. NEG was the incumbent operator for both franchises, but failed to reach the final stages of either competition. GBR has won the West Midlands contract while the joint bid by Laing Rail and Hong Kong’s MTR Corporation captured the London contract.

Tube boss defiant as Metronet begins proceedings to recover additional costs

METRONET has given notice to London Underground of its intention to invite PPP arbiter Chris Bolt to conduct an extraordinary review. The Tube infraco claims the review is necessary for it to recover the “significant” additional costs it claims to have incurred.

Metronet claims that during the first four years of its PPP contract to renew the LU’s Bakerloo, Central, Victoria, and Waterloo & City lines, costs have been higher than anticipated. The extraordinary review is the process created to enable the recovery of these costs. Metronet and LU are currently consulting on the form and conduct of the review. However, in an interview in this edition of Transit, LU managing director Tim O’Toole expressed no sympathy for the infrastructure company.

“They [Metronet’s] behaviour and their claims are typical of a contractor who is trying to put forward a great big hairy claim in the guise of this PPP adjustment,” he said. “They are forgetting the extremely generous – some would say outrageous – equity returns they were guaranteed in return for management expertise to deliver these upgrades – which they priced - efficiently and effectively.”

O’Toole believes that the root of the consortium’s problems is its unworkable structure, which gives it no control over its contractors. He fears that the extraordinary review, which could take up to a year, may delay vital rebuilding work on the Tube network.

Brown hands Kelly transport post in reshuffle

Ruth Kelly was appointed secretary of state for transport in this week’s cabinet reshuffle by new prime minister Gordon Brown, Kelly, who was previously communities and local government secretary, replaces Douglas Alexander, who has moved to international development.

Kelly, 39, began her career as an economics reporter for the Guardian and later worked for the Treasury in Edinburgh. After becoming MP for Bolton West in 1997, she was made a parliamentary aide to Nick Brown, former minister for agriculture, fisheries and food. After the 2001 election she became a minister for the first time, joining Gordon Brown’s team as economic secretary to the Treasury. In 2004, Kelly was appointed as a minister in the Cabinet Office. Following David Blunkett’s departure she was promoted to education secretary.
Stagecoach and Corby winners in East Midlands franchise deal

BY ROBERT JACK

CORBY MOVED a step closer to being re-connected to the national rail network last week when the Department for Transport named Stagecoach as the winner of the new East Midlands franchise.

Trains have not served the Northamptonshire town since 1966 and it is currently said to be the largest in Europe without a station. However, Stagecoach’s winning bid for East Midlands franchise contains an option to provide rail services to a potential new rail station in the town.

In May this year Network Rail announced that it would fund a £1.2m scheme to reopen the station, saying that pending government approval the station could be open by December 2008.

The East Midlands franchise deal contains a provisional agreement to operate an hourly train service linking Corby with London’s St Pancras station, via Kettering, by the end of next year.

Perth-based Stagecoach is already familiar with Corby having operated the town’s bus network for many years.

Corby Borough Council said it was “absolutely delighted” by the franchise announcement. “This is great news for all those involved in the Corby rail campaign,” said a council statement. “The borough council will continue to work closely with all our partners to ensure that the new station will be built and operational for December 2008.

Stagecoach will take over the East Midlands franchise on November 11, inheriting Midland Mainline and the eastern section of Central Trains from National Express Group.

The new franchise will last for seven years and four months, and Stagecoach has agreed to pay the Department for Transport a premium of £133m over this period. The DfT can terminate the franchise after six years if the operator is failing to meet agreed performance targets.

The group surprised the industry by submitting a solo bid for East Midlands, which includes the Midland Mainline intercity operation, rather than bidding with long term partner Virgin. Apart from South West Trains and the tiny Island Line, Stagecoach had never previously succeeded in a bid for a UK rail franchise.

Commenting on his group’s new operation, Stagecoach chief executive Brian Souter said he believed there was significant growth potential. “We plan to win back customers from the car and grow the market by delivering a high-quality service that meets the diverse needs of short and long distance commuters, business and leisure travellers,” he said.

To accommodate this growth a 9% increase in peak capacity will be provided into St Pancras by 2010. The new East Midlands Parkway station will be served by two trains an hour from December 2008 and a daily direct service between Lincoln and London will begin. Market Harborough, which had been expected to see a decrease in the number of trains, will continue to receive a two-train per hour service all day.

Rail minister Tom Harris said: “This agreement will increase value for money, improve performance and accommodate future growth in demand. From new and faster services to increased security at stations, I am pleased that this new franchise will deliver so many benefits to passengers in the East Midlands.”

The government will continue to limit annual rises of regulated fares in line with national policy, which is currently RPI+1%. Stagecoach is expected to increase unregulated fares by an average of 3.4% above inflation each year.

A single compensation policy for all passengers will meanwhile be introduced during the East Midlands franchise term. Discounts in renewal for season tickets valid between one month and one year in compensation for poor punctuality and reliability will be replaced by a system based on delays to individual journeys, known as Delay/Repay.

Under the new system, all passengers will be entitled to claim compensation for all delays, whatever their cause.

HIGHLIGHTS OF EAST MIDLANDS FRANCHISE

A new hourly service between Kettering and London, increasing the number of off peak services on the Midland Main Line in line per hour. It has also been agreed in principle to extend this service to a new station at Corby from December 2008.

This removes the need to split and join trains at Leicester.

A 9% increase in peak capacity into and out of London St Pancras by 2010.

More carriages on the busiest trains between Nottingham and Liverpool.

The new station at East Midlands Parkway will be served by two trains an hour from December 2000.

Daily direct service between Lincoln and London to be introduced.

Journey times between Sheffield, Derby and London reduced, saving up to 12 minutes on an average journey compared to London Midland.

Improved performance, with a forecast 95.4% of trains on time by the end of the franchise.

A Community Rail service between Matlock and Derby will be increased to every hour and extended directly to Nottingham.

Investment of more than £1m on improvements to stations, including refurbishment of waiting rooms, shelters, booking halls and toilets, internal lighting, seating, new cycle racks and repairs to forecourts.

Provision of an additional 750 car parking spaces, in addition to 500 spaces at East Midlands Parkway funded by Network Rail and the DfT.

Introduction of smart card technology by 2010, followed by a flexible ticketing trial to attract passengers to the shoulder peak.

Promotion of internet purchasing, including megatrain.com fares.

Around 70 new self-service ticket vending machines.

Introduction of automatic gates at four stations to improve security and reduce ticketing fraud.

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Southern to take over Gatwick Express in June 2008 after deal with the DfT

GOVIA HAS reached an agreement with the Department for Transport over transferring the Gatwick Express airport link with its Southern franchise. The DfT has now given 12 months notice to National Express Group, operators of the existing Gatwick Express franchise. The operator of international rail services between Southern on June 22, 2008, as part of the department’s plans to increase capacity.

The Gatwick Express franchise is expected to generate annual revenue of around £66m at the outset. As part of the negotiations between Southern and the DfT, agreement has been reached on future subsidy payments to Southern which reflect the fact that Gatwick Express pays a premium. Southern will continue to operate the railway under the new arrangements. Rail minister Tom Harris said the DfT had secured a financial agreement that is at least as favourable to the government as the current arrangements.

The new agreement also secures extra peak capacity into London and a new hourly direct service between Brighton and Southamptan, which Southern will introduce in December 2007. The changes will include a new-style Gatwick Express service to begin operation in December 2008. The service will retain the current frequency, branding and non-stop service between Gatwick Airport and London Victoria. However, it will now end three days a week the service will extend to Brighton. This will double the number of express trains between Brighton and London Victoria in the high peak.

The combined Southern franchise will now end three months earlier, in September 2009. This is to ensure the winner of the franchise competition is in place before implementing major changes to their south London timetable in December 2009, and to ensure that the East London Line extension is completed.

Southern managing director Chris Burchill said the deal offered clarity for his company, with the prospect of exciting times ahead.

The National Express Group has operated the Gatwick Express franchise since April 1996. It’s contract was due to run until 2011.

Rapid growth goal set by Govia’s London Midland train company

BY ROBERT JACK

GOVIA MUST achieve growth in passenger volumes of 5-6% every year to make a profit out of its new West Midlands franchise.

Combining Silverlink services with Central Trains local and regional services, the new ‘London Midland’ operation will begin with annual turnover of nearly £400m, split roughly 50/50 between subsidy and passenger revenue. But by the final year of the seven-year contract, passenger revenue is expected to have risen to £300m, while subsidy will have fallen to £155m.

With increases in regulated fares restricted to 1%, this extra revenue will have to come from attracting new people to the railway. Govia has indicated that it may wish to raise unregulated fares annually by about 3% above inflation on the London-Northampton route. Average rises on all other routes are expected to be no higher than 1% above inflation.

It’s an ambitious task for Govia, the Go Ahead/Kolis joint venture, but Go Ahead chief executive Keith Ludeman is confident that it can be achieved, and he believes the growth and retention of key is the key.

“If you look at the population projections for this area there is lot of extra housing and not a lot of extra jobs,” he told Transit. “These people have got to work somehow, and if you’ve ever had the misfortune of using the M1 [motorway] recently you’ll know what a good alternative the railway is.”

After bus company London General and train company Southern, London Midland is the third historic name to have been revived by Ludeman. The company will be based in Birmingham.

The new franchise will begin on November 11, 2007, and will run for seven years and 10 months, with the last two years dependent on the operator meeting performance targets. Govia’s Managing Director, rail development, Tom Smith, promised real improvements to passengers. “We have exciting plans for new trains to replace some of the older parts of the fleet,” he said. “The new fleet will completely transform passengers’ travelling experience and play a key part in enabling us to meet our targets for continuous improvement in punctuality and reliability.”

Ludeman said he felt that the capture of the West Midlands contract had vindicated Govia’s strategy of bidding for new franchises, but not the more attractive West Midlands or Cross Country franchises which were tendered at the same time. He is meanwhile delighted to discover that Govia beat rival bidder Serco-NedRailways by a narrow margin. “It’s what you want to hear,” he said.

Taking on West Midlands and Gatwick Express will see Govia’s share of the UK rail market expand from 14.3% to 16.2%. Its share of London commuter traffic will meanwhile increase to 46%.

However, Ludeman is not ready to relax. He is already turning his attention to the next challenge. “We don’t have these franchises forever,” he said. “One lobe of my brain has already started thinking of a strategy for retaining Southern [which expires in September 2009].”

Stourbridge lightweight rail service made permanent by new franchise

GOVIA HAS committed to operate a lightweight rail service in Stourbridge on a permanent basis as part of its new West Midlands franchise.

An experimental service was operated on the short branch line between Stourbridge junction and Stourbridge Town last year using a prototype lightweight railcar developed by Black Country-based Parry People Movers. Its promoters claim that it offers a cheaper and more energy efficient alternative to heavy rail.

Seventeen railcars will now be built to cover the operation, replacing the heavy diesel trains that currently provide the service. They will be based at a new depot on the branch line, eliminating the need for empty trains to run to and from the maintenance facilities at Tyseley.

“The lightweight rail service is planned for introduction before the end of 2008, once the two new railcars have been built and tested for public service use,” said Parry People Movers chairman, John Parry. “Experimental operation last year proved that our technology is right for passengers - they told us it was clean and attractive as electric light rail systems.”

Last year’s trial in Stourbridge saw more than 4,000 trips operated, with reliability and punctuality at 99%. It was calculated that carbon dioxide emissions were cut by 80% compared to the conventional type of train that currently operates the branch.

Centro-PFA, which helped to fund the pilot service, was keen to keep the service running. The authority urged bidders for the West Midlands franchise to include the lightweight railcar service in their plans.

THE DEPARTMENT for Transport has just confirmed that it will fund the Walsall to Wolverhampton rail service until December 2008. The one-year extension will give more time for decisions to be made about the service’s long term future and funding. Centro-PFA has been lobbying to keep the trains running since July 2005, when the former Strategic Rail Authority recom- mended that hourly Central Trains-operated service should cease in April 2006 and be replaced by an ‘express’ coach service. The SRA’s Route Utilisation Strategy for the West Midlands revealed that an average of just six people were using each of the 31 daily trips between the two stations.

