

GO-AHEAD GROUP

BUSINESS PRESENTATION

12 December 2006

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BUSINESS PRESENTATION

Keith Ludeman
Group Chief Executive

12 December 2006

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Introduction

- Year end and follow-up
- Overview of business
- Presenting Companies:
 - Go North East
 - Go South Coast
 - Regulated London Bus
 - New rail franchise - Southeastern
- Q&A after each presentation
- Round-up and final Q&A

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go|west midlands

Brighton & Hove
essential travel for our city

southeastern

Go North East

SOUTHERN

Go-Ahead

meteor

solent blue line

LONDON Central

oxford bus company

London GENERAL

Wilts & Dorset
Serving Coast and Countryside

SOUTHERN VECTIS
the island's buses

METROBUS

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Business Presentation

Moving Forward

Improving Performance at Go North East

Peter Huntley
Managing Director

12 December 2006

Presentation Structure

- Who are we?
- The Changing Market
- Embracing the new market
- Structures to optimise performance
- Strategy into Action
- The risks
- Is it working?

The Basic Numbers

- 34 million miles per year
- 657 buses and coaches
- 1,946 employees
- 61 million passengers per year
- £73m annual turnover
- A ‘sound’ company with a tradition of quality – A ‘Sleeping Giant’



Newcastle-upon-Tyne

Gateshead

South Shields

Sunderland

Durham

Whitley Bay

North Shields

Tynemouth

Wallsend

Jarrow

Ryton

Whickham

Rowlands Gill

Burnopfield

Ebchester

Stanley

Consett

Sacriston

Langley Park

Esh Winning

Heworth

Hebburn

Boldon

Washington

Birtley

Low Fell

Chester-le-Street

West Rainton

Houghton-le-Spring

Murton

Easington Lane

Ryhope

Doxford Park

Seaham

Dawdon

Peterlee

Cleadon

The Fleet

- 639 buses with 88% of peak vehicles fully accessible
- On track for 100% of front line services to be fully accessible by 31 March 2007
- 18 coaches on National Express contract operations
- Over £1m invested in cctv to date and on track for 100% fleet coverage by 31 March 2007

Go North East Competitors

- Stagecoach in Newcastle, Sunderland and South Shields – 550 vehicles
- Arriva in Northumberland, Durham and Teesside and inter urban services into Tyne & Wear - 600 vehicles
- Several smaller operators in each county, none individually of any great significance



