

Waterbus  
Responsible  
Flexible approach  
Working together  
Customer focused  
Responsible  
Integrated transport  
Strategic adviser  
Proven track record  
Committed  
Responsible  
Innovation  
Integrated transport  
Unrivalled knowledge  
Add value  
Share best practice  
Resilient  
Public transport  
Working together  
Light rail  
Tram  
Rail  
Light rail  
Waterbus  
Coach  
Tram  
Rail

**Innovation** **Integrated transport** **Integrity**  
**Unrivalled knowledge** **Strategic adviser** **Committed**  
**Working together** **Transport solutions** **Accessible** **Bus** **Tram**  
**Customer focused** **Rail** **Share best practice** **Resilient** **Public transport** **Rail** **Integrity**  
**Sharing the journey** **Talented people** **Operational excellence** **Coach** **Innovation**  
**Responsible** **Motivated** **Continuous improvement** **Light rail** **Trains**  
**Integrated transport** **Integrity** **Resilient** **Working together**  
**Strategic adviser** **Innovation** **Integrity** **Add value** **Expertise** **Bus**  
**Rewarding careers** **Trusted partner** **Public transport**  
**Light rail**  
**Waterbus**  
**Coach**  
**Tram**  
**Rail**

# Introduction and personal history

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- Piers Marlow  
Business Development Director Arriva
- Since January 2011 working with new countries for Arriva in Eastern and Southern Europe as well as new territories.  
Joined Arriva in 2003 as Northern European Director covering Netherlands, Denmark and Sweden.  
MD Arriva Deutschland from 2004
- MD Germany and Eastern Europe 2006 including Czech republic, Poland, Hungary and Slovakia
- Involved in Rail tender bidding and operations in a diverse range of competitive environments.  
Previously held UK management positions in Stagecoach and Firstgroup



# Introduction to Arriva

- More than **49,000\*** employees
- **1.5 billion+** passenger journeys every year
- Significant presence in **12** countries
- **16,300** buses\*
- **755** trains\*
- **169** trams\*
- **230+** non-emergency ambulances/cars
- **15** waterbuses\*
- **15** years in mainland Europe
- Revenue: **€3 billion+**



# Where we operate



## **Czech Republic**

400 people, 260 buses

## **Denmark**

4,135 people, 1,225 buses, 43 train sets, 3 waterbuses

## **Hungary**

495 people, 250 buses

## **Italy**

3,340 people, 2,295 buses, 6 trams, 2 waterbuses

## **Malta**

1,115 people, 285 buses

## **Netherlands**

2,920 people, 875 buses, 99 train sets, 10 waterbuses

## **Poland**

165 people, 27 train sets

## **Portugal**

7,020 people, 3,395 buses, 18 train sets, 126 trams

## **Slovakia**

980 people, 520 buses

## **Spain**

875 people, 480 buses

## **Sweden**

3,115 employees, 915 buses, 165 train sets, 37 trams

## **UK**

24,400 people, 5,800 buses, 403 train sets, 230+ non-emergency ambulances/cars



# Our parent company: Deutsche Bahn

- Deutsche Bahn is a leading worldwide provider of transport and logistics services
- Founded in 1994
- Operates in more than **130 countries** worldwide
- Employs **295,000 people**
- Arriva is responsible for the growth and development of all Deutsche Bahn's regional passenger transport outside of Germany.

## Deutsche Bahn's mission statement

To be a customer-orientated, likeable, resource-saving and economically successful company




























## Deutsche Bahn's vision

To expand our leading market positions to become the world's leading mobility and logistics company, by offering innovative solutions, focusing on intelligent integration and setting the standards for quality and customer service in our markets

# A wide range of operations

Our scale and expertise mean that we can operate a range of transport modes across our business, in a variety of markets.

We currently operate in 12 countries.