Local politicians have argued that the number of passengers has dwindled because of the poor quality of the service. They say investment is needed before the true level of demand is known.

Bidders for the new West Midlands franchise have been asked to include cost estimates for the retention of the threatened service in their forecasts. Funding for the service was due to end on December 8, 2007, but Govia’s new London Midland operation will now retain it for at least a year after it takes over from Central Trains in November.

The government has given a commitment that this essential service is continued until the end of next year,” said Centro PFA chairman Gary Clarke. “We will continue to vigorously pursue a long term agreement and funding to secure the future of the route.”

Reprieve for Walsall to Wolverhampton trains

Reprieve for Walsall to Wolverhampton trains

29 JUNE 2007 | TRANSIT
Stagecoach to trial cross-Forth hovercraft service next month

BY ROBERT JACK

Stagecoach has confirmed plans to begin a full passenger trial of a cross-Forth hovercraft link next month.

The Perth-based group will test a 130-passenger craft on a route between Kirkcaldy and Portobello for two weeks from July 16 to 28.

A total of 22 services a day - 11 in each direction - will operate on the route, with integrated bus links to accommodate commuters looking to avoid congestion on the Forth Road Bridge.

The £300,000 trial will cover part of the period of the Forth Bridge closure, giving commuters a public transport alternative to existing bus and train services.

Passengers will be able to travel on the hovercraft for the same price as existing bus fares, with return tickets from £4.30.

“The Forth estuary is an underserved area and we are looking forward to giving people a chance to see the benefits this technology could bring to the region’s communities, economy and public transport system,” commented Stagecoach group chief executive Brian Souter.

“It means you could have a wide range of public transport options to cope with the increasing flow of people between Fife and the Edinburgh area.”

A 28-metre, RHIT130 hovercraft, manufactured by Isle of Wight-based Hoverwork, will be used for the trial. The crossing time will be around 20 minutes and the craft, with normal operating speeds of approximately 35 knots, will be able to run in waves of up to two metres.

Stagecoach bus services will stop at the Kirkcaldy departure point at the west end of the Esplanade. On the other side of the Forth, link buses will run from the Portobello landing point at rear of the Lothian Buses depot on the Promenade to both Leith and Edinburgh city centre.

The first service will leave Kirkcaldy at 7.10am, with the last service to Portobello departing at 6pm. Services from Portobello will operate between 8am and 6.30pm.

No services will operate on July 22 - the only Sunday during the two-week trial period.

Stagecoach estimates that running a two-craft operation would cost around £2m a year. The group believes that around 9,000 passengers a week - and up to 470,000 passengers a year - would use the service. But while the service would require initial public investment, Stagecoach believes that within a few years passenger volumes could grow to make it commercially sustainable.

The hovercraft trial has received financial support from the Scottish Executive, in the form of £92,000 of public transport funding, with the rest for environmental and economic benefits. On completion of the trial, Stagecoach estimates that the service could offer an additional 4,000 passengers a day and reduce traffic congestion.

“At a journey time of 20 minutes, followed by a short bus journey to the centre of Edinburgh, compares well with the time and effort of driving into the city - and doesn’t include the added hassle of searching for parking.

“If the trial proves a success, the service could offer an additional travel option to commuters between Fife and Edinburgh that is fast, cheap and reliable.”

Mr Souter, a keen supporter for transport, City of Edinburgh Council, said: “Millions of people around the world start their working day on a hovercraft or ferry. Providing commuters with innovative and attractive public transport options is critical to ensuring journeys are quick and stress-free, congestion is eased and pollution is cut.

“This has the potential to be a popular alternative to car journeys and ease growing pressures on the Forth Road Bridge.”

Strong passenger growth sees UK bus profit margin leap to 13.6%

STAGECOACH’S UK bus division has seen its profit margin increase to its highest level for six years as a result of continued high growth in passenger volumes.

Financial results published by Stagecoach this week show that passenger numbers grew by 6.6% over the year to April 30, 2007. The group estimates that 2.4% is underlying full fare passenger growth, with the rest coming from concessions and travel schemes.

This growth helped the group to increase its UK bus revenue, excluding intergroup acquisitions and discontinued operations, by 10% to £608.0m. The equivalent operating profit was £82.5m, up £11.8m from the previous year.

Amid modest increases in its UK bus margin in the previous two years, this year saw the operating profit margin leap to 13.6%, up from 11.8% in 2005/06. This is the best margin achieved by the bus division since 2000, when a 15.3% margin was achieved.

The Glenvale and Traction Group businesses, acquired in 2005, returned an operating profit of £2.0m on turnover of £82.4m over the 12-month period. Across the group, Stagecoach generated turnover, excluding discontinued operations, of £1,504.6m (2006: £1,305.4m).

Operating profits were £180.9m, up from £112.5m.

Stagecoach’s UK rail operations, South West Trains and Sheffield Supertram, returned an operating profit of £58.8m over period (2006: £5.8m) on turnover of £571.5m (2006: £506.7m). The group said that this included some recovery from the impact of the July 2005 terror attacks. Rail bid costs of £13.0m were incurred in 2006 (£11.7m).

Stagecoach’s 49% share in Virgin Rail Group returned an operating profit of £12.4m (2006: £5.3m).

Stagecoach’s UK bus division saw a 6.6% rise in passenger numbers of £2.0m on turnover of £82.4m over the 12-month period.

Across the group, Stagecoach generated turnover, excluding discontinued operations, of £1,504.6m (2006: £1,305.4m). Operating profits were £180.9m, up from £112.5m.

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Watchdog says it may be time to end Great Western franchise

LONDON TRAVELWATCH, the watchdog for transport users for in and around London, will write to the government asking them to consider whether the First Great Western franchise should be terminated.

The watchdog held a public meeting this week which was addressed by First Great Western’s managing director Alison Forster and Robbie Burns, the relevant route director for Network Rail.

The most recent peak performance of FGW trains in the London and the Thames Valley section shows that the percentage arriving on time has fallen to just 68.4%. Meanwhile, the spring 2007 National Passenger Survey showed that satisfaction with the service from FGW passengers in London and the Thames Valley, had dropped to only 53%.

“Passengers have been telling us just how bad FGW’s recent performance has been, and that the standards of customer care and information given to passengers have been appalling,” said London TravelWatch chairman Brian Cooke. “This franchise is only 15 months old, but First was running the service before that, so there is no excuse for the abysmal service FGW are giving their passengers.”

“Since before the franchise began, we have had numerous meetings with FGW and First Group, but the situation has just got worse, and there is no sign of stabilising the decline.

“We believe now is possibly the time for the government to consider firm action on the future of the franchise, or the decline will continue. We believe they should examine all areas of the franchise agreement and look at potential breaches.”

FGW managing director Alison Forster, however, said: “We are aware that our performance has been poor and we have already apologised for this. We are working hard to improve our service.”

Aberdeen gives go ahead to ‘green’ global headquarters

Members of Aberdeen City Council’s planning committee have granted First Group planning approval to develop a new global headquarters and bus depot at its existing King Street site in Aberdeen.

The group claims that the new buildings will incorporate some of the latest advances in sustainable design and renewable energy sources which are set to be among the “greenest” of their kind in the UK.

Key features of the development include:

- A proportion of the energy for the new site will be derived through renewable sources including ground source heat pumps and solar panels, and energy will be saved through innovations such as movement responsive lighting.
- A new energy-efficient heating system will be installed that will reduce energy bills.
- Retention of the historic 1862 listed building as the focal point of the new development.
- New First Group world training centre.

An exceptional job? Costs incurred refurbishing First Great Western trains are treated as a non-recurring items in First’s latest accounts

Nick Hood, a partner at Begbies Traynor, the accountant, told The Times that “while clearly, no laws have been broken … this is highly aggressive accounting”.

John Pugh, a member of the Commons public accounts committee, meanwhile said that the practice “brought no credit to them or the industry”. He called on train operating companies to adopt industry-wide reporting standards.

Responding to the criticism, a statement issued by First said: “Our accounts are prepared in line with international accounting standards, they have been audited, they are consistent with previous years and with generally accepted accounting principles, and they represent appropriate and completely transparent disclosure to our shareholders and other users of the accounts.”

Chris Cheek, a director of public transport consultancy TAS, said any suggestion that First’s accounts were misleading is wrong. Cheek is editor of the Bus Industry Monitor and Rail Industry Monitor reports, which analyse the finances of the UK’s public transport operators. While he regards some of the items reported as exceptional by First to be “a normal part of being in the UK rail market”, he said that the group was actually being more transparent than any other UK train operator.

“First has apologised to bus users in East Scotland after widespread disruption to services led Scottish traffic commissioner, Joan Atkinson, to issue a warning. Unannounced cancellations or delays to numerous routes across the area have been reported after an unknown number of buses were taken off the road.

A spokesperson for the group said the service disruption was due to an “engineering review” to improve vehicle availability and refuted claims the vehicles were unfit for service.

Consultation on Glasgow’s bus network

FIRST IS consulting on plans to improve bus services across the Greater Glasgow network. The company’s Route Development Plan looks at bus network changes in the context of wider developments in Greater Glasgow, taking into account new housing schemes, work, leisure and shopping initiatives. The new routes will include a new direct bus service from Partick Interchange to the growing Gourock and Greenock towns.

First plans to communicate with the public on many of the proposals with a brightly coloured “Listening Bus” called First Point - a travelling mobile surgery where passengers can get advice and information about First’s buses.

Denmark-Sweden rail win for First and DSB

A joint bid by First Group and DSB, the Danish state railway, has won the franchise to run trains across the Öresund bridge linking Denmark and Sweden. The services are currently run by SJ, the Swedish state railway.

First will have a stake of around 30% in the two companies, one Danish and one Swedish, which will be set up to run the services. The contract will see First/DSB take over the operation of the rail service between Malmö and Copenhagen as well as domestic services in both Sweden and Denmark.

It also contains an option to extend the service north to Gothenburg.

To win the contract First/DSB saw off competition from SJ, as well as Arriva and Germany’s Deutsche Bahn.

First made its foray into Europe this year when it acquired a 130-vehicle German bus operator (Transit June 15).

Capital Connect hits punctuality record

The performance of First Capital Connect train services has reached its best ever since the franchise began in April 2006. Between June 3 and 9, 93.7% of its trains were on time, exceeding its targets. On the company’s Great Northern route 94.5% of trains were on time, compared to 93.1% on its Thameslink route.

Warning over bus disruption in Scotland

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Aggressive or transparent? First defends its accounting practices

BY ROBERT JACK

FIRST GROUP has been forced to defend itself against the accusation that its “aggressive” accounting practices have seen its annual profits overstated by millions of pounds.

The Aberdeen-based group has come under fire for reporting regular business expenses such as train refurbishment and rail bid costs as exceptional or “non recurring” items.

Published last month, First’s accounts for the year to March 31, 2007, include UK rail bid costs of £14.5m among “non-recurring bid costs and other non recurring items”.

This section of the accounts also included “UK rail transition costs” of £31.3m. These costs “were incurred in mobilising the First Capital Connect and First Great Western franchises including subsequent obligations to refurbish trains on both franchises”.

While there is no suggestion of wrongdoing, no other UK train operator currently treats these costs as exceptional.

In the bus industry, the group has previously listed the millions of pounds incurred on the finance element of bus leasing costs as an exceptional item.

Over the past seven years First has reported costs totalling £191.7m as exceptional or non-recurring.
Bell ‘keeping an extremely close eye’ on Preston competition

NORTH WEST traffic commissioner Beverly Bell has warned Preston’s newly-registered bus operator that she will intervene if competition between the two operators gets out of hand. It follows Stagecoach registering competing services on two of Preston Bus’ city routes; route 11 between the city centre and Gamul Lane, and route 16 to Farrington Park. Operation of the services began this week using the Perth-based group’s Citi brand. In response Preston Bus has since registered two new services in the same Stagecoach territory, with a new route linking the city centre with nearby Penwortham and also an interurban route between Preston and Southport.

Preston Bus managing director Peter Bell has already said that Stagecoach’s registered timetables mean its competing services will have a four minute window for its vehicles to travel between the bus station and the first stop, when the actual journey time is less than one minute.