Go *North East*

Go *Gateshead*

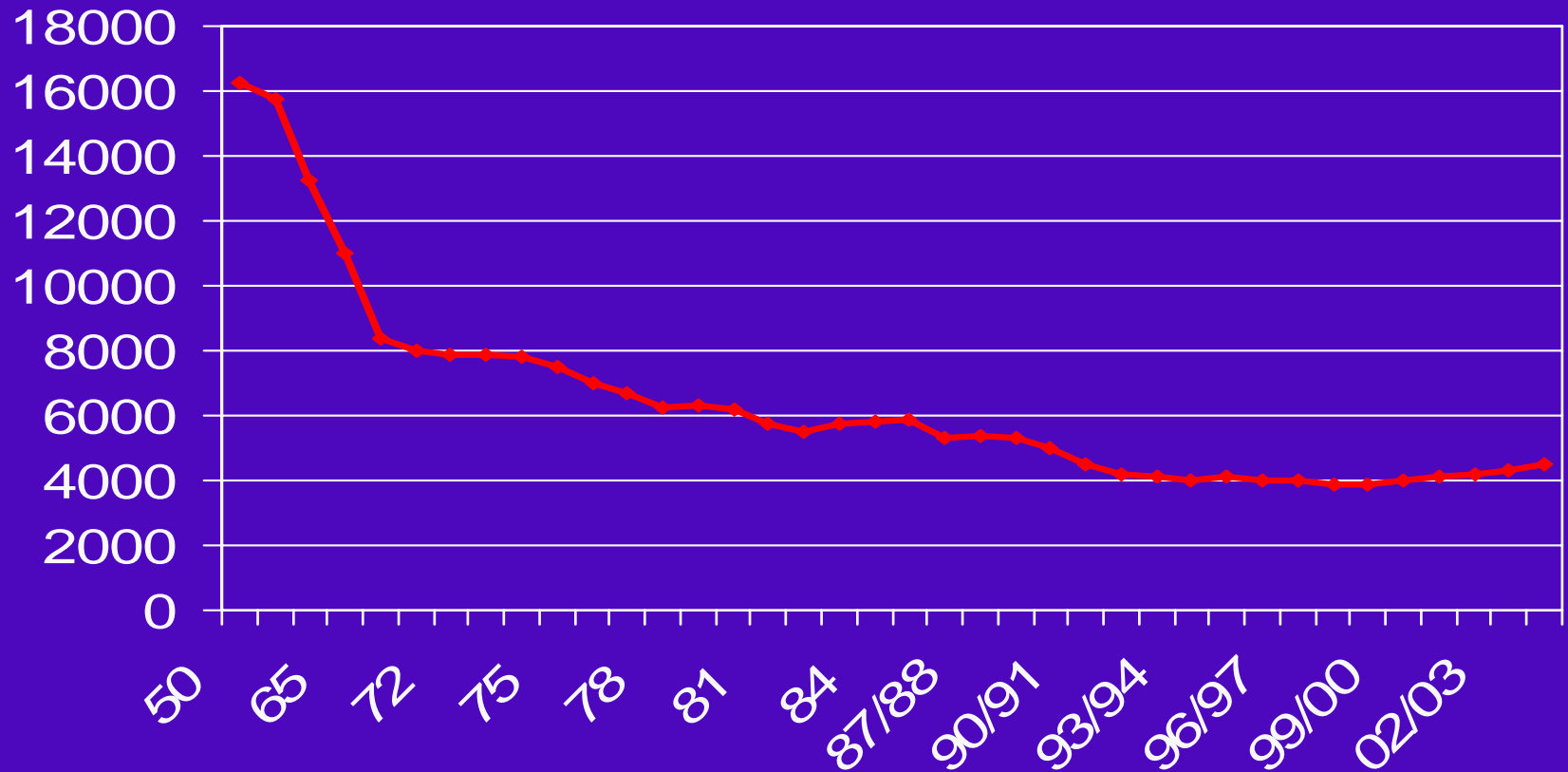
Go *Northern*

Go *Wear Buses*

The Changing Market

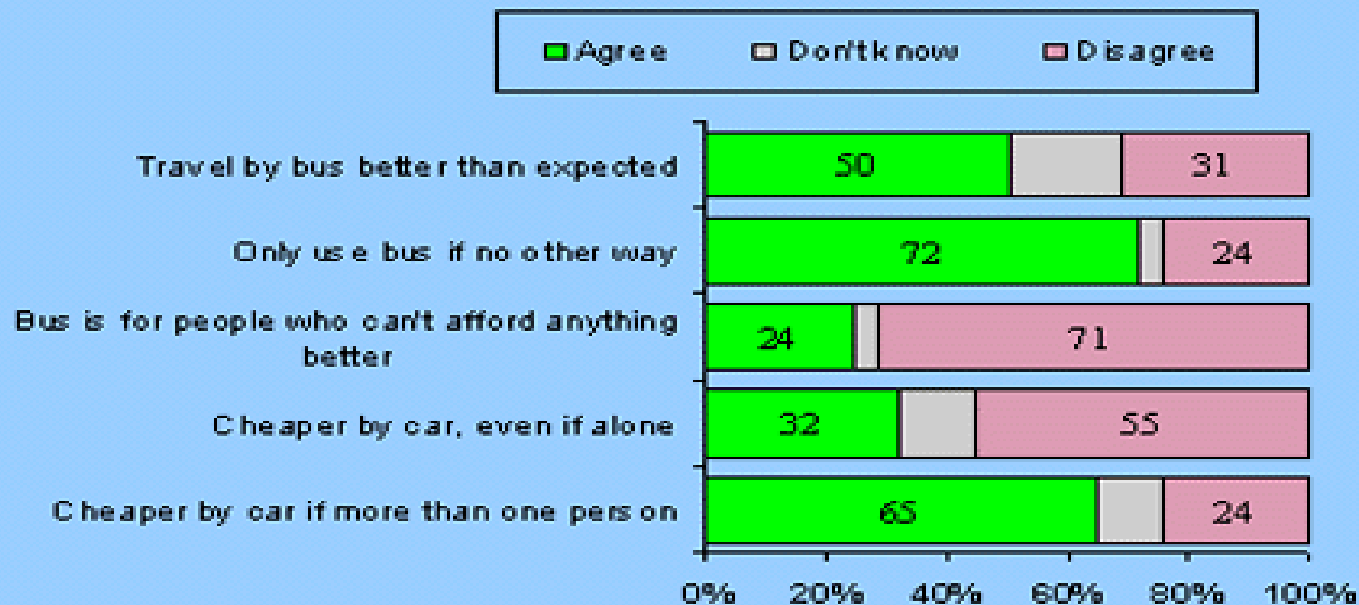
- Long term decline in ‘captive’ market of 3-4% a year as function of demographics
- We need to find around 8% new customers each year to stand still
- New customers don’t turn up where the old ones leave
- New potential is 80% optional 20% captive compared to traditional 20/80% split

An Inevitable Decline?



But can the market be grown?

15: Views on travelling by bus and comparisons with the car



Source: ONS Jul 2002

Embracing the New Market

- An attractive product in a choice market
- A market based delivery rather than a network based one
- Investment in quality where it counts
- Greater value through ‘packaging’
- Efficiency through volume
- Management by margin requirement

New Market – Network Example

- Traditional low frequency services 56 (30 minute) 56A (30 min) 185 (60) 186 (60) 187 (60) and 188 (60) with PVR of 12
- Replaced by single Fab56 route with ‘clockface’ 15 minute branded operation with 10 PVR [15% cost saving]
- Surrendered 4% of former market but attracted 11% + new market









New Market – Fares Example

- Fares in competitive Sunderland market sold at 8 values from £0.60 to £1.40
- Replaced with a strongly promoted £1.00 flat fare for all journeys
- Surrendered around 5% of [mainly short distance] market
- Overall increase in like-for-like volume of around 11%