	Buses	Trains/ light rail	Coaches	Water- buses	Trams
Czech Republic					
Denmark					
Hungary					
Italy					
Malta					
Netherlands					
Poland					
Portugal					
Slovakia					
Spain					
Sweden					
UK					



## Buses



- local, commercial services
- contracted services
- demand response
- sightseeing tours
- airport – landside/airside
- school services
- tendered services



## Trains and light rail



- rural, commuter lines
- long distance mainlines
- station management
- under/overground
- contracts
- maintenance



## Trams



- joint ventures
- contracts
- station management
- under/overground
- maintenance



## Coaches



- contracted services
- private coach hire
- tour services
- inter-urban



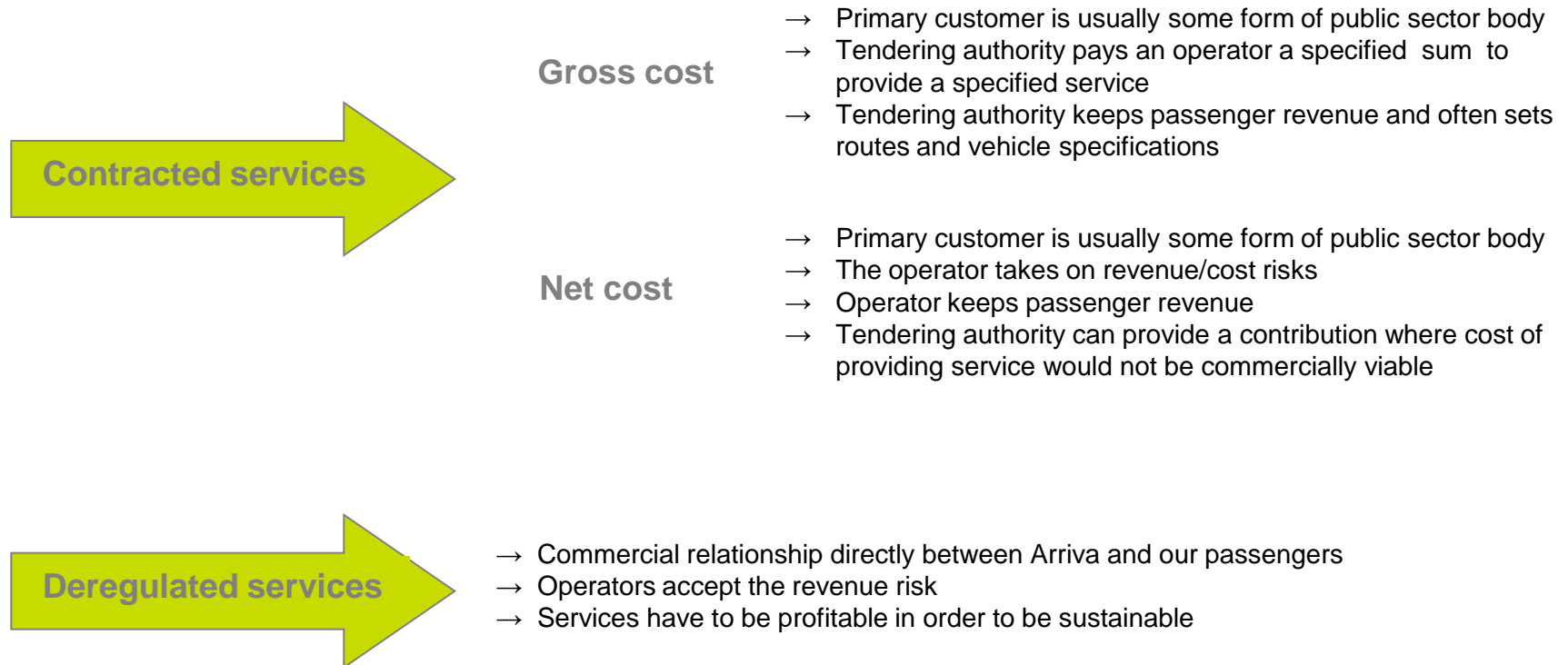
## Waterbuses



- canal/harbour buses
- contracted services

# How we work – business models

We operate by different business models according to the structure and needs of the local market



# How we work – business models in action

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Some examples of business models currently in action.