He added that he is of the view that Stagecoach’s services could use that time to either leave the bus station late or sit on that first stop for up to three minutes, leading to the possibility of congestion. (Transit June 1).

A spokesman for Bell’s office said the traffic commissioner would be keeping an “extremely close eye” on the conduct of both operators. “If there are problems, she will not hesitate to act. It is the responsibility of the highways and traffic department of the Lancashire County Council, to report any concerns to the commissioner and therefore the ball is very much in its court at the moment,” he added.

Lancashire County Council meanwhile, has confirmed that it will monitor congestion levels in the city centre and has admitted that it has concerns that the war will indeed lead to congestion.

Western Greyhound takes 50km campaign to the House of Lords

BY ANDREW GARNETT

THE CONTENTIOUS issue of the European Union’s recently introduced “50km rule” was back in the spotlight last week with the being debated in the House of Lords and also making an appearance on the BBC’s Politics Show.

At Westminster, Liberal Democrat transport spokesman Lord Bradshaw raised the issue during a debate on the Community Driver’s Hours and Recording Equipment Regulations 2007, where he tabled an amendment to scrap the regulations for the view of the “cost implications for rural services and the social exclusion that will result”.

The new rules mean that all buses used on services over 50km in length must be fitted with a digital tachograph and has drawn criticism due to the high cost of installation and maintenance of the equipment, particularly from smaller operators in rural areas. As a result many have had little option but to slash their routes into separate services below the limit.

Bradshaw highlighted the case of award winning independent operator Western Greyhound that has been forced to sever all but two of its routes and says forcing passengers to change once or more during the journey for journeys that previously had a direct connection. Managing director Mark Howarth has also pointed to the poor facilities available to his passengers at these interchange points.

Speaking to the Lords, Bradshaw read a letter recently sent to Howarth from an 80-year-old cancer patient who was now forced to make six changes of buses to attend hospital appointments in Truro. He also questioned why Finland had campaigned to be awarded a derogation from the rules for rural services, whereas the UK had not.

Brussels willing to examine rural derogation

This week it was reported that Finnish traffic commissioner, Ltd, had campaigned to be awarded a derogation from the rules for rural services in Finland, whereas the UK had not. The UK has faced a barrage of criticism from bus users, with patronage now falling on some of its routes since the changes had been introduced. “This is very frustrating as we have put a lot of effort trying to provide a good service which is now being ruined because we have to comply with this legislation,” he told the programme. “They think we’ve gone mad.”

The programme also heard a statement from the DT who reiterated that it was seeking to work with the Commission president that the European Commission was willing to examine any reasonable justification for further exemptions to be introduced.

Tendered Network Zones mooted as alternative to Quality Contracts

THE ASSOCIATION of Transport Co-ordinating Officers has responded to the parliamentary transport committee’s current inquiry into the draft Local Transport Bill, which recommends that suggests alternatives to Quality Contracts.

ATCO chairman, Bob Saxby, says that while the association welcomes the aim to give local authorities greater influence in the provision of bus services, the proposals are too focussed on the metropolitan conurbations. ATCO has proposed Tendered Network Zones that would be introduced in areas where the majority of services are not commercially provided.

He adds that the concept would deliver the best possible services for the local community and avoid cherry-picking that undermines whole network benefits and integration with other transport modes. The registration of commercially operated bus services would be encouraged as long as they support the Tendered Network Zone’s aims and were fully integrated.

ATCO has also called for bus operators to submit service registrations with local authorities 14 days before being lodged with the traffic commissioner in order that authorities have time to review registrations for accuracy and also to assess how well the service will integrate with other forms of transport. In addition it has called for bus operators and local authorities to work in partnership to improve service reliability with traffic commissioners working in a mediator role.

“The lack of influence on the key issues of frequencies, time and fares has made the development of partnership schemes not a non-starter in many authorities,” says Saxby. “Give us the tools and we will get on with the job.”

Bus operators give views on policy paper

CONSULTANCY FIRM Steer Davies Gleave has produced a report on the views held by bus operators of the Putting Passengers First paper published last year by the government.

The operators largely welcomed the policy paper, but one key criticism was that patronage growth will largely continue to be affected by the level of competition between them and local authorities.

Another worry was the possible lack of helpful intervention and the operators called for more government support in improving the image of the bus. They also called for local authorities to be forced to introduce a traffic demand management strategy.
Arriva wins Chester case and resumes its plans for competition

BY ANDREW GARNETT

Arriva has won a legal battle against Chester City Council in its attempt to acquire the Chesterbus franchise and plans to bid for the city bus service.

The council had announced in February that it was inviting competition from the West Midlands-based bus operator to tender for the contract to take over rival Chesterbus, which has an established driver training business.

Arriva said it was pleased to have won the case and would be able to continue with its plans for competition.

The company said it had been a long and expensive legal battle, but it was pleased to have won and was looking forward to the future.

The case has been a long-running saga, with Arriva first making a bid for the franchise in 2005.

Arriva said it had been a tough legal battle, but it had been worth it to win.

The company said it was pleased to be able to continue with its plans for competition and was looking forward to the future.

The Chester City Council has not yet announced its decision on the matter, but Arriva said it was confident of winning.

Arriva has been operating in Chester for many years and has a strong track record in the city.

The company said it was looking forward to the future and was confident of winning the contract to operate the Chesterbus service.
High-speed rail 2 is ‘next step for Britain’ says Greengauge21

By MEERA RAMBISSOON

SCOTTISH PARLIAMENT has given the go-ahead to the Edinburgh tram scheme and authorised the review of the Edinburgh Airport Rail Link in the last few days, after a period of uncertainty since the SNP, who pledged to scrap both projects, was elected to form a minority government in Scotland.

The decision follows a review from Audit Scotland, which was requested by Scottish finance secretary John Swinney. Swinney presented the findings of the report to the Scottish Executive on the day that go-ahead was given.

The review hinted that the delivery of the Edinburgh tram was more viable and certain than that of Edinburgh Airport Rail, and that Phase 1a of the tram would be operational by early 2011. Conversely, the review states that the EARL project is unlikely to hit the target date of the end of 2011 and that “lack of agreement over governance arrangements and procurement strategy is inhibiting progress”.

Funding arrangements have also yet to be settled. The report estimates that the current estimated final cost of Phase 1 of the Edinburgh tram is £593.8m in total where the Scottish Executive has committed to provide up to £500m and £20m has been spent on EARL so far, £4m of which has gone on parliamentary processes. Director of Transform Scotland, Colin Howden commented: “The tram scheme has overwhelming support from businesses, retailers, educational institutions, major employers, charities and the voluntary sector.

It remains vital to the economy and sustainability of the capital that the tram scheme is delivered as soon as possible.

“We have been campaigning for a tram system for Edinburgh for the best part of a decade and it is very concerning that this show is now becoming a reality. We also welcome the decision to review EARL. We argued from the start that EARL had been badly specified by the previous Scottish Executive.”

Howden added: “The current EARL scheme is a particularly poor project because it would have led to slower journey times on the mainline Scottish railway. We hope the Scottish Executive will now look at the alternative options that we promoted when the Parliamentary Bill was being promoted by the previous executive.”

Willie Gallagher, executive chairman of Tie, the consortium which will be taking the Edinburgh tram forward where Transdev is the operator, said: “We are delighted to welcome the go ahead of the Edinburgh tram, staging: “I am pleased that the Audit Scotland report played a role in today’s debate. I also welcome the Cabinet Secretary’s commitment to resolve the governance issues on the Edinburgh Airport Rail Link.

One railway leases two extra Class 321s

National Express Group is providing an extra 6000 seats a week for passengers between Shenhope and London Liverpool street.

One railway has leased two extra Class 321 trains from sister company Silverlink for the next six months, while National Express are continuing to upgrade their fleet of trains on the One network. Each train has 275 standard seats and 28 first-class seats. Other locations along the line including Brentwood, Romford, Ilford and Stratford will also benefit.

GNER’s new contract means greener HSTs

GNER has signed a multi-million pound maintenance agreement with German supplier MTU, covering the new diesel engines currently being installed in its diesel High Speed Trains. GNER is replacing all of the engines in its diesel HST fleet with new MTU diesel engines, to deliver a more reliable, safer and greener service.

Metrolink upgrades line to Trafford

Metrolink passengers will have the choice of using either trains or buses when work starts in early July to replace worn out track. Greater Manchester PTA is replacing nearly 20 miles of track on the Bury and Altrincham lines as part of a £10m project to improve the Metrolink network. Trams will continue to run between Old Trafford and Manchester until the end of July before the whole of the Altrincham line to Cmborough closes for most of August.

Metro learns from German tram-trains

Transport officials from West Yorkshire PTE Metro, and the City of York have visited the German city of Karlsruhe this week to see how successful tram-trains could be used to help fight congestion in the Leeds city region. 

Tram-trains are one aspect of Metro’s £4.5bn, 25-year transport vision drawn up by Metro for the area.

Orco says partnership is key to an ‘efficient and developing’ railway

OFFICE OF Rail Regulation chairman Jim Bolt has stressed that partnership is vital for a safe, high-performing efficient and developing railway in Great Britain.

Addressing the Institute of Economic Affairs’ conference on The Future of Rail in London – in the run up to the government unveiling their High Level Output Statement and 30 year strategy in July - Bolt said: “It is good news for the railways that demand is growing year on year. But at the same time, expectations are increasing. Passengers rightly expect a safe and reliable service. But they also want a more accessible railway, with reduced crowding, better information on services and fares and an improved overall journey experience. We should all be concerned that they do not feel they are getting this.

“A safe, high performing, efficient and developing railway requires effective partnership between Network Rail and train operators to meet the needs of passengers and freight users, within a strategic planning and funding framework set by government.

“Key players in the industry must be clear about their roles and focus relentlessly on delivery, working together and exchanging hard truths to deliver what users of the railway expect. They must also work together in planning and delivering the improved and expanded services and improved value for money, which will allow the railway to develop and grow and overcome the challenges it faces.”

Bolt said that the ORR will continue its monitoring and reporting role “and enforcing delivery” as possible - as we are doing following Network Rail’s failure to deliver the resignalling scheme at Portsmouth.”

Bolt: key players in industry should be clear about their roles

Edinburgh tram gets thumbs-up but EARL will undergo review

Commuters should buy season tickets

RAIL WATCHDOG Passenger Focus has warned rail commuters that they could be missing out on big savings if they don’t buy a season ticket, even those not commuting daily.

Their research, published this week, shows that only 5% of commuters were aware of the main advantages of annual season tickets. Just under a fifth of commuters travelling without one said they would be very likely to buy one if they had the option - interest-free, over a 12 months.

Some operators, such as GNER and c2c, allow passengers to pay by interest-free instalments. Passengers’ reasons for not buying annual season tickets included not seeing them as value for money and irregular travel habits.
A new driver

As public transport just gained a valuable new ally at Number 10. Apparently Gordon Brown doesn’t have a driving licence. Perhaps our new Prime Minister will be more in tune with the needs of those who depend on the country’s bus and rail services.

Ruth Kelly, who was named as Brown’s transport secretary this week, may find that she is asked to do a little bit more than simply keep transport off the front pages, the primary mission in recent years. What changes can we expect to see under Brown’s administration?

As Mike Katz of political lobbyists Waterfront points out, government structures may be rejigged to show that Brown is taking firm action on climate change, perhaps including government structures may be rejigged to show that Brown is to be shown to be more than just a mantra.”

“Transport will be expected to play its role here,” says Katz. “So the mantra that has recently been heard that ‘rail can’t afford to be complacent on its green credentials’ will have to be shown to be more than just a mantra.”

Road user charging is another area that springs to Katz’s mind, and certainly one capable of putting transport back on the front pages. Whilst the draft transport bill is progressing the policy agenda amongst those in the know, he suggests that there is a wider question about selling the policy to the public, which was exposed by the e-petition debacle a few months ago. How will Brown and Kelly engage the public on this issue? Kelly’s marginal Bolton West seat lies within the Greater Manchester PTA region, which is leading the way on piloting road charging.

Otherwise, Katz says that having Alistair Darling, a former transport secretary working as chancellor to the former chancellor himself won’t necessarily give the sector an advantage in the spending rounds. Remember, it was Darling who turned down a number of light rail schemes on the basis of rising costs. Given the pressure on the public purse, he will be very clear that the government will demand measurable outputs for its spending - and fast.