**Performance
Report to
Customers**

Report for the Period 28 May to 1 July 2006

- We had 5,631,139 passengers – an increase of 1.7% on the previous year
- We operated 99.7% of our scheduled mileage (98.3% in previous year)
- 93% of sampled journeys ran on time (93% in previous year)
- There were no serious accidents and 10 reported cases of vandalism
- 473 complaints and comments were received of which 81% were dealt with in 7 days and 97% within 14 days

For full information on our performance and to make comments on it please go to our website www.goahead.com or speak to our Customer Service Line 0843 38 43 566

**Summary of changes
to bus services in
Gateshead**

from 3rd September 2006



56

from 30th JULY '06

Sunderland M

Southwick Green

Hylton Castle

Nissan Factory

Concord Bus Station

Springwell Village

Springwell Estate (eves & Suns)

Wrekenton

Gateshead M

→ for connections to:
• Newcastle Airport
• MetroCentre using X66

Newcastle

fab Fifty Six

35 · 35A

from 30th JULY '06

South Shields

Westoe

Fulwell

Sunderland

Royal Hospital

East Herrington

Doxford International

Houghton-le-Spring

Hetton-le-Hole

Easington Lane

South Hetton



New Market – Service example

- First stage of ‘Red Arrows’ ‘Quicker Connections for Busy people’ development implemented July 2006
- Life-expired coach standard vehicles used to stimulate market replacing same level of resource – new Mercedes vehicles to replace in February 2007
- 14% increase in passengers to date



BARGAIN BUS

PRINCE BISHOPS

THE highwayman

THE Blaydon Racers
FAST • FREQUENT • DIRECT TO NEWCASTLE



THE 53.54 SALTWELL PARK

TWENTYONE

24 hour Service

New Structures

- Business Units: Accountable ‘small operators’ within the business
- Service Delivery Managers as front-line dedicated resource
- Full accountability for costs, revenue and profit at all levels
- Elimination of network service and fares approach

Major elements of the change

- Business Units: Own staff, buses, manager, budget, brands and objectives
- Three tier branding: reflecting market position & service/contribution categories
- Operating locations – from 9 to 4
- ‘Bold’ pricing & ticketing initiatives
- Targeted marketing



And arriving soon....

- 50 new high quality air conditioned buses to radically upgrade quality on key routes
- Aiming to offer the UK's first full scale trial of mobile ticketing on buses [83% adults]
- Comprehensive new ticketing launch through a PayPoint network
- Our enhanced customer service guarantee, designed to differentiate us in quality

And to deliver efficiency

- Withdrawal from the 10-12% of our market that delivers less than 2% of profit
- Rationalisation of depots with reduction in operating bases from 9 to 4 and 24 hour engineering across the business
- Fleet reduction and standardisation
- Increased utilisation of fleet with earnings target per bus

The Risks

- Resistance to change in traditional markets – needs careful handling
- Trade Union fears and reaction – major investment in time to keep ‘on board’
- Increased competition where impinging on other operators – ensure business and not emotionally driven
- The political environment in NE England

So far, So good

- Five periods in a row ahead of budget, despite escalation of competition
- Revenue performance for new networks looking good, with a few 'blips'
- Really impressed with the positive response to the cultural change being made by staff