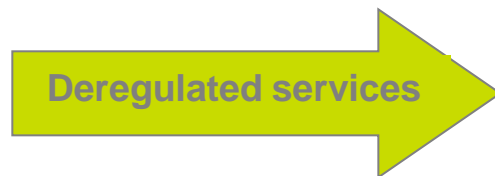


## Gross cost

- Buses in Denmark and Madrid
- Buses in London
- Some rail and bus in Sweden

## Net cost

- Buses in Italy
- Some Dutch bus and rail contracts
- Most Rail in the UK



- Most bus operations in the UK outside of London
- Open access Rail in UK
- Bus operations in Spain (outside of Madrid)



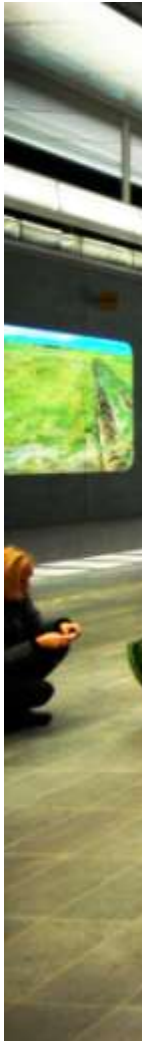
# Regional Rail – customer expectation

- Reliability
- Optimum speed of journey
- Frequency of service
- Convenience and ease of use
- Clear information that is easily accessible
- Integrated connections between transport modes
- Value for money – tariff or fare level
- Comfort
- Safety and security at all times
- Quality
- Best use of technology



# Regional Rail – Client body expectation

- Value for money – subsidy level
- Reliability
- Integration of different transport modes
- Operational expertise
- Outstanding punctuality and customer satisfaction
- Good customer information and marketing
- Good quality rolling stock and infrastructure maintenance
- Investment and financial commitment
- Application of best practise
- Some control or recourse to actions for non-delivery
- Quality enhancements
- Safety and security at all times



# The key to a successful tender?

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- A partnership between a Client-Body and an Operator who share the same goals
- Each party takes responsibility for the aspects and features that it is best able to influence and manage
- Sufficient flexibility within the contract to allow development and enhancement of service to the customer without loss of control by either party
- Rewards and penalties set against targets with realistic levels



# Client bodies - challenges they may face

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- Capital tied up in fleet and property
- Significant future capital investment commitment
- Historic conditions make operational efficiencies difficult to achieve
- Responsibility towards existing employees
- May have significant liabilities
- Historic concessions may not represent value for money or allow improved quality
- Revenue risk may lay with the client body
- Transport is always a political issue
- Tough budgets may force difficult choices
- Multi operator structures with private business operating against Government owned operations



# How can an operator help?

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- Take responsibility for investment away from the client body
- Improved quality and environmental initiatives
- Willingness to take revenue risk through net cost contracts = incentive to grow the market
- Ability to provide efficient driver and vehicle solutions
- Can bring commercial network experience and expertise
- Prepared to accept targets with fines and bonuses



# Key considerations for a suitable contract

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- Contract length
- Size and scope
- Treatment of existing assets
- Safeguards for existing employees
- Output-based specification
- Ticket pricing & revenue risk
- Bidding arrangements
- Performance regime – bonuses and fines
- Contract and change management
- Indexation
- Safety and quality



# Arriva UK Trains: London Overground

- **1,300** employees
  - **70** route miles
  - **65** train sets
  - **55** stations managed
  - **838** services every weekday
  - Punctuality (MAA PPM): **96.6 per cent**
- Contracted by Transport for London (TfL) to operate services and manage stations on London Overground network
  - Joint venture with MTR Corporation
  - Links 20 of London's 33 boroughs
  - New fleet of class 172 diesel trains were procured by London Overground and commissioned in autumn 2010
  - Customer satisfaction increased from 69 per cent to 93 per cent
  - 'London Public Transport Operator of the Year' award in 2011 and 2012
  - Opened new rail extension in 2012 making London Overground the capital's first orbital rail network for 128 years
  - Backbone of Olympic transport Summer 2012



London Overground  
contract duration:

2007 - 2016

(TfL took up option of two-year contract extension)