While transport policy won’t be rocketing up the political agenda, it seems likely that it will nudge forward.

15-year Quality Contracts would allow greater investment

I write regarding comments attributed to Roger French of Go Ahead Group on the likely effectiveness of quality bus contracts, as set out in the draft Local Transport Bill (Transit June 15).

Mr French’s comments were made to the Transport Select Committee, and in turn purported to reference comments that I had made earlier in the same session in my capacity as lead director general on buses for PTEG. Reading the article as printed in your publication, and referring back to his comments made in the session, it would appear that Mr French has accidentally misinterpreted PTEG’s comments on quality bus contracts and I feel it is important to put this on record.

Contrary to Mr French’s comments, we did not say that “it would take 15 years for a quality contract to really prove its worth” and we do not believe this to be the case. As readers will know, we welcome the proposals contained in the draft Local Transport Bill and are fully supportive of quality contracts where they are necessary. In our view they can deliver immediate benefits for customers and we would like to see them introduced as soon as is practicable, where they are necessary. PTEG’s, and my own, view is that we would like to see quality contracts increased to a maximum of 15 years, rather than 10 years. As long as sufficient scrutiny is enabled, a longer contract gives greater stability for both operators and transport authorities and, in turn, allows for greater investment. In my evidence I made reference to Merseyrail Electrics’ 25-year contract, which is managed by Merseytravel, and this experience is as valid for bus services as it is for rail. The longer the contract, the more effectively it can be managed and the more qualitative improvements can be made for the benefit of the public. Certainty, over a long period of time, facilitates investment because returns can be made.

Despite Mr French’s comments, I am sure that our friends and colleagues in the bus industry fully understand our position on quality contracts, but I am very happy to reiterate it here. They can deliver benefits, most importantly for passengers, but also ultimately for transport authorities and bus operators. We look forward to working with the bus industry, the select committee and the Department for Transport in refining and implementing this important part of proposed legislation as soon as possible.

Neil Scales, Chief Executive and Director General, Merseytravel, Liverpool

What do the consumers think of public transport ‘Superbrands’?

I notice that you missed out ‘B2B’ in the headline ‘Bus and rail firms among Superbrands’ (Transit June 1).

Those who are unfamiliar with branding terminology might not have appreciated that the accolade only refers to the opinions of ‘business to business’ customers and not to the opinions of the poor souls who actually use these transport services.

B2B customers might be contracting or investment organisations and it is fairly well established in marketing that what pleases these clients may not please the end consumers.

I wonder if FirstGroup or, for that matter, any of the other operators referred to, would appear in a ‘business to consumer’ listing.

Peter Wilshire, Great Missenden, Buckinghamshire

Kazakh tram best in world!

The scrap between Scottish politicians over the future of the Edinburgh tram and airport rail link schemes is now over it would seem. However, things were looking decidedly dodgy in the last few weeks after the ruling Nationalists threatened to call the process.

Friends of the Earth Edinburgh came up with a campaign that brought a few home truths to Auld Reekie. “Almost every other country in Europe has trams, even Kazakhstan,” said a spokesman, “Borat could go faster in his horse-pulled car than most Edinburgh commuters.”

Cut to a photo opportunity of a Borat lookalike, wearing a golden turban and green thong and Alex Salmond mask outside the Scottish parliament. Transit noted approval for the scheme came just 24 hours later. As Borat would perhaps say: “Edinburgh also nice place now”.

Newt point

Ken Livingstone is not a man to mince his words. We know that the London mayor likes buses, Hugo Chavez and, of course, news. And we all know that he doesn’t like Metronet, one of the two consortiums bidding for the London Underground’s infrastructure.

Indeed, Livingstone recently remarked that if there was a gold medal for most incompetent incompetence, Metronet would win it.

But it seems that Livingstone shares a common interest with his adversary. Metronet’s website contains a picture of a silvered newt alongside the story that the company has enhanced habitats for the amphibians at the western end of the Metropolitan line. Could this be a cynical ploy to get on the mayor’s good side?
Tim O’Toole had no experience of running metros when he took charge of London Underground four years ago. But he is a fast learner, as Chris Randall found out when he caught up with the London Underground boss.

London Underground’s not-so quiet American

The American boss of London Underground, the publicly-owned operator of the world’s oldest metro, strides purposively into the room and introduces himself with a firm handshake.

Dapper in a sharp navy suit, neatly folded breast pocket handkerchief, and an expensive-looking silk tie, Tim O’Toole could easily pass for a commercial attorney, the job he did for most of the 1980s. Only a pair of distinctive London Underground cufflinks gives the game away.

O’Toole, 52, was appointed to run the creaking Tube network in 2003 by London mayor Ken Livingstone. The second American to be selected to fill a high-profile role in Livingstone’s burgeoning transport empire (Bob Kiley was transport commissioner for five years before resigning in 2006), he claims to have had few problems adapting to life this side of the pond.

“The transition wasn’t too difficult,” he says in a notable American drawl, undiluted by four years domiciled in London. “And as for an American running the Tube, historians of the network will know that many Americans have played a prominent role down the years.”

O’Toole’s last job before buying an open-ended ticket to the UK was chief executive of the Pittsburgh-based rail freight operator Consolidated Rail. Compared to the can of worms he has taken on here, it was a gentle stroll in the park. Livingstone tasked him with nothing less than “rehabilitating the Tube” against the backdrop of the government’s highly controversial part-privatisation of the network. The mayor predicted it wouldn’t be easy - and he was right.

Top of O’Toole’s agenda, as it has been almost from day one, is the fractured relationship with Metronet, one of two consortia awarded 30-year public-private partnership (PPP) contracts to repair and upgrade the Tube. Whilst the other consortium, Tube Lines, has proved relatively efficient, Metronet’s alarming under-performance in overhauling nine of London Underground’s 12 lines has attracted a barrage of bad headlines and handed plenty of ammunition to opponents of the PPP, most notably Livingstone.

Metronet’s admission that it is likely to overspend by more than £1bn by 2010 has done nothing to endear it to an already hostile Transport for London, London Underground’s parent. But what has really added insult to injury is the consortium’s attempt to lay the blame at the door of London Underground, which it accuses of demanding extra work that was not in the original contract.

The beleaguered consortium has now called on the Tube regulator, Chris Bolt, to act as referee and decide who should pick up the tab. Bolt’s review of Metronet’s performance could take up to a year to complete and will cost the warring parties £10m. O’Toole is concerned that this could result in a hiatus in rebuilding the network.

“That’s why we keep saying the work must continue,” he says forcefully. “This must be acted out separately and off-stage. If Metronet’s rate of work, which is already deficient, slows down as a result of this, it will certainly be something we would highlight. We would have to explore whether the contract gave us the ability to do something about that.”

The implication is that Metronet is facing the sack, a move Livingstone has demanded on several occasions? “Would that the options in the PPP were that straightforward,” replies O’Toole with a wry smile.

“It is bad news that we have a contractor that is failing,” he adds. “But we need to get the facts on the table. We must get the situation resolved and get some confidence in our future.

“These people [Metronet] are haemorrhaging money and not managing the situation. To allow that to continue increases the risk. Burying our head in the sand is of no use.”
At times, the damaging bust-up has threatened to descend into farce. Just last month Metronet complained that London Underground had asked it to paint one station three times in different shades of grey. At another station, it alleges, it was told to completely replace tiles even though the contract only required them to be repaired, adding an astonishing £700,000 to the budget. The consortium’s embattled chief executive, Andrew Lezala accused Tube bosses of seeing the PPP as an opportunity to have a world class railway, but wanting someone else paying for it.

O’Toole snorts in derision at the claim. “Their behaviour and their claims are typical of a contractor who is trying to put forward a great big hairy claim in the guise of this PPP adjustment. They are forgetting the extremely generous - some would say outrageous - equity returns they were guaranteed in return for management expertise to deliver these upgrades - which they priced - efficiently and effectively.”

Instead of whingeing, O’Toole says Metronet would do better to follow the example of Tube Lines, which is upgrading the Jubilee, Northern and Piccadilly lines with some Tube Lines has completed, and say that real change can be delivered.

“It defies anyone to get on that seventh [extra] car on the Jubilee line or walk through Wembley Park station or any of the many stations Tube Lines has already completed, and say that real change can’t be delivered on time and on budget. That’s what Metronet has been unable to do. They have consistently failed to deliver station upgrades. And in failing to deliver them, they are looking for someone else to blame.”

Ouch! Such an uncompromising tone shows the unexpected success Tube Lines has been having in demonstrating that a price quoted can be a price honoured. And that real change can be delivered.

“Is Metronet on the way out? London mayor Ken Livingstone has called for the Tube infraco to be sacked but Tube boss Tim O’Toole concedes that PPP isn’t as straightforward as that

‘One of the great burdens for LU is that there is so little in the PPP’

knowing they are going to get paid, it doesn’t work that way.”

He says Andrew Lezala is a “nice fellow” but warns the consortium needs someone with an iron fist that can make things happen. “They are not trying to exist within that structure. Instead they are assuming an internal contract of shared pain and gain - which they priced - efficiently and effectively.”

Will the belated move to competitive tendering make a difference? O’Toole says the air of an exasperated parent who has just been given another promise of better behaviour from an errant offspring. “We will have to see if that change is real and effective. Obviously, it will be months before we find out because these projects take time to see through.”

Such outspoken criticism will be music to the ears of O’Toole’s boss, Ken Livingstone, who fought a rearguard and ultimately unsuccessful battle with the government to have the PPP strangled at birth. “Ken is a larger than life personality,” says O’Toole of the new Mayor. “Privately I have never met anyone with a better sense of humour. He’s the guy you would want to be standing next to at a party. He is extremely well read - I mean it’s almost frightening how well-read this guy is. And he has a great curiosity. But he respects professionals who he hires to do things. His attitude is ‘that’s why I brought you here.’”

But aren’t there moments when O’Toole wishes Livingstone would just shut up? Or at least be a little more diplomatic. Take this recent quote from the mayor about Metronet: “If there was a gold medal for managerial incompetence they would be winning it.” It’s great copy for journalists, but will it help deliver a better Underground?

“I never have a problem with them because I think he is articulating the frustration. ‘It’s just one more’ exists within that structure. Instead they are assuming an internal contract of shared pain and gain — which they priced — efficiently and effectively.”

“London has to have the Tube and it’s got to have the Tube rebuilt.”

“He knows that in order for London to maintain its pre-eminent position as a world city, the Tube rebuilding has to come forward on time. When he says the things he says, he is accurately capturing that mood.

“The people in London Underground and Metronet recognise that when you are in the public sphere, problems are often discussed this way. Privately we try to keep things working. We can tell our people that the theatre of the public world can’t be brought into the private world. We have got to do everything we can to make Metronet successful, because we need them to get the PPP through. I think we are able to separate the two worlds.”

With Metronet’s bankers reportedly getting twitchy and refusing access to a £1.5bn loan facility, the possibility of the consortium pulling out of the PPP contract, or even going bust, is looking very real. Livingstone has said Tube Lines doesn’t have the capacity to cope with the extra work and that the contracts would be mopped up by O’Toole’s London Underground.

“It’s nice that the Mayor expresses confidence in me,” says O’Toole with a half-smiley face. “I don’t want to get ahead of the story but I want to assure everyone that we are doing our duty. We are prepared to deal with whatever future Metronet presents us with. I think there are a lot of different ways this could play out.”

O’Toole moved to London Underground without any previous experience of running metros. Promising to make safety a priority, he quickly learned to put aside any preconceptions. “I started in the shadow of the Chancery Lane derailment. At Consolidated Rail, financial results had been transformed by driving safety improvements through. I had this simplistic view that I was going to take that management experience and visit it on this place. What I found was a safety regime that was sophisticated and well developed. In fact, it had a fantastic safety record that I just had to continue.”

The PPP contracts were no less complicated than he had expected, even for a trained lawyer. “The mayor asked me to make it work. And we have achieved a lot, mostly with Tube Lines, but even Metronet has refurbished the D stock [District Line trains].”