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Business Presentation

Go South Coast

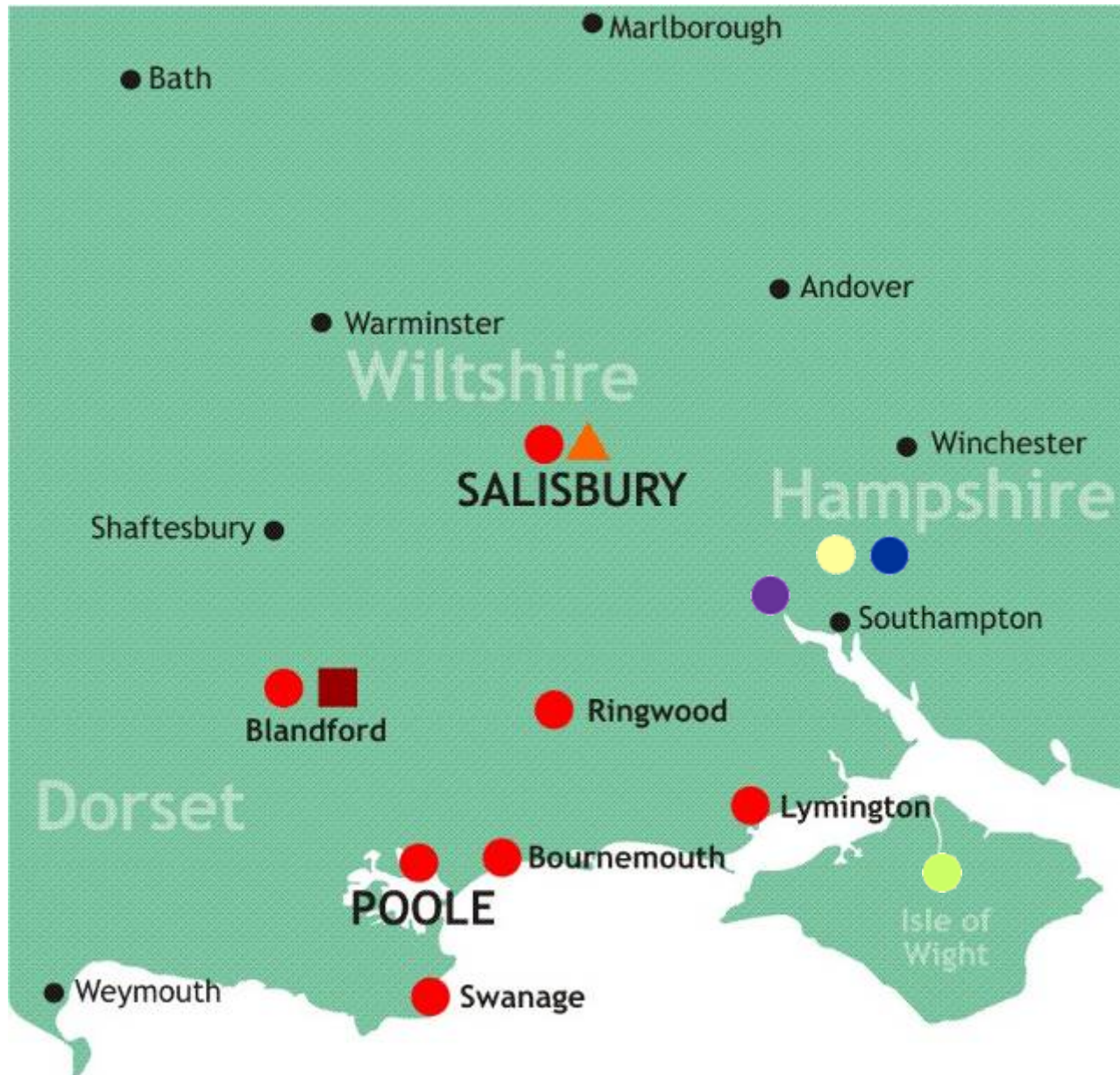
Alex Carter

Managing Director

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Go-Ahead Acquisitions



2003



Damory
coaches

TOURIST
COACHES

2005



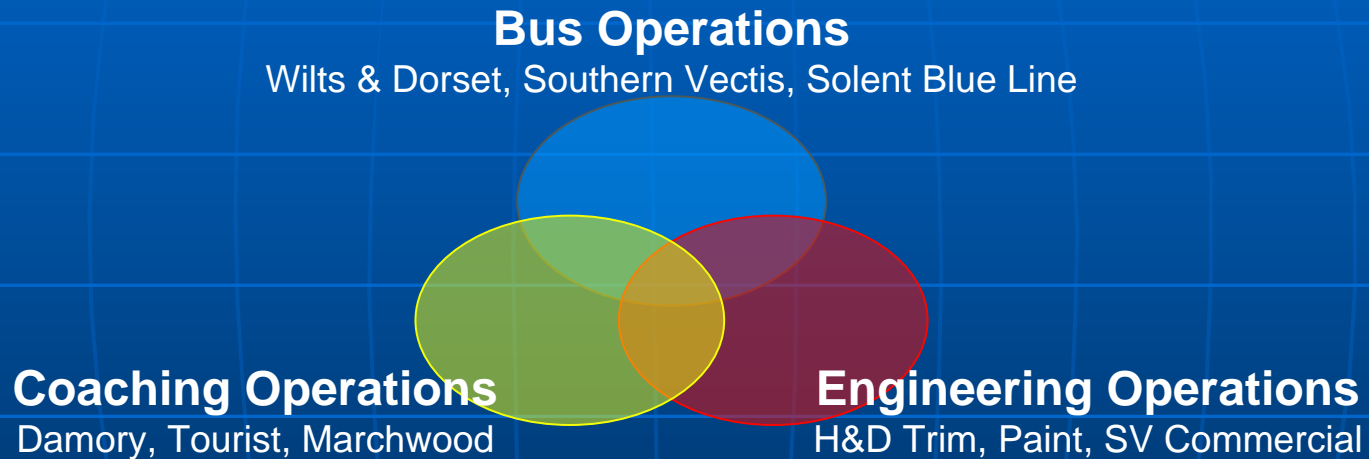
2006



HANTS & DORSET
TRIM

marchwood motorways

Business Structure



**Maintaining local, individual brands,
whilst benefiting from being part of a Group**

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Company Data

- Turnover £60m
- 1500 employees
- 30 million annual passenger journeys
- 600 buses and coaches
- 23 million annual bus miles
- 75% Of revenue commercially generated; 25% is contract payments for supported local bus services and schools

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Our Marketplace

- GSC is the dominant operator in the more rural parts of the bus operation, i.e. Isle of Wight, Wiltshire, Dorset
- Urban areas also contested by other operators; Southampton (FirstGroup) and Poole-Bournemouth conurbation (Transdev)
- Coaching operations compete with numerous small/medium sized operators
- Engineering businesses thrive on their quality of service

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Features of our Market

- High car ownership
- Wealthy
- Low density housing
- Increasing congestion, especially in summer
- BUT... strong population growth forecast



Business Challenges

- Acquired businesses achieving profitability 'at the limit'
- Products were heading towards latter part of life cycle
- Few initiatives established to achieve organic growth
- Cost escalation – fuel, labour rates, unsustainable schedules
- Local Authority relationships – formula to achieve sustained growth is often at odds with accessibility objectives

The Wider Challenge: Our Task...