# Denmark

- Entered bus market in 1997 and rail market in 2003
  - **4,135** employees
  - **1,225** buses
  - **43** train sets
  - **3** waterbuses
  - **8.8 million** train kms operated per annum
- Largest bus operator in Denmark
  - First and only private company to be awarded a rail franchise, which was re-won in 2009
  - Operate around 17 per cent of rail regional rail network
  - 97 per cent punctuality in rail operations
  - Delivered €40 million savings to Danish government since started rail contract and increased train kms by 20 per cent
  - Customer satisfaction scores consistently high – linked to bonuses

## Market liberalisation stage:

Bus market: **mature**

Rail market: **mid-liberalisation**



## Key dates

	<b>2011</b>	Pan Bus, operated by Deutsche Bahn, became part of Arriva
	<b>2009</b>	Re-won the Jutland rail tender, starting in 2010
	<b>2007</b>	Acquired Veolia's bus operations in Denmark
	<b>2004</b>	Acquired Wulff bus operations in Jutland and Copenhagen
	<b>2003</b>	Started operating an eight-year rail concession in mid and west Jutland
	<b>2001</b>	Acquired state-owned bus company Combus
	<b>1999</b>	Acquired Bus Danmark (with additional bus services in southern Sweden)
	<b>1997</b>	Acquired Unibus Holdings



# Stockholm, Sweden



## E 20 contract

- The 12-year contract, awarded by regional transport authority Storstockholms Lokaltrafik, is the largest integrated multi-modal public transport tender in Sweden to date.
- The contract, serving the Swedish capital of Stockholm, began in two phases 20 August 2012 and 6 January 2013.
- The contract covers the provision of 100 million passenger journeys a year and involves Arriva Sverige taking on an additional 1,400 employees and operating 550 buses, 45 trains and 37 trams/light trains



## Benefits of the new contract

- Value for money compared to previous operation
- Significant integration of different transport modes
- Focus on operational expertise
- Focus on delivering outstanding punctuality and customer satisfaction
- Increased control over customer information and marketing
- Rolling stock and infrastructure maintenance
- Technical planning
- Drawing on experience from our other Mainland Europe operations
- Careful integration of more than 2,000 new employees across bus and rail.
- Delivering for improvements for the customer and the client body



# Other initiatives – examples within contracts

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- Internet ticketing and bookings
- Airline style ticket printing/downloading
- Internet/SMS real time information
- Internet seat reservations up to a few minutes before boarding
- Extensive on-board facilities
- Loyalty schemes
- New station to station links
- Bus Rail Tram Taxi integration
- Environmental improvements through technology
- Additional safety features
- Voluntary company certification – ISO and other quality measures
- Bonus/malus arrangements linked to customer ratings/ service delivery



# Open access and commercial operations - Regional Rail

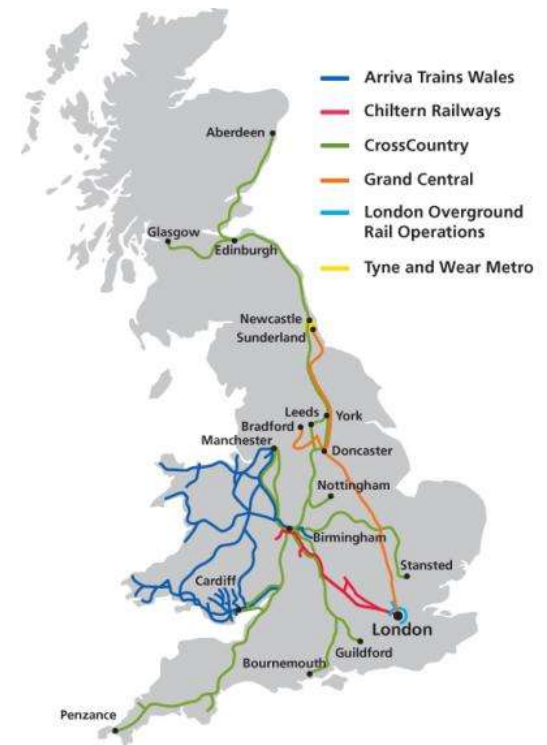
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- Limited potential but can be very effective
- Not financially viable everywhere
- Most successful where the product has unique elements
- Network or modal links not already served
- Quality or service initiatives that are better than alternative operations
- Pricing or service benefits
- Needs some control and coordination