In fact, the reservations he has about the
part-privatisation of the Tube go beyond worries about its complexity. “One of the great burdens for London Underground is that there is so little in the PPP,” he says surprisingly. “It’s just the bare bones with a lot of necessary pieces of work left out. For example, they [Metronet and Tube Lines] are going to give me a journey time improvement, with more trains and faster trains. But I have to supply the power. There is nothing in the PPP about the essential work that has to be done to pull all this off.

“It does give us important work on our stations, but it doesn’t give us the congestion relief we need to really open up the network and exploit increasing demand. For example, unless we completely transform Victoria station, we won’t be able to exploit the Victoria line upgrade. There are huge pieces of work that aren’t even part of the PPP that I have to bring forward at the same time to make it successful.”

The reason the contracts are spread over 30 years, he contends, is to make them affordable. “London is waiting just about as long as it could be expected to wait for this work to be done. If anything, we need to speed things up.

“That’s what is so threatening about Metronet; they represent delay. It isn’t about name calling. The question is when this work is going to get done.”

With London’s population forecast to rise by more than one million over the next 20 years, the pressure on its Victorian metro will intensify. Nearly three million journeys a day are already made on the Tube and that figure is set to rise significantly. Can the system cope? “The PPP will deliver a capacity increase of 20%,” says O’Toole. “But I actually believe people’s experience will be greater than that percentage improvement. You will have automated trains, so headways will be uniform and throughput will be dramatically better than it is now. At that level of increase we should just about stay level with increase in demand.

“With the growth, of course, we have to have Crossrail. Crossrail represents expansion of the Tube network, even though it’s not a Tube line. We need Crossrail to be built because we immediately have to turn to the north-south corridor, where we need Crossrail 2 or Thameslink. We desperately need more capacity north-south.”

O’Toole can’t hide his frustration at the arcane planning regime and the endless battles for funding that combine to leave major projects stranded in the sidings. Casting an eye over the Channel he says: “I am extremely envious of Paris and the way they just move on to their next project, their next line. London has to get into a cycle like that. We need to move things forward faster. We need to rebuild the Underground. But from a longer historical perspective, we need to talk about the continued growth in capacity of public transport generally if we are going to put all these stories together in a sensible way.”

Waiting just over the horizon is the 2012 Olympics, which will undoubtedly provide a stern test for London’s hard-pressed transport network. Is O’Toole fearful about the prospect of having to deal with a huge influx of visitors to the capital? Apparently not; in fact, he views it as an opportunity to put extra pressure on recalcitrant contractors charged with rebuilding the Tube. “It puts a stake in the ground and makes the contractors get the work done, because they will not want to be the guys who are on the national news for letting down the Olympics.

“To meet our commitments to the Olympics, we need to deliver the PPP improvements to schedule. Almost all of our stations will have been refurbished by then, so we will present a very different face. I think the Underground will acquire itself very well. The PPP will help, but we are going to throw a party.”

One group that could spoil the party - and not just when the Olympics come to town - is the rail unions. Threats of strike action from Aslef and more particularly the RMT have punctuated O’Toole’s four years in charge at London Underground. Upbeat throughout most of the interview, the question of union militant has him slumping in his seat. “The management-union relations are a continuing struggle,” he sighs. “We have an environment where the monopoly of the trade unions and management is controlled by a government structure that compels the parties to learn to live together. In the private sector of course, the market place operates because if they don’t find a way to live together, they go out of business and everybody loses.

“‘In the public sector, a structure that compels people getting together has worked elsewhere. But it doesn’t exist here. That has slowed progress.

“We have got to find ways of working together if we are going to pull off this transformation. Change is going to come so fast that we can’t have constant delay.”

Are the unions too quick to play the strike card? “It bothers me when threats are thrown about. In fact, there has only been one day of strikes since I’ve been here but because of these constant threats it would be easy for people to think there is disruption all the time.

“Do any good for the trust we are trying to earn. We are trying to make sure that we are living up to our responsibilities to the unions. We have got to get better at communicating as well. We are an island of public service and if we want to keep it this way, we have got to find a way to work together.”

With this increasing demand, O’Toole knows just how critical it is to find a way of making the PPP work. “Given that more and more people are using the system, that’s why this rebuilding effort has got to be completed. And that’s why the Metronet story won’t distract anyone, funders, politicians, or us.

Using the network everyday to travel to work, O’Toole is able to see for himself the results of decades of under-investment. “Plainly it has been neglected for a very long time and it has far too many asset failures. And London has to put up with too much.”

He adds: “We’ve got to keep our eye on the prize and that’s the rebuilding of the system.”

Millions of commuters who squeeze sardine-like onto the Tube would undoubtedly say here-here to that.
The axing of the Leeds Supertram by the Department for Transport two years ago, in favour of a bus-based alternative, was a galling blow for West Yorkshire PTE Metro. But things are now looking up as the DfT has accepted its initial business case for bus rapid transit, and ‘next generation’ trolleybuses are in the offing. Meera Rambissoon reports

**Trolleybuses offer Leeds life after Supertram**

There were signs of relief in Leeds last week when the Department for Transport gave Metro, the West Yorkshire PTE, the green light to develop plans for a network of trolleybuses in the city. It’s not what they wanted, of course; the bus-based proposals were developed after the government withdrew funding for Metro’s Leeds Supertram project, sparking fury in West Yorkshire. For Leeds it appears to be a case of you can’t always get what you want, but if you try sometimes you can get what you need.

The lobbying is not over, however. Metro’s business case for BRT, which forms part of its 25-year Transport Vision for Leeds City Region contains three options. At one end of the spectrum there is basic, enhanced bus scheme, at the other an all singing, all dancing state-of-the-art trolleybus system. Metro director general Kieran Preston now has the task of persuading the government not to go for the cheaper option.

Preston admits that he has struggled to come to terms with life after Supertram. “It’s hugely disappointing. I must admit I found it hard to move on,” he says. “We had to challenge the decision not because of sour grapes but we’ve got a whole community. A whole business community and the public at large couldn’t understand why this thing that we were so keen on, with a really positive cost benefit, that did all this regeneration and created all these jobs, was turned down.”

Preston says he believes cost escalation was used as a scapegoat for turning down the scheme. “Although it underwent revisions the cost benefit was always within the agreed parameters given inflation and present net value.” He also points out that Metro had offered to make up cost differences with Leeds County Council, of which “little was made”.

“The other big thing that rankled with our business community was that similar schemes such as in Nottingham were going ahead, with a similar cost benefit, not quite as good, not going to bring as much regeneration, in a city not as big,” says Preston.

“This week, as a required part of the BRT proposal. “In some ways that was an audit of the work we did and what that came out with saying was that, effectively they believed a high quality bus-based scheme could deliver about 90% of the benefits of tram at about 50% of the cost. That’s where the DfT sat up and said ‘that sounds quite attractive to us’, ” Haskins comments.

The DfT then directed Metro to develop a top of the range high quality bus-based system. Submitted in partnership with Leeds City Council, Metro’s initial business case proposes three main corridors to the north, south and east of Leeds, (including areas of Leeds beyond those covered by the Supertram proposals) and, most crucially, three different options of bus.

The highest quality and core option is electrically powered, top of the range tram bus, (referred to colloquially as trolleybus) which has the visual appearance of a tram and is steered by overhead wires. This option costs approximately £700,000 per vehicle, and £273m overall. The next best option is a hybrid diesel-electric, costing £550,000 per vehicle, and £200m overall. The last, lowest range option is a diesel-powered bus such as the f1r, approaching £400,000 per vehicle and approximately £190m overall.

The scheme will be funded largely from the Regional Funding Allocation, which the Yorkshire and Humber Regional Transport Board administers, plus a 10% local contribution. The scheme’s network is approximately 20km long and the routes remain the same regardless of the vehicle options. The south line largely follows the original tram route and terminates at Stourton park and ride site. The north route from Leeds city centre through Headingley links two universities, a park and ride site, and a hospital. It has also been extended beyond the Supertram route to the residential area of Holt Park. Haskins says that this major commuting route has “massive congestion, massive journey times and reliability issues. It’s also very limited in terms of scope for getting segregation in.”

“The centrepiece of this route is the bypass for public transport around the back and the route stands all fours on that.” The bypass has gone through public inquiry but will need to do so again. Haskins explains that without such approval the route will be hard to justify since the bypass provides the main source of benefit.

The east route differs most from the original Supertram plans. Since then, East and South East Leeds Regeneration Area
dedicated lanes. Of the proposed route would be on congestion, since, Preston says, 50 to 60% of buses, and are less likely to fall prey to getting a Transport and Works Act, which explains that the ‘tram bus’ option involves we can get into the marketplace with a proper offer and franchise opportunity, and generate competition and interest. If we can have a TWA, we can specify the system and route."

Preston concedes: “We may well need Quality Contract type rules but it’s how you manage bus operations alongside it. Longer term opportunities are there for the operator to manage it.” Haskins adds that he wouldn’t rule out going into a Statutory Quality Partnership with First. “We’ve consulted a number of bus operators, not just for their feedback, they will look into whether there is an early role for them and the most efficient way of restructuring the bus network.”

The third, ftr-style option is clearly Metro’s least preferred option. “People won’t make life-changing decisions, move house or school on the basis of the third option,” Preston comments. Giving his personal view on the ftr, Haskins says: “It’s a good product. I see it as the next generation of buses as what users of buses at the moment, would look for and expect just like if you had a car, next version of your car which would have as the standard a CD player - that to me is the next step up on buses. I don’t see it as the step change - as the tram is a step change. We’ve got [ftr] in Leeds and we spent time and money with First putting them in in Leeds. We’ve invested our money in that because we have belief in that but what we’re saying is on these routes that something else is required.

“There’s not a lot of difference between ftr and hybrids - you’re not putting up overhead wires and have largely the same infrastructure,” comments Haskins. “There is quite a difference between mid-range and top range costs. I don’t think our appraisal adequately captured the benefits of what people perceive. If you drive a car into Leeds at the moment, are you going to jump out of your car to get into this option or that? We know instinctively, intuitively, it will be the top of the range one, and that will be the basis of house-moving decisions on that level of quality.”

However, Metro are under no illusions. “The temptation for the DfT will be to go for the cheapest option,” says Preston. Unsurprisingly, Metro’s greatest barrier, Haskins explains, is getting the guarantee of funding for their preferred tram bus option. He says: “When we’ve asked the DfT where is this money, they’ve said it’s in regional funding. In the Yorkshire and Humber region there’s something like £1.2bn allocated to transport projects. Of the £1.2bn all but half hasn’t been allocated now - we call that headroom and that does fluctuate. Of the money that has been allocated, so far just over 20% has gone to Leeds city region so we believe we’ve not got our share - part of the reason it’s so low, is because Supertram should have got the large share.”

The process of getting approval and funding for the option Metro wants is no straightforward process. They have made it through the first two main hurdles. The DfT accepted their initial business case when they met on June 13, then a few days later, the Yorkshire and Humber Regional Transport Board granted £150m of the regional funding allocation for the first phase of the Leeds network on June 15. Whilst this is a success so far for Metro, neither form of assent means that their favoured trolleybus option is guaranteed. “DfT said they will endorse the work Metro are doing and the evolving work to reach a high quality solution,” Haskins explains. Metro are now expecting a letter from DfT at the end of June in which will set out the key issues and how they think the scheme should be worked up. “They will note the need to ‘optimise the package’, how we phase it, the order we do things in, and the level of quality on each corridor. We expect the letter will give enough comfort.

“The DfT are still keeping all the options in the game. They do know we are trying to reach a high quality solution but have not explicitly endorsed the top level option. It’s as positive as we could hope to expect.”

Having now got a commitment on funding, Metro will work up the details of its proposal before submitting a full business case to the DfT later this year. Conditional approval is expected in 2009 following the outcome of public inquiry with a view to starting construction in 2010. Metro will appoint advisors by the end of July to develop the business case, including data collection and public consultation.

Metro recently visited Lyon’s trolleybus network to ‘sell to people what they’ve not already got’, and as one of the systems they are looking at for their preferred option of BRT in Leeds

(EASEL) initiative has been developed seeking to regenerate one of the poorest areas in the country. “Effectively it’s large-scale housing renewals and there’s a big opportunity to get a high quality public transport route with it at the same time,” says Preston. “So we’ve looked at options to serve the EASEL area, rather than using the previous route and it’s offering some good journey times.”