- Align the bus to meet ever higher public expectations
- Raise the image of the bus in the eye of the public
- Improve the travel experience
- Deliver a mode of *choice*
- Widen appeal – especially to a younger audience

By taking a fresh viewpoint, that is what we are doing in Poole, Bournemouth and Christchurch...

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The Wider Challenge: A new kind of bus - a new kind of service...

‘more’ is about better public transport across the board.

It’s about the bus itself...

How we can make it more comfortable and pleasant to travel in?

...and how the service is delivered

How can we make it relevant to today’s travel needs and easier to use and understand?

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The inside has 'car-like' standards of personal space and comfort...

- High-backed comfortable seats with lots of leg room
- 2+1 seating in front area to create the ambience of a large people-mover rather than a traditional bus
- Air conditioning
- Plenty of room for buggies and wheelchair
- Route information, fares details and travel suggestions
- 'Next stop' electronic screen
- CCTV

The outside is smart and stylish...

- Chrome highlights.
- Route information.
- Large destination screens at the front, on both sides and at the rear



more

Feel 'more' like taking the bus?



Addressing The Challenges

- Growth opportunities identified
- Raising the standard of the product offered
- Better value fares
- Opening up new markets, e.g. tourism, student travel

Achievements to Date...

- New product - '**more**' - developed. Has delivered huge (30%+) growth in usage, has set new standards of comfort for bus travel, and has done wonders for our profile
- Isle of Wight **Southern Vectis** network enhanced and refreshed, with new and consistent brand image. Delivering over one third more passenger journeys
- Major capacity, and expansion in progress for **Hants & Dorset Trim** to meet additional business demand
- Acquisition of **Marchwood Motorways** helping to consolidate Go-Ahead's position as a key player in the Southampton market
- £1m of overheads saved

Forward Strategy

- **More network simplification for growth**
 - easier to market
 - easier to use
 - accords with Local Transport Plan strategy
- **Stronger marketing of our mix of products**
 - local bus travel N.B. Concessions
 - tourist market
 - coaching
 - refurbishment/trim/accident repair
- **Stronger partnership with local authorities**

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BUSINESS PRESENTATION

THE GO-AHEAD LONDON BUS BUSINESS

John Trayner
Managing Director

12 December 2006

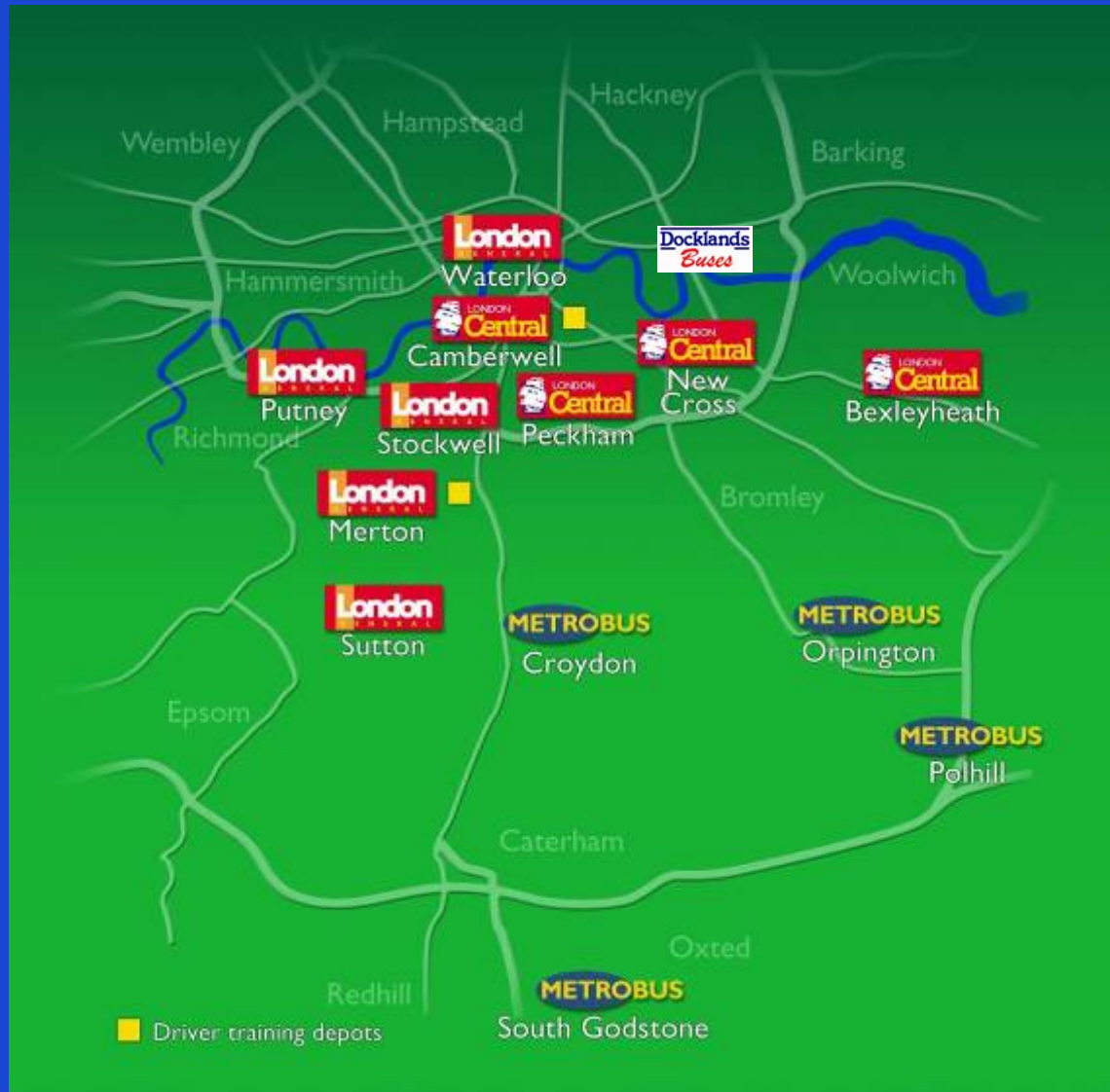
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Our London Companies