# Arriva UK Trains: Grand Central

- **115** employees
  - **16** services a day
  - **8** train sets
  - **2** routes (London to North East and London to Yorkshire)
  - **14** stations served
  - Punctuality (MAA PPM): **84.5 per cent**
- 
- Acquired by Arriva in 2011
  - Largest open access rail operator in the UK
  - More than one million passenger journeys a year
  - Secured a fifth daily train service from London Kings Cross to York and the north east of England from December 2012
  - Highest performing train operator in the autumn 2012 National Passenger Survey with 96 per cent satisfaction score



# Open access between Prague – Olomouc - Ostrava

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## How the service developed

- Czeska Drahy incumbent operator receiving government subsidy on 36 journeys per day each way
- September 2011 Regiojet 16 journeys in each direction daily on commercial open access basis
- November 2012 Leo Express now also commercial open access basis 16 journeys in each direction
- August 2011 – passenger tariff of between 438 and 638 CZK
- Today – passenger tariff of between 133 and 490 CZK
- 89% more train journeys and up to 80% tariff reduction for passengers
- Customers benefits excellent now

## Financial indicators

- Leo Express and Regiojet posted significant losses in 2012
- Ceske Drahy financial results unknown
- Ceske Drahy passenger reduction of c.8% 2011 v 2012
- Is this position sustainable for any of the operators?
- What will be the position for the client body going forwards?

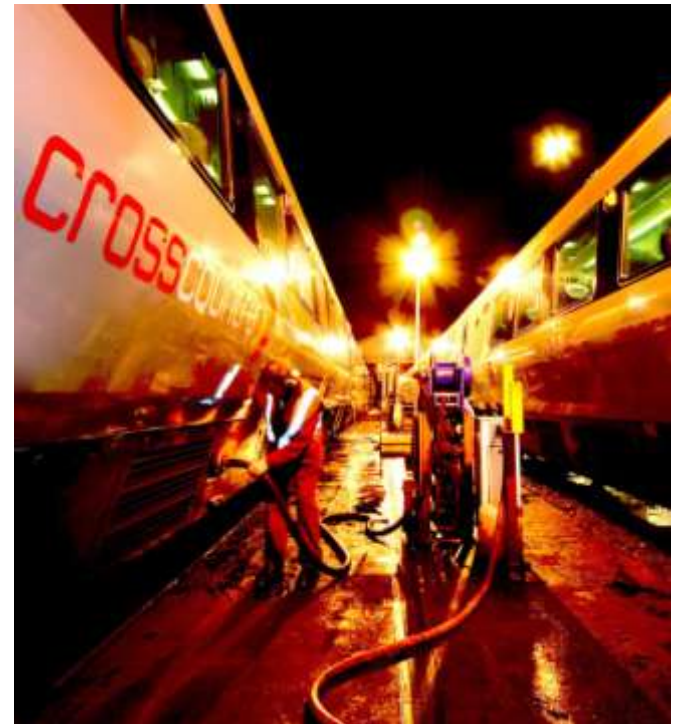
# Reasons for an operator not to bid

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- Insufficient time to prepare a bid
- Contract length too short for investment required
- Key cost or delivery elements of the contract impossible for the operator to control
- Unrealistic fine or penalty regime
- Over specified rolling stock
- Ticketing and revenue restrictions in net cost contracts
- Operator has no opportunity to influence timetable or network
- No benefit in contract for customers therefore no incentive to grow

# Positive factors to encourage bids

- Long enough contract to cope with investment
- Extension possibilities for good performance
- Standard rolling stock capable of extended life
- Timetable and ticketing flexibility to develop demand
- Risk and reward conditions linked to customer scores
- Contract allows opportunity to deliver quality service
- Clear treatment of all cost and revenue elements
- Real partnership possibilities in client/operator relationship
- Control in the “destiny” of the service



# Summary

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- Contracts that contain well defined minimum standards but do not restrict innovation or prevent the spirit of partnership between client body and operator generally provide the optimum position
- What the customer can be offered has improved with technological advances and other innovations
- So customers expect more and we cannot stand still but must continue to adapt
- Open access Rail can work well in very specific circumstances and with controls but is not the solution everywhere