The first tram-style bus option with the second option being created by its overhead wires is what Preston really wants, believing that this will offer the best chance of modal shift out of the car. “Guideways help,” he argues, “but guideways are intermittent because of the nature of the city centre and some of the corridors you have to use, you can’t have continuous guideways.

“What we’re really trying to do now is get a really high end trolley bus type system where you’ve got a bus that is very tram-like both of terms of capacity and how it looks. I suppose particularly for me, having that feel and that presence so that people can see a system, that’s why the overhead wires are so important. People can see it, they know where it goes, they can get excited about it in inverted commas, they know it’s not going to be taken away at the drop of a hat.”

“You also get that kind of system in Milan or Geneva or wherever - when you pull away, and you’ve got overhead power. It’s smooth, you’re not crunching through gears, you take off faster, so you can have the same number of stops as a tube and speed up journey times or have more stops and achieve similar journey times. And then there are the environmental aspects, it’s nice, it’s clean and ultimately, the way energy is going, it might be a more efficient way of doing it.” Trolleybuses are also much quieter, have faster acceleration than diesel buses, and are less likely to fall prey to congestion, since, Preston says, 50 to 60% of the proposed route would be on dedicated lanes.

There’s another reason too. Preston explains that the ‘tram bus’ option involves getting a Transport and Works Act, which he sees as a distinct advantage. “TWA means we can get into the marketplace with a proper offer and franchise opportunity, and

‘If we can showcase BRT in Leeds then we can help show other cities there is life after the tram’

Kieran Preston

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The next hurdle, Haskins says is “keeping the public on board especially through electoral cycles. If the BRT is built in 2011, the cost will be £274m but every year this goes up by over £10m,” referring to the trolleybus option.

Haskins explains there is a further complication, that of segregation. “If we take those three routes and we take the tram system for segregation we’re getting is about 45%,” says Haskins. “When we put our proposals to our project board of local politicians, headed by Preston, they liked it, but want higher levels of segregations. We’ve had to say something that Metro will need to resolve. So, what are Metro’s chances of getting DfT to approve the option they want? “In my opinion, we believe people have moved their position in how they are putting the onus on the regions, they’ll do the technical scrutiny but they’ll leave the decision to the regions. They’ll tell us whether we’re right or wrong in certain areas but ultimately they’ll say if it’s affordable then go for it - that’s my gut feeling.”

After committing extensive time and money on the Supertram proposals, Metro are unusually twice shy. It is of no surprise that Metro have opted to produce an initial business case - “effectively a statement of intent”.”If we tried to go to programme entry, it would be our money on the line entirely at risk with a yes or no from DfT whereas we were looking for a more pragmatic approach with DfT. The other thing it doesn’t do that a full programme of entry would, is go out and consult the public.”

“It would be quite dangerous in many ways to go out to the public and say ‘yeah, this tram was cancelled but look we’ve come up with this new option - what do you think of it’ without having the depth of the technical analysis behind it and the answers we’re comfortable with and that the DfT are comfortable with.” Metro visited the BRT system in Lyon with BBC Yorkshire, in the run up to the development and regional transport board, and broadcast clips that same week, with the aim of showing the public what they are proposing for Leeds and talk about the bus service to the public. “You’ve got to be attractive to people want their scheme to be upgradeable to full tram next. We want to capture the long, medium and short-term.”

“Consult the public.”

First claims its ‘fr’ service in York is not a bus, but is it BRT? As a public transport planner who believes in quality public transport as an antidote to petrol driven obsession, Colin Braider is enthusiastic about the growing interest in Bus Rapid Transit in the UK. But, is this the BRT that transformed Bogotá, revolutionised Curitiba and gave Brisbane a bus-based system that has a passenger carrying capacity in excess of light rail? Braider thinks not.

“BRT involves religious devotion,” explains Braider, a director of consultancy Integrated Transport Planning who has helped to develop BRT schemes in Lagos and Accra as well as high-quality bus schemes in Europe and Australia. He says that a BRT system, must deliver fast, comfortable, and cost-effective urban mobility with exclusive right-of-way lanes and excellence in customer service. “Is this what we mean when we speak of BRT in the UK?” he asks.

“BRT can be a cost effective form of fixed transit with flexibility, at a fraction of the cost of light rail,” Braider says, “but unless the aspirations of light rail are upheld; near 100% segregation, quality infrastructure, payment systems and information, it becomes more ‘B’ than BRT and the often made comparison with light rail begins to fade.

“It’s interesting to note that British BRT emphasises the quality of the vehicle and glosses over the failure to provide segregation where constraint makes it physically, financially or politically difficult,” he continues. “It is not the quality of the vehicle that achieved a 40% growth in bus patronage in the first six months of operation in Brisbane and a modal shift of 375,000 car trips in Pittsburgh. In both these examples the buses are fit for purpose, but ordinary. Segregation was key as was treatment of the bus as part of a system that addresses all journey elements.”

Braider believes that in the British context what we really mean by BRT is ‘94’s not a bus’. In Britain he says that the poor image of buses means that BRT is sold to the public as something they will like. “Where ‘traditional’ BRT talks of a system approach based upon the stalwarts of reliability, security, affordability and efficiency we British are developing a different form of BRT that seeks to compete with the car in the most obvious way - visually,” says Braider. “This ignores a fundamental such as comprehensive segregation. Therefore, I am afraid, I don’t think we are serious about developing BRT in the UK.”
Can Bowker halt the retreat of NEG’s trains division?

National Express Group needs to rediscover the winning formula and fast. Richard Bowker, the former chairman of the Strategy Rail Authority, was appointed chief executive of the group last year with a mission to stop the unrelenting retreat of the group’s rail business. The failure of the group’s must-win bid for the new East Midlands franchise, which will combine NEG’s Midland Mainline with parts of Central Trains, is a major blow.

Once the country’s largest passenger rail operator, NEG’s UK trains division is now just a shadow of its former self. Last October, a<br>hand over Wessex Trains and Great Northern to First Group, the year before it was bought by NEG. And it will get worse on November 11 this year when the group will give up four franchises that has fought and failed to retain - Silverlink, Central Trains, Gatwick Express and Midland Mainline. Only C2c and One will remain.

On the plus side, NEG now has two more roles of the dice in the form of NEG’s bids for the Cross Country and Intercity East Midlands franchises. Victory in one of these competitions is essential in order to restore confidence in the group. We should know the winner of the Cross Country announcement by the end of the month. And any rumours have swept the industry that Arriva could be crowned as the winner. Cross Country could be more trouble than it is worth for NEG anyway. The Competition Commission would undoubtedly conduct a lengthy probe into any potential conflict of interest with NEG’s express coach operations. In Scotland, winning ScotRail meant selling coach operating company Scottish Citylink in 1998 to satisfy the competition authorities. It was a decision that Bowker’s predecessor, Phil White, later regretted.

East Coast is perhaps Bowker’s best chance to redeem himself. Competition is fierce, with heavyweights First, Arriva and Virgin/Stagecoach all in the ring. But would the Department for Transport really want to give First, already Britain’s biggest train operator, another franchise - especially when it is making such a mess of First Great Western. And would the DfT really give Virgin/Stagecoach a monopoly on Anglo-Scottish rail services. What would the competition authorities say about this? It has already won Cross Country. The DfT won’t give it another franchise, so could NEG sneak in?

Bowker has been here before. He raised his profile in the rail industry by spearheading Virgin’s audacious but ultimately unsuccessful bid for East Coast. It lost but can win the flagship operation for NEG if it will put the group back on track. If he cannot the future is much less certain. As a smaller group NEG could become an inviting target for a takeover bid, from one of its UK peers, an overseas rival or perhaps a private equity company.

First Group has long been linked as a potential suitor for NEG. Having taken NEG’s place as Britain’s biggest train operator, First launched the massive £1.9bn takeover of Laidlaw in the US. If Bowker can’t turn around NEG’s bidding record, could his company be swallowed up by its larger rival?

Stagecoach’s improving bus profit margins offer hope of recovery to the entire industry

YOU have to go back some years to find when Stagecoach’s UK bus division last achieved a profit margin better than 13.6% in its latest full year results, published this week. It’s a strong sign that things are getting better for the bus business. In recent years Stagecoach’s bus business has appeared re-energised. The product is generally good and the group hasn’t been shy about selling it to the public. Telesales and other marketing techniques, combined with increasing concern about the environment, are persuading people to try Stagecoach’s services. The latest results show UK bus passenger volumes up 6.6% on the previous year.

All this has persuaded Stagecoach to step up its efforts and invest money in a new £350,000 TV advertising campaign. If the initial pilot in the West Anglia region is a success, it will be rolled out elsewhere too.

This is not a business that is in decline, but one with ambitious plans to move forward. It wasn’t so long ago that the kind of passenger growth that Stagecoach is currently achieving year-on-year was considered a far cry away. Passengers bring profits, and profits can in turn be used to bring passengers. The success that Stagecoach is now enjoying is being seen elsewhere in the industry. The industry must now be to keep this momentum going. Will other operators match the faith shown by Stagecoach in its product and TV advertising?

Rotala’s quiet approach could provide a firm basis for future growth in niche markets

To paraphrase an old metaphor: you wait for ages for one deal to come along then three do at once. Rotala, the AIM-listed transport investment group pulled off a series of deals reminiscent of the late 1980s last week that will add around 120 vehicles to its operations.

The group quietly began almost two years ago when it purchased the non-London bus and coach operations of Central Parking System, the US-based parking giant that found itself in a spot of financial hot water. Since then it has been silently expanding with the acquisition of marginal businesses that have slipped under the radar of the major groups.

Chairman John Gunn sees congested conurbations as a place for his niche group to grow. Indeed when Rotala bought Birmingham-based bus operator Zaks, subsequently rebranded as Midland Connect, late last year, he said putting a flag in the local market ensured that if deregulation happened, the group would have a sound base to bid for Quality Contracts. Until then, there is plenty of tendered bus work to bid for that offers a dependable revenue stream.

Meanwhile, it has also moved into Bristol with the capture of two of the city’s three park and ride routes from First, and disposed of some of its more marginal Surrey operations to Wilts, now part of Tellings Golden Miller.

With the group now getting some serious economies of scale, dependable revenues and meeting its financial targets, perhaps Rotala is a horse we should be backing for future growth in those profitable niche markets.

businesscomment

stockwatch Rail franchise woes see National Express drop back

But West Midlands franchise deal brings good news for Newcastle-based Go Ahead

A series of rail franchise announcements from the Department for Transport saw good news for both Go Ahead and its Perth-based competitor Stagecoach, but mixed fortunes for the loser.

Go Ahead’s deal to operate the West Midlands franchise, or London Midland as it will be called, excited the city with the analysts largely positive. Its shares climbed 41p on the day of the announcement and closed the fortnight up 1.87% at 2,502p. Stagecoach had a tougher time, perhaps due to its growth estimates for the East Midlands franchise. The announcement didn’t see a stellar performance for its shares; indeed they dropped by just 5p, and despite a robust set of preliminary results, it closed the period down 0.44% at 171.5p. Elsewhere, the National Express fell back 3.68% to close at 650.5p. First had a better time with a drop of just 1.06% to close at 650.5p.

Broker recommendations

Go Ahead: The Newcastle-based group’s capture of the West Midlands rail franchise was welcomed by the City’s analyst community. Panmure Gordon maintains its ‘hold’ rating with the target price set at 2,600p following the news, while JP Morgan speculated the deal could be worth as much as 60p per share. The latter analyst added the deal was good news for Go Ahead and maintains his ‘underweight’ rating.

Stagecoach: Like Go Ahead, Stagecoach’s winning bid for the East Midlands franchise saw a rash of analyst notes. Panmure Gordon maintains its ‘hold’ rating with the target price set to 175p. JP Morgan broadly welcomed the deal, but has concerns about the group’s growth estimates for the franchise. Following Stagecoach’s preliminary results announcement, Deutsche Bank reiterated its ‘sell’ note that maintains its ‘hold’ rating with the target price raised from 193.5p to 219p, thanks to the Perth-based group’s robust operational performance.

