

## **FIRSTGROUP PLC WELCOMES AWARD OF TRANSPENNINE EXPRESS RAIL FRANCHISE**

### **Franchise to connect the North and Scotland with new intercity trains, more seats and more services**

FirstGroup welcomes today's announcement by the Department for Transport ('DfT') of its intention to award the new TransPennine Express rail franchise to the Group. This new franchise, which will operate until at least 2023, will play a key part in delivery of the Government's vision for a Northern Powerhouse, with more seats, more services and new trains providing customers with outstanding intercity connections across the region.

During the life of the franchise more than £500m will be invested to transform rail services across the North of England and into Scotland. There will be a large increase in the number of carriages compared with today, meaning an 80 per cent rise in capacity at the busiest times of the day. The new TransPennine Express will increase connections between the largest cities in the North and Scotland by 55 per cent by 2019, keeping their communities and businesses prospering.

220 brand new vehicles will be introduced by 2019 providing an additional 13m seats a year. These state of the art intercity trains will be faster and more reliable with more seats and luggage space. Journey times will be reduced as we realise the benefits of these new trains and the Government's investment in electrification. The remaining vehicles will be refurbished to the same standard.

The new TransPennine Express will also operate a timetable that gives a similar level of service at weekends as on weekdays, reflecting the changing nature of work and leisure travel needs. Pioneering fares will be introduced, including half price travel for jobseekers and 16-18 year olds, as well as further discounted travel for groups.

FirstGroup will have responsibility for 19 of the region's railway stations and will invest more than £18m to further develop these transport hubs. Customer information at stations and via websites and mobile apps will be improved and all TransPennine Express trains and FirstGroup-operated stations will be fitted with free Wi-Fi by 2018.

A partnership agreement with Network Rail will be developed to deliver more efficient planning of improvement works, keeping customers moving more often. The new TransPennine Express will work closely with key stakeholders including Rail North, Transport for the North and Transport Scotland, as well as local councils and community groups across the network.

FirstGroup has operated the current franchise as majority partner with Keolis since 2004, increasing passenger numbers from 13m to 28m in that time. As sole operator of the new franchise FirstGroup will create a strong and confident new TransPennine Express feel and brand.

#### **Secretary of State for Transport Patrick McLoughlin said:**

"We promised passengers a world class rail service that would make the Northern Powerhouse a reality – and I'm delighted that we have found an operator that will deliver exactly that. As a one nation government we are committed to closing the economic gap between north and south. This deal, and the joint management of the franchise, will bring the Northern Powerhouse to life.

"First Trans Pennine Express Ltd will deliver exciting, ambitious plans that will make a real difference to customers, and – coupled with our commitment to push ahead with electrifying the vital TransPennine route – will help the region realise its full economic potential, ensuring it has a modern 21st century transport system. This is fantastic news for the North."

#### **FirstGroup's Chief Executive Tim O'Toole commented:**

"Our new TransPennine Express franchise will deliver faster and more frequent intercity train services between the North's major towns and cities and we are excited to help the Government achieve its vision for a Northern Powerhouse.

"Our plans include investment in new and refurbished trains on every part of the network, with millions more seats available, free Wi-Fi and simpler smart and mobile ticketing, allowing us to build on the success we have had over the past 11 years, in which we have more than doubled passenger journeys on the network.

"We will work with local authorities, customers and community groups to give them a real stake in the future of their intercity rail travel. The new TransPennine Express will connect the North and keep people moving and communities prospering across the region.

"I am delighted that our disciplined approach to rail franchise bidding has given us this opportunity to continue to deliver ambitious improvements for TransPennine Express passengers and appropriate returns for our shareholders, at an acceptable level of risk."

### **Key franchise terms**

The new franchise will start on 1 April 2016 and is planned to run until 31 March 2023, with the option for a two-year extension at the DfT's discretion. Under the contract, FirstGroup will deliver £303m real NPV\* in premium payments to the Government over the core period, with 2017/18 marking the transition of this franchise from being a subsidised railway to one which delivers a premium to the taxpayer.

The franchise will benefit from investment of more than £500m, primarily during the first four years of the franchise, leading to enhanced customer experience and passenger capacity more than doubling across the network over the life of the franchise. Franchise passenger revenues, which were £213m in 2014/15, are expected to increase significantly from the additional capacity created. The full revenue risk franchise includes a profit sharing arrangement whereby a proportion of profit in excess of pre-specified thresholds will be payable to the DfT. FirstGroup will provide up to £189m in subordinated contingent loan facilities to the operating company, of which £84m is bonded, as well as a £15m performance bond and a season ticket bond of up to £3m. The Group expects to earn an appropriate return over the life of the contract, reflecting the franchise risk profile.