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Our Operating Centres



What do we do?

- Each bus operator bids for route contracts on a competitive basis
- Each route contract has a set specification and performance target
- Known as Quality Incentive Contracts
- The operator supplies drivers, buses, premises and knowledge
- TfL supplies marketing, network planning, infrastructure and monitoring of the route contracts
- It is the job of the operator to deliver the quality of the service according to the specification
- Public sector specification / private sector delivery

Routes 11 & 12, formerly operated by Routemaster



Who are the Operators?

**96% controlled by
Seven companies**

Share of Network

Company Name	No. of Routes	Total Scheduled Mileage at 1 April 2005	% Share (based on mileage)
Arriva Group PLC	127	54,914,336	19.1%
First Group PLC	118	43,869,203	15.3%
Go Ahead Group PLC – London	94	40,143,161	14.0%
Go Ahead Group PLC – Metrobus	41	10,262,985	3.6%
Metroline PLC	102	38,901,562	13.5%
Stagecoach Group Holdings PLC	95	45,645,471	15.9%
Transdev PLC	68	27,552,540	9.6%
National Express Group PLC	34	13,345,355	4.6%
Others	41	12,921,307	4.4%
TOTAL	720	287,555,920	100.0%



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Buses in London today

One of the largest and most comprehensive urban systems in the world – 8,200 buses currently carry 6.3 million passengers on over 700 different routes each weekday (over 1.8 billion passengers / year).

London's Buses Success Story

- Highest number of passengers since 1965
- Bus passenger numbers up 1.9% in 2005/06 compared to previous year – an extra 23 million passenger trips
- Highest operated kilometres since 1957 – 454.1 million in 2005/06
- 20% more passengers per bus since 1999/00 and morning peak occupancy 58% higher than a decade ago
- 100 night bus routes now carry 34m passengers per year – more than double the number in 2000

A Transformed Bus Service

'Turn up and go' frequencies

Simple, affordable fares

Simple information at the stop

Operates 24 hours

Better traffic management



Fully accessible

Low emissions

Reliable and quick

Drivers trained in customer care and equality

CCTV / Policing support

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Go-Ahead's Buses are a Success in London

- We run the most miles (99.75%)
- We have the best quality mileage (EWT / on time)
- We have the best drivers (DQM)
- We have the best engineering performance (EQM)
- We are expanding by acquisition

Putney – TfL 2006 Garage of the Year



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The Cost Pressures

- More competition affecting tender prices
- Fuel prices, but could also be an opportunity
- Labour efficiency
- Accident costs

What else can we do?

- Control the costs
- Maximise the two income streams
- Buses are getting better!
- Virtuous circle – as quality improves – we get better quality

More Resource
in Contract



Improved Wages
and Conditions



Better Contractual and
Service Quality Performance



Reduced Staff
Turnover



More Effective
Training



Better Quality
New Staff



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New Enviros, delivered Spring 2006



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The Future

- More of the same
- Expansion into East London
- New performance regime – more transparent
- Olympics
- T2025

Hybrid bus on Route 360



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Transport 2025

- Mayor's vision for transport
- Will require funding
- Will affect all modes
- Economic, Environmental and Social