SHARE MOVEMENTS: Period from 13.06.07 to 26.06.07

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Lothian wins battle against cost increases with passenger and revenue growth

Lothian Buses, one of largest of the UK’s diminishing band of municipal bus operators, recorded a strong increase in operating and pre-tax profits during the year to December 31 2006, according to its annual accounts.

The company operates a fleet of 630 vehicles on local bus services in and around the city of Edinburgh. It is 91% owned by City of Edinburgh Council, with the balance of shares held by the other councils which constitute the old Lothian region.

Turnover during the year was 18.3% higher at £89.5m, whilst operating costs were 17.8% up at £68.5m. The resulting operating profit of £20.0m compared with £12.7m in 2005. Operating profit margin was 5.6%, up from 5.2%.

After increased net interest earnings, the company recorded a pre-tax profit of £7.3m, 72% ahead of last year’s £4.2m, with a pre-tax margin of 8.2% (2005: 5.6%). After taxation and last year’s exceptional profit on land disposals, net profit for the year was 5.4% down at £4.6m. A dividend of £2.2m (last year £2.1m) was paid to the shareholders.

Capital investment was 4.5% up at £16.7m, bringing the five-year total to £52.7m. As a result, the value of the fixed assets rose by over 20% to £66.7m, with net worth 45.2% higher at £33.3m.

Wages and salaries cost 11.8% more at £45.0m, with social security costs moving slightly ahead. Pension contributions virtually doubled to £6.7m. Employee numbers rose by 5.9% during the year, averaging 2,103. Unit labour cost was therefore 11.3% higher at £26,156 (unit wage costs only rose by 5.5%).

Depreciation and finance costs were higher following recent investment, whilst leasing charges and administrative costs fell. Other costs - including fuel and materials - were 19.5% higher following the fuel price hike and other price increases.

Com and coach revenue was 18.3% up at £89.5m, but interest earnings fell. Pension fund income was sharply higher, though, at just over £2.1m. This helped to reduce the company’s pension liabilities from £19.8m to £11.9m.

This was clearly a challenging year for Lothian, as the company faced huge increases in the cost of pensions as well as the fuel price hike and a rise in unit wage costs of around double the then prevailing rate of inflation.

The fleet grew by 3.4% and the workforce by 5.9%. However, it is not clear whether this was the result of new business or more resources required to maintain existing service levels in the face of growing traffic congestion in the city.

The figures suggest that the company responded well, reporting an increase in revenue of over 18% – driving revenue up by a sufficient amount to increase profit margins, thanks to passenger volume growth of 5%. Unlike England, this volume growth was not on the back of free concessions, which are now over four years old north of the border.

The company maintained and increased investment levels, spending £13.4m on new buses, contributing to the already low average fleet age, recorded as 7.4 years in May 2006. The company had already replaced almost 25% of its fleet in the previous three calendar years.

The company’s record of revenue growth is impressive - just over 42% in the last five years. In looking at profit levels, though, the distortions of the new FRS17 reporting standard on pension liabilities needs to be taken into account. The directors report that this has depressed operating profit margins by around £2.6m a year and would have cost over £3m in 2004.

As Edinburgh gets used to having an SNP government, the future of transport policy in the capital is once again back in the melting pot. But, on the basis of these figures, the city can be confident that it has a highly competent and viable bus network.

### OPERATING COSTS (%), LOTHIAN BUSES PLC

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<td>£65,729</td>
<td>£56,566</td>
<td>£45,021</td>
</tr>
<tr>
<td>OPERATING PROFIT/(LOSS)</td>
<td>£4,994</td>
<td>£3,909</td>
<td>£4,945</td>
<td>£5,800</td>
<td>£2,507</td>
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<tr>
<td>Other Costs/(income)</td>
<td>(2,322)</td>
<td>(336)</td>
<td>(450)</td>
<td>(427)</td>
<td>(220)</td>
</tr>
<tr>
<td>Pre-TAX PROFIT/(LOSS)</td>
<td>£2,677</td>
<td>£3,573</td>
<td>£4,495</td>
<td>£5,373</td>
<td>£2,287</td>
</tr>
<tr>
<td>Tax Payable/Credit</td>
<td>£2,437</td>
<td>£3,137</td>
<td>£3,938</td>
<td>£4,838</td>
<td>£2,050</td>
</tr>
<tr>
<td>NET PROFIT/(LOSS)</td>
<td>£4,139</td>
<td>£1,260</td>
<td>£4,457</td>
<td>£6,238</td>
<td>£4,537</td>
</tr>
<tr>
<td>Exceptional Items</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Profit/(loss) for Year</td>
<td>£4,139</td>
<td>£1,260</td>
<td>£4,457</td>
<td>£6,238</td>
<td>£4,537</td>
</tr>
<tr>
<td>Exceptional Items last year represented profits on the disposal of land and buildings. The adoption of FRS17 has resulted in a reduction of operating profit margins over the last two years compared with previous levels. Calculated on the same basis, margins for this year would have been 8.6%, compared with 8.6% in 2005 and 8.5% in 2004.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### OPERATING PROFIT MARGIN (%)*, LOTHIAN BUSES PLC

<table>
<thead>
<tr>
<th>YEAR</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turnover</td>
<td>10.0%</td>
<td>8.5%</td>
<td>8.3%</td>
<td>8.3%</td>
<td>8.5%</td>
</tr>
<tr>
<td>Operating Profit</td>
<td>+18.3%</td>
<td>+27.8%</td>
<td>+72.3%</td>
<td>+22.0%</td>
<td>+22.0%</td>
</tr>
</tbody>
</table>

### Balance sheet highlights

- Company net worth: £33.3m
- Fixed asset value: £66.7m
- Capital investment: £16.7m

### Comment

This analysis by Chris Cheek, courtesy of TAS Publications & Events Ltd. Further details are in Rail Industry Monitor and Bus Industry Monitor, now available. For more details ring 0870 900 1440 or visit www.tas.uk.net
Chiltern parent slips into the red as tunnel collapse and investment costs both bite

M40 TRAINS, the Laing Rail subsidiary which owns and operates the Chiltern Railways franchise, recorded a small operating and pre-tax loss in the 52 weeks ended January 6 2007, according to its annual accounts.

M40 Trains was originally established between construction group Laing, venture capital group 3i and BR’s Chiltern management team. The joint venture acquired the Chiltern franchise on a seven year contract and commenced operation in July 1996. John Laing bought out 3i in January 1999 and the balance of the management shareholders in 2002. A new 20 year franchise agreement was signed in the same year and runs until 2022.

Turnover during the year was 14.6% higher at £111.8m, whilst operating costs were 26% ahead at £112.3m. The resulting operating loss of £0.6m compared with last year’s profit of £4.3m. No dividend was paid to shareholders (last year £2.8m).

Capital investment totalled £10.4m during the year, down from £17.7m last year. The spending took the value of fixed assets in the business up by 9.6% to £71.5m. Company net worth fell by 5.4% to £3.0m. 

Expenditure on wages and salaries was 1.6% lower, with social security costs slightly ahead. Employer pension contributions were over 26% higher, though. Numbers employed by the company fell by 5.2%, averaging 712 during the year. Unit labour cost was £41,770, 6.5% up on the previous year.

Depreciation costs more than doubled to £3.9m, whilst track access costs were 76% higher. This is attributable partly to the change in Network Rail’s funding regime (and is reflected in extra subsidies of £6.1m), but also believed to be a consequence of the completion of the Project Evergreen investment which saw improved line speeds and extra space at London Marylebone station. Rolling stock leasing charges rose by 11.3% to £30.25m following the delivery of additional stock last year.

Other costs - including fuel - were 23.3% higher at £43.0m.

On the revenue side, income from passengers rose by 16.6% to reach £80m, whilst there was a 44% increase in subsidy payments (mainly a ‘pass through’ of additional track charges) to a total of £20m. Other income was 7.4% higher at £9.8m. Last year’s £4.0m accrual for compensation from Tesco in respect of the Gerrards Cross tunnel collapse in June 2005 was not repeated - and the directors report that negotiations over the size of the payment are still ongoing.

Data from National Rail Trends shows that the combination of the tunnel collapse and the terror incidents in the summer of 2005 restricted overall passenger growth to 2.1% in 2005/06. Figures for the year to March 31 2007 were not yet available at the time of writing.

Comment

REVENUE AND OPERATING COST BREAKDOWN (%), M40 TRAINS LIMITED

<table>
<thead>
<tr>
<th></th>
<th>REVENUE</th>
<th>COSTS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Passenger</td>
<td>71.3%</td>
<td>Labour 25.4%</td>
</tr>
<tr>
<td>Subsidy</td>
<td>17.4%</td>
<td>Other 18.9%</td>
</tr>
<tr>
<td>Rolling Stock</td>
<td>12.1%</td>
<td>Leasing/Finance 4.1%</td>
</tr>
<tr>
<td>Track Access</td>
<td>25.9%</td>
<td>Depreciation 3.4%</td>
</tr>
<tr>
<td>Other</td>
<td>9.6%</td>
<td></td>
</tr>
</tbody>
</table>

Other costs - including fuel - were 23.3% higher at £43.0m.

On the revenue side, income from passengers rose by 16.6% to reach £80m, whilst there was a 44% increase in subsidy payments (mainly a ‘pass through’ of additional track charges) to a total of £20m. Other income was 7.4% higher at £9.8m. Last year’s £4.0m accrual for compensation from Tesco in respect of the Gerrards Cross tunnel collapse in June 2005 was not repeated - and the directors report that negotiations over the size of the payment are still ongoing.

Data from National Rail Trends shows that the combination of the tunnel collapse and the terror incidents in the summer of 2005 restricted overall passenger growth to 2.1% in 2005/06. Figures for the year to March 31 2007 were not yet available at the time of writing.

 sudden lurch into the red will have come as an unwelcome surprise to parent group John Laing.

The results are yet another vivid reminder of the knife-edge finances of the rail industry, so vulnerable are TOCs to service interruption incidents and shifts in demand. No wonder there were mutterings from Laing’s new owners last year about getting out of the UK rail business altogether. However, we can presumably take the group’s victory last week in the new London Overground franchise, in partnership with the Hong Kong MTR Corporation, as signalling a change of heart.

It was unfortunate that the slowdown in revenue growth coincided last year with the completion of the Evergreen project and the delivery of more new rolling stock. These - combined with labour and pension costs - pushed costs up by more than a quarter.

However, the achievement of a 16.6% increase in passenger revenue bodes well for a recovery in profits in future. There could
Horizon enters the solar power market and offers significant discount to buyers

HUDDERSFIELD-BASED signage and street furniture specialists Horizon Marketing say they have been carefully monitoring the solar power market for some considerable time, and have waiting for the technology to become available that would enable them to offer a system that the market wants to pay. That time is now and Horizon is now offering the very latest in solar powered technology using low voltage LED’s instead of conventional light bulbs.

Using the same solar panel, which is easily fitted to the top of a bus stop flag pole, it is possible to illuminate the bus stop flag, or the timetable case, or both. The flag is permanently illuminated using a dusk-till-dawn integral sensor with a timer override, giving typically 10 hours illumination per day, especially useful during the much darker winter months.

The simplicity of the system is such that it can be used to easily and quickly illuminate existing flags and Horizon claims that the LED panel used to illuminate the timetable case ensures the brightest display on the market today.

One major advantage of the Horizon Marketing system is that the panel sits in the firm’s vandal resistant timetable case. To enhance the ability for the user to quickly and easily view the information inside the case is that it can be illuminated on demand.

To take advantage of this function, the user simply has to press a button which switches on the display’s lighting system.

However, Horizon warns that a low introductory pricing offer, backed up with a national installation service, will ensure that the new units will be in demand from customers that appreciate the enhanced user experience offered by the system. Indeed, as part of Horizon’s wish to grow in the marketplace, a special introductory offer will see a 15% discount for anyone ordering five trial units during July and August.

For further details on availability of the product call Allan McEvoy on 07874 405763

Website: www.horizon-signs.co.uk

Clear Channel Outdoor enhances its green credentials with solar powered bus stops

As the UK’s market leader in outdoor advertising, providing more than 70,000 outdoor advertising opportunities across its portfolio, Clear Channel Outdoor UK considers the impact on the environment in all aspects of its activities and recognises that its corporate responsibility is to minimise the potential for causing harm to the environment.