The franchise award is subject to the customary 'standstill' period of ten days, after which formal contracts will be signed by the DfT. As with other UK rail franchise awards, the Competition and Markets Authority is also required by law to carry out a 'phase 1 review'.

*\* Net present value of forecast premium payments over the core franchise period to 31 March 2023, expressed in 2015/16 prices and discounted using the DfT's 'real' discount rate of 3.5%*

### **Key benefits of the new TransPennine Express franchise:**

#### **New and improved trains**

- 44 new state of the art intercity trains, 220 new carriages introduced by 2019
- Fleet size increases by two-thirds, with over 70% of it new
- Existing trains all fully refurbished.

#### **More capacity**

- 20,000 extra peak seats per day giving an 80% increase into seven largest cities on the network; with 13 million more seats across our timetable each year by 2019
- More than double existing capacity on Sundays.

#### **New and better connections**

- 55% increase in TransPennine Express connections between seven largest cities on the network by 2019
- New 125mph rolling stock supporting reductions in journey time across the region
- Direct trains from Newcastle to/from Manchester Airport reinstated in December 2016 with two trains per hour service to Newcastle in December 2017
- New direct services from Liverpool to Glasgow from December 2018
- Extension of TransPennine Express services beyond Newcastle to Edinburgh from December 2019

- 16 additional services per day from Glasgow and Edinburgh to Manchester by 2019
- Six trains an hour between Manchester and Leeds every hour – over 100 services a day
- Weekend services at similar frequency to weekdays
- More early and late trains supporting the economic development of the region
- An integrated network with better connections with local rail, bus and light rail
- 13 new destinations served including St Helens and Morpeth added to the TransPennine Express network from 2017 and 2019, respectively. Both gaining new hourly direct links to Edinburgh, Leeds, Liverpool, Manchester, Newcastle and York.

#### **More reliable services**

- Target to reduce delays and cancellations by 27%, underpinned by new partnership agreement with Network Rail.

#### **Modern, flexible and value for money ticketing**

- Paperless tickets via mobile, available on all routes and for bus/rail journeys
- Enabling Smart in the North – integrated ticketing with local smart card schemes
- More through ticketing with bus, Manchester Metrolink and other tram or light rail systems
- Discounted fares available for 16-18 year olds and for job-seekers
- Online direct debit season ticket purchase and further group travel discounts
- Bookings available up to 26 weeks in advance for Anglo-Scottish services
- Delay Repay when things go wrong; automatic compensation for registered customers.

#### **Better connected, better informed, better customer experience**

- Free Wi-Fi on Anglo-Scottish services and at all stations by summer 2017
- Free Wi-Fi on all trains by July 2018 with free TV programmes and films on demand
- Improved on-board catering, and plugs and USB ports accessible at every seat
- Real-time passenger information screens on all trains by April 2019
- New mobile app with journey planner; real-time seat availability on the app and website
- 24/7 social media team; hearing loops on every train; cycle storage on board.

#### **Station improvements**

- Total of £18m invested in stations across the franchise (19 stations in all)
- £2.8m investment in customer information systems at stations
- £1.4m Hull station retail development
- New or improved ticket offices at Manchester Airport, Huddersfield and Hull
- Extra car parking spaces and additional cycle parking
- Improved customer facilities at stations including Click & Collect.

#### **Community and sustainability benefits**

- 30% reduction in train carbon emissions
- 31% reduction in non-traction energy use
- 90% of waste to be recycled or prepared for re-use (from 2018)
- A Living Wage employer, covering all of our employees and contracted staff
- Dedicated fund to help small businesses grow through innovative use of our stations
- £29m of funding to support customer and community identified improvements in the franchise.

**A conference call for analysts and investors will be held at 11:00am today.  
Please call +44 20 7725 3354 in advance of the call to register and receive joining details.**

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**Notes:**

FirstGroup plc (LSE: FGP.L) is the leading transport operator in the UK and North America and our services help to create strong, vibrant and sustainable local economies. During the last year around 2.4 billion people relied on us to get to work, to education, to visit family and friends and much more and, each day, every one of our 110,000 employees works hard to deliver vitally important services for our passengers.

**Our vision is to provide solutions for an increasingly congested world... keeping people moving and communities prospering.**

**First Rail**

FirstGroup is one of the most experienced rail operators in the UK and the only one to run every sort of railway – long distance, regional, commuter and sleeper operations. We carried more than 280 million passengers in 2014/15. We operate two passenger franchises – Great Western Railway (GWR) and First TransPennine Express – and one open access operator, First Hull Trains. We operate the Tramlink network on behalf of Transport for London carrying more than 32 million passengers a year and the Heathrow Connect service in partnership with Heathrow Airport.