

SHAREHOLDER UPDATE REPORT

INTERIM REVIEW

**PREPARED FOR
READING BOROUGH COUNCIL**

June 2019

1. OPERATIONAL UPDATE

Service Overview

- 1.1 Only relatively minor changes to our core services were implemented in September 2017. These included the extension of the Leopard to Bracknell to serve the new Lexicon shopping centre, later evening journeys on the Lion 4/X4, also responding to the Lexicon and associated increased night time economic activity in the town, and changes to our school bus services to better reflect demand and more closely align them with our mainstream bus network. An interim contract for Woodley community services was awarded to us by Wokingham Borough Council in September 2017.

- 1.2 In line with the previously approved fleet replacement strategy new buses were introduced on the Purple 17 in December 2017 (17 x ADL E400CNG dual-door, double deck buses, bringing the total number of gas-powered vehicles in our fleet to 62). The introduction of these additional gas vehicles was supported by the commissioning of an expanded and relocated gas compression facility (the “Station in the Sky”) which was installed above the link road between the east and west parking yards at Great Knollys Street, at the northern end of the workshop buildings. The new vehicles triggered a cascade of re-powered and re-furbished buses across the fleet (in part dealing with the hybrid warranty issue previously reported) that has continued throughout the year. Our objective remains to replace approximately 10% of the front-line fleet each year, in order to maintain the average age of the vehicles deployed on the core services at around five years. This approach includes the concurrent refurbishment of mid-life vehicles enabling us to deliver two tranches of route upgrades whenever new vehicles are brought into the fleet

- 1.3 The 2017/18 financial year was a period of rapid development for the Company. Significant network changes implemented in the year included:
 - Introducing the Leopard shuttle service to Thames Valley Science Park (October 2017);
 - Taking over operation of First in Berkshire’s Green Line 702 “coach-class” local bus service between Bracknell and London Victoria in December 2017;
 - Award of emergency contracts to secure other services being withdrawn by First in Slough and Windsor (with an additional short-lived commercial operation - Service 2- between Windsor & Slough) from January 2018;
 - Establishing a low-cost out-station for the new Slough operation (branded as Thames Valley Buses)
 - The difficult implementation of revised routes and frequency reductions

- on the Caversham (Pink) services in February 2018, after extensive consultation;
- Acquisition from Stagecoach of part of Route 7 between Fleet and Reading (introduced April 2018);
 - Modification of Green Line services to create a Bracknell-Heathrow (703) service, with a residual tourist-focussed Windsor-London route (702), in May 2018;
 - Launch of the Henley Town Service (under a contract awarded by the Town Council) in August 2018;
 - Re-launch of the supported Woodley