Clear Channel manages its environmental impacts through an Accredited Environmental Management System which allows it to assess the aspects and impacts of any activities and establish programmes to reduce these impacts, where practical to do so. This system is being rolled out across its UK operations.

The company has invested in energy efficient lighting and new lighting controls for advertising displays, with Clear Channel’s 6-sheets controlled by photovoltaic cells which automatically switch on the lights during the night.

Solar-powered bus shelters have so far been introduced in areas including London, Surrey and Edinburgh. A number of these shelters, developed in association with Zeta, use technology, including motion sensors, to maximise the performance of the solar units.

Martin Page, operations project manager at Clear Channel Outdoor UK, said: “Looking to the future, our technical team is working closely with manufacturers to develop more solar solutions, particularly in London.”

For more information about Clear Channel Outdoor UK visit www.clearchannel.co.uk

Carmanah says solar power could protect firms from future energy price increases

THE message from all sectors of the media is clear; reduce your carbon footprint. Solar energy in the public transport sector will generate no carbon emissions but it can be impractical due to the size of the system required which makes the first cost too expensive.

However solar power specialist Carmanah Technologies has combined solar power with LEDs, rather than conventional light bulbs, in order to allow the firm to put light where it is needed, when it is needed, and eliminate waste which has the potential to reduce lighting loads by over 30% while reducing costs significantly. With fast installation, no trenching costs or disruption, zero energy costs and a life expectancy of more than 20 years, there are many products which make sound commercial sense today.

Carmanah currently has over 250,000 installations around the world where solar lighting is the best solution. We continue to combine solar energy with rapidly improving LED technology to create new opportunities in roadway and transit markets for lighting, security, traffic advisory, and safety. Lighting on-street advertising is another emerging opportunity. In London, Transport for London have to date installed over 600 bus shelters and 2,000 bus stops with solar lighting, improving the user experience for its passengers.

Energy efficiency is as much about better technology as removing wastage. The number of viable solar applications increases each day as the firm helps customers to reduce energy wastage and work through their total cost of ownership. Energy isn’t going to get cheaper over the next 20 years, getting it where you need it in the street may also become more difficult so now is the time to be mean and green.

For more information about Carmanah telephone 01293 813980

Website: www.carmanah.com

If you would like details of your company’s products or services to be featured in Business Back-Up, please contact Transit, Quadrant House, 250 Kennington Lane, London SE11 5RD.
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- Bus station design/operations
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- Travel plans

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E-Mail: enquiries@ttr-ltd.com
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http://www.ttr-ltd.com
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JULY

18 JULY
The art of smart conference
A one-day conference in central London, on the 2008 English National Concessionary Travel Scheme, for which the DfT have issued tenders for Framework Agreement contracts to assist Concessionary Travel Authorities in procuring and issuing new permits. The event will discuss how smartcards will help in managing concessionary travel schemes and how the ISD specification provides inter-operability and the ability to choose from a range of suppliers.
Tel: 01332 224507
Web: www.kc-jones.co.uk/metro07

S E P T E M B E R

13 SEPTEMBER
Draft Local Transport Bill: transforming urban transport?
A one-day conference, sponsored by Waterfront in central London, which will examine the implications of the proposals of the draft Local Transport Bill to enable local authorities and PTEs to improve the quality of local bus services, reform the arrangements for local transport governance, and reform the legislation relating to local road pricing schemes.
Contact: The Waterfront Conference Company. 130 - 132 Tooley Street, London SE1 2T0
Tel: 020 7787 1210
Fax: 020 7787 1211
Email: conference@thewaterfront.co.uk

19 SEPTEMBER
Latest developments in Bus Rapid Transit
A one-day conference in Birmingham, offering the opportunity to explore the planning, design and implementation of high quality bus transit and engage more effectively with policy makers.
Contact: Helen Mallinson or Claire Walls.
Tel: 0121 204 3593 or 0121 204 3624
Fax: 0121 204 3684
Email: cpd-seas@aston.ac.uk
Web: http://cel.conferences.aston.ac.uk

25 SEPTEMBER
Vehicle design: the future for passenger transport?
A one-day conference in central London, which will look at trends in transport vehicle design, new engineering developments, and how they can contribute significantly to the appeal of public transport and become accepted as the mode of choice.
Contact: Landor Conferences.
250 Kennington Lane, London SE11 5RD
Tel: 0845 270 7965
Fax: 0845 270 7966
Email: conferences@landor.co.uk
Web: www.landorconferences.co.uk

27 SEPTEMBER
UK Bus Awards seminar
A one-day seminar to take place in Birmingham, which will include the release of the shortlisted entries for this year’s awards ceremony on November 7.
Contact: Landor Conferences.
250 Kennington Lane, London SE11 5RD
Tel: 0845 270 7965
Fax: 0845 270 7966
Email: conferences@landor.co.uk
Web: www.landorconferences.co.uk

O C T O B E R

10-11 OCTOBER
Transport Innovation 2007
Two-day Transport Innovations exhibition of passenger transport technologies and services at the NEC in Birmingham, sponsored by Transit, Local Transport Today, Route One and Modern Railways. It will be co-located and promoted with the ‘Coach & Bus Live’ event.
Tel: 0870 950 9620
Fax: 0870 950 9621
Email: sales@transportinnovations.co.uk
Web: www.transportinnovations.com

17-19 OCTOBER
European Transport Conference
Three-day conference hosted by the Association for European Transport, in Londen in the Netherlands. The conference will focus on the key areas of transport practice, operations and research to inform transport decision making and includes a keynote presentation by the ministry of transport for the Netherlands.
Contact: Sally Scarlett
Tel: 020 7538 1978
Email: info@eettransport.org

N O V E M B E R

2 NOVEMBER
Light Rail 2007: civilised urban transit
One day conference in central London.
Further details to follow.
Contact: Landor Conferences.
250 Kennington Lane, London SE11 5RD
Tel: 0845 270 7965
Fax: 0845 270 7966
Email: conferences@landor.co.uk
Web: www.landorconferences.co.uk

7 NOVEMBER
UK Bus Awards
12th annual bus industry awards ceremony to be held at Old Billingsgate in central London. In addition to the Department for Transport’s ‘Winning New Customers’ Award, six more awards have been introduced for 2007, including the Chris Moyes Memorial Award, Industry People of the Year.
Contact: Pat Hartley, UK Bus Awards - Entries
Tel: 0870 900 1450
Fax: 0870 908 1480
Email: entries@ukbusawards.co.uk
Web: www.ukbusawards.co.uk

7 NOVEMBER
Smart environment conference
One-day international conference in central London hosted by the ITS UK Smart Environment Interest Group where a wide range of topics relevant to the use of Intelligent Transport Systems to minimise the environmental impacts of mobility will be covered.
Contact: Maria Downs
Tel: 020 7709 3005
Fax: 020 7709 3007
Email: mdowns@its-uk.org.uk

22 NOVEMBER
UK rail stations
One day conference in central London.
Further details to follow.
Contact: Landor Conferences.
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- Keynote paper from Ian Brown, MD Rail, Transport for London
- Light rail development and city development explored
- Speakers and case studies from France, Ireland, Sweden and UK
- Focussed exhibition
- Networking opportunities include drinks reception and NEW light rail awards
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You will focus on the full spectrum of rail services, from direct services, to stations, retail stores, information services, revenue protection, planning, and customer service. As part of this role you will manage a talented and experienced team of specialists who are committed to delivering high-quality service and revenue growth.

Position responsible for the mobilisation and planning of the delivery of the London Overground Network. You will require a strong background in the rail sector, with experience in rail project management and delivery. You will need to have a strong understanding of the industry and be able to work effectively with others.

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DfT urged to accelerate roll out of smartcards to railway

THE DEPARTMENT for Transport has been urged to ensure that smartcard ticketing is introduced across the entire UK rail network in time for the 2012 Olympic Games.

Jeremy Acklam, an expert in new ticketing solutions and business development director for online retailer TheTrainline, warned that if action was not taken soon the government risked missing out on a once in a lifetime opportunity.

Speaking at last week’s Transit-sponsored Public Transport Mobile Generation conference in Birmingham, Acklam called on the DfT to put in place measures to ensure that smartcards are adopted by all the main rail franchises in the UK during 2009 and 2010, in time to allow that to bed down before the Olympics.

South West Trains is the first operator that is currently obliged to introduce smartcards, followed by the new East Midlands, West Midlands, Cross Country and East Coast franchises, which also contain the TSO requirement.

“At the moment there is a risk that the later franchise renewals are not going to adopt smartcards until 2011, 2012, 2013, and that is going to be too late to have a unified approach to smartcards across UK rail by the Olympics,” he warned delegates.

“This is a once in a lifetime opportunity. It’s a once in lifetime opportunity for integrated transport, and the DfT must be bold and bring forward the implementation dates for these remaining franchises.”

Acklam also pointed out that the DfT must order TSO security modules for smartcards to be introduced. This requires an 18-month lead time. “They cannot be switched on overnight,” he said.

Unless the DfT acts now, Acklam warned that there will only be patchy implementation of smartcards and smartcard phones across UK rail, and therefore across integrated ticketing opportunities.

“These [integrated ticketing opportunities] are needed to persuade car drivers and car passengers onto public transport and therefore these moves will be heavily delayed unless DfT does that,” said Acklam. “And all this is in an era when political sentiment demands that travel is more and more green. The time for vision and action is now.”

To meet the demands of the mobile generation, Acklam said that the passenger transport industry should be looking at “smartcard phones” capable of making small cash transactions.

He called for a pilot scheme in the UK to demonstrate the convenience of smartcard phones as a public transport ticket, and show how hurdles might be overcome.

Forgeries of paper tickets now undetectable

PUBLIC TRANSPORT operators have been warned that paper ticketing is increasingly vulnerable to a new generation of forgers.

Speaking at last week’s Public Transport Mobile Generation conference in Birmingham, London Buses ticket technology manager Paul London said the introduction of the Oyster smartcard in London had been driven by the need to cut down on fraudulent travel, including the use of sophisticated forgeries.

London Buses has had to change the design of its Saver Six carnet ticket after forgeries were discovered. “I think anybody that is still running printed pre-paid tickets that you tear off in a pack and you buy from an agent is probably in serious trouble,” said London.

“There are some very clever gentlemen in China who are making very, very good replicas of printed tickets now. We’ve come across them, and luckily we nipped it in the bud, but I know they have now transferred their attentions elsewhere in the UK. Their forgeries are so good that even the printer can’t detect them.”

Meanwhile, London revealed that 12 million Oyster cards have now been issued by TfL, with over 5 million in use at least once a month. On London’s buses only 2.5% of all passengers are paying with cash.

DfT urged to accelerate roll out of smartcards to railway

DfT urged to accelerate roll out of smartcards to railway

ORR welcomes new board member

The Office of Rail Regulation has announced that Dr Chris Elliott will join the ORR board as a non-executive director at the start of July. Dr Elliott replaces Jeffrey Jowell QC, who has been a board member for three years.

Elliott is an independent consultant with experience of rail and other transport issues.

Peter Bucks, current chairman of the ORR’s Audit Committee and a member of the Remuneration and Periodic Review Committees, has been reappointed to the board for a further two years.

ATOC promotes Shaw as director

The Association of Train Operating Companies has appointed Louise Shaw as director of standards and European affairs. The post focuses on interoperability and standardisation, and liaison with government bodies. Shaw will manage relationships between TOCs, industry and government partners, other European train operators and associations, and the European Railway Agency. The role has evolved from her previous role, as the systems and standards manager for ATOC.

New and re-elected chairs for PTAs

Councillor for Otley and Yeadon, Nyk Downes has taken over the role of chairman of West Yorkshire PTE, Metro. Downes was previously Metro’s deputy chairman and heads the PTAs ruling Conservative and Liberal Democrat alliance. He replaces councillor Stanley King, who has been chairman for the past year and moves to become deputy chairman.

Meanwhile, councillor Roger Jones has been re-elected to serve for a seventh year as chair of the Greater Manchester PTA. In the West Midlands, councillor Gary Clarke has been re-elected to lead Centro-PTA for the fourth year.

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