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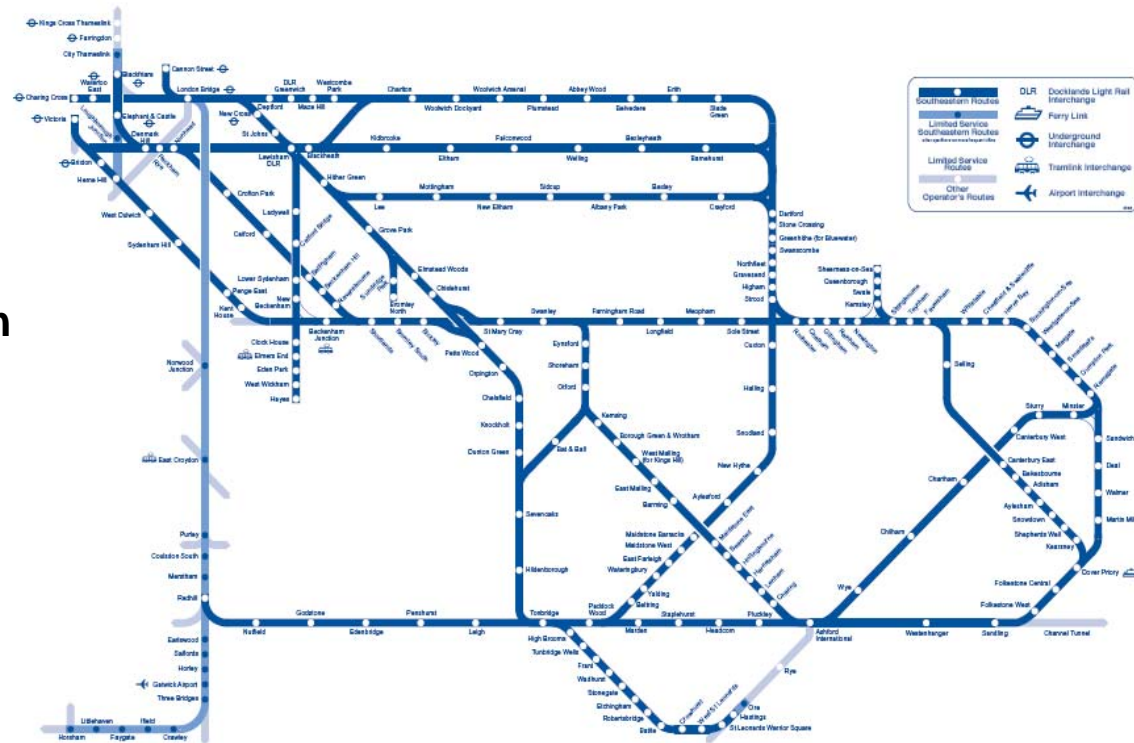
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Charles Horton
Managing Director



Southeastern

- 8 year Franchise commencing April 2006
- 182 stations
- 773 km of track
- 3,900 employees
- 120,000 people into London in the morning peak
- Circa 1,700 train journeys every day
- 157 million passenger journeys every year
- Approximately 400 trains in service



Vision

- Fastest growing region in the UK
- Supported by reliable and efficient transport infrastructure
- Move more people to more places much faster and more comfortably

A safe, reliable, efficient and growing railway for a growing region

Mission

- Passenger revenue growth through;
 - Introduction of new services
 - Improved revenue protection
 - Enhancement in service quality
 - Better marketing
 - Improved train service performance
- Passenger journey volume increase on both high speed and classic services

Strategy

- Optimise the timetable
- Improve the trains
- Train & develop our employees
- Improve communication with passengers & stakeholders
- Improve the stations
- Develop new products
- Introduce high speed services to the UK domestic (commuter) market



To become a premium paying franchise



Train times

LONDON WATERLOO EAST

ALBANY PARK (continued)
THIS STATION IS IN TRAVELCARD ZONE 1
Saturday and Sunday

operator	SE	SE	SE	SE	SE	SE	SE	SE	SE
depart	00:08	00:05	01:35	01:15	04:35	07:05	07:35	08:05	08:35
arrive	00:41	00:38	04:04	04:24	07:04	07:34	08:04	08:34	09:04

Optimise the timetable

- Operate more services
- Provide longer trains to ease crowding
- Improve punctuality and reliability



Improve the trains

- Maintain secure, clean, graffiti-free trains
- Introduce high definition CCTV
- Continue to improve on-board passenger information
- Fleet refurbishment programme
- Installation of load weighting devices

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Better communication

- More communication in times of disruption
- Increase communication with customers and stakeholders
- Regular newsletters and web updates
- Establish a stakeholder advisory board

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Advance training & development

- Recruit, motivate and develop staff to deliver a high quality service
- Achieve 'Investors in People' accreditation
- Introduce staff development programme

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Develop new products

- Demonstrate new, fresh and innovative marketing
- Introduce Wi Fi access on mainline fleet
- Establish online ticketing products



Enhance the stations

- All stations re-painted over three years
- Improve accessibility to stations
- Increase security at stations and car parks
- Invest in new self-service ticket machines

southeastern.



Introduce high speed trains

- 140mph high speed service
- Faster journey times to London
- Encourage growth and re-generation in Kent

High speed service

- New trains, stations and infrastructure
- New timetable across entire network
- Huge time savings; real alternative to the car
- New depot facilities
- Confident new brand

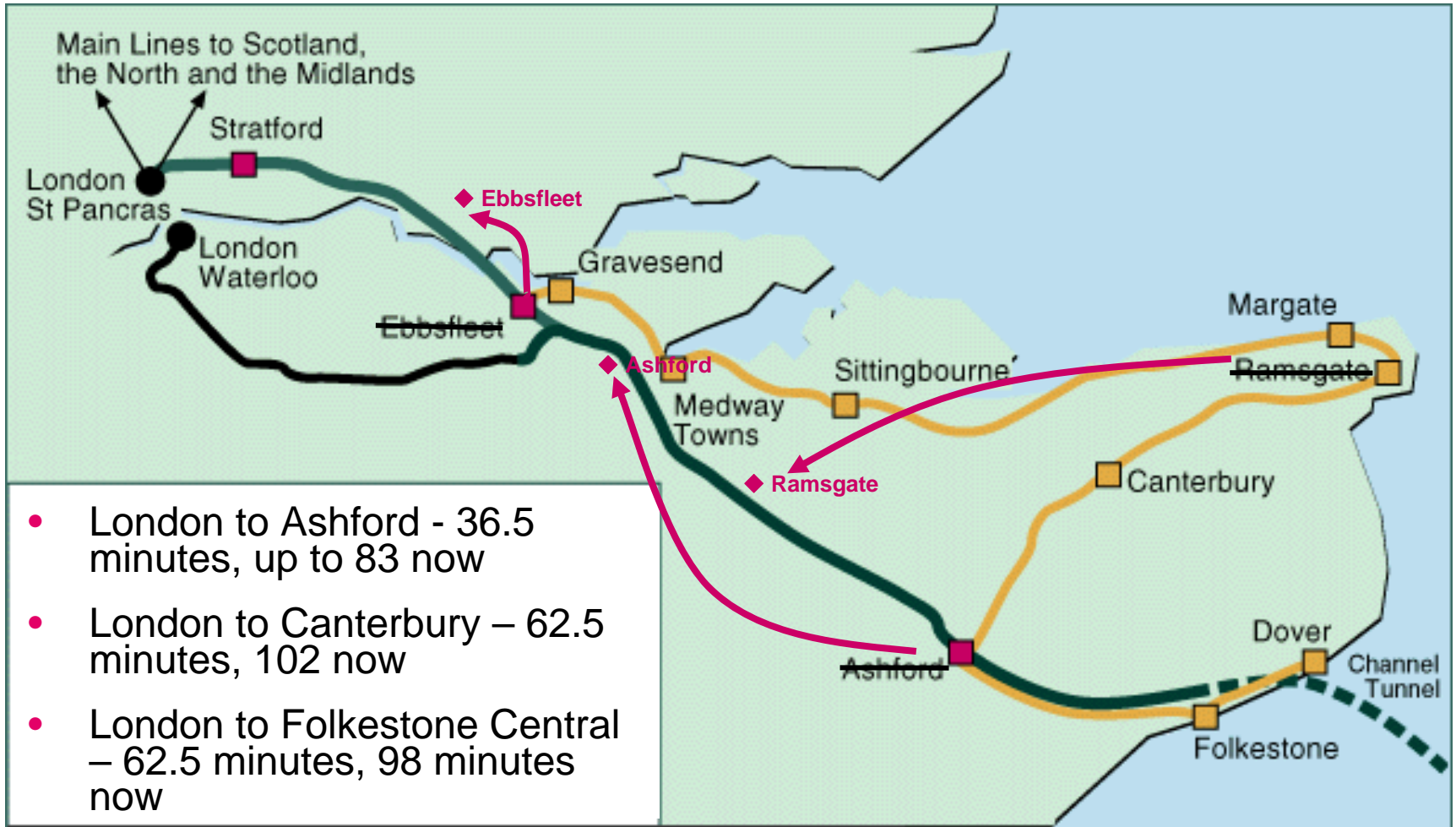


New standards of speed, comfort and service

- Class 395 Hitachi trains
- 29 six car trains – built in Kasado and Mito, Japan
- Based on “Bullet train” technology
- Speeds of up to 140mph



Faster journeys



Higher fares

“We always said it would cost more – the trains are extremely expensive as is the new track. It’s got to be paid for through a combination of money from the general taxpayer and from the travelling public as well.”

*Alistair Darling
Former Secretary of State for Transport*

30 November 2005

Eight months in...

- Lower profile start than some others!
- Excellent operational performance and other business indicators in line with expectations
- Franchise commitments on track

But...

- Traction power cost increase to be addressed
- Careful management of stakeholder relations as a result of fare rises

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Conclusion

- Strong performance from deregulated bus businesses
 - Pricing
 - OAP fares schemes
 - Cost reduction (full) / labour efficiencies
 - Business restructuring
 - Network Development
 - Branding

Conclusion

- London Regulated Buses also performing strongly
 - Quality of service: now and in future
 - Cost reduction (fuel)/labour efficiencies
 - Western extension of charging zone
 - Favourable political climate
 - Strategic acquisitions

Conclusion

- Rail
 - Southeastern delivering the Franchise Plan
 - Half year better than anticipated
 - EC4T mitigation for both TOCs in hand
- Rail Other
 - London Rail Concession – TfL to announce further BAFO shortlist imminently
 - West Midlands – NS/Serco or Govia

Conclusion

- Aviation / Parking
 - Big impact from 10 August 2006 security measures
 - Market conditions remain subdued, although improvements are expected during the second half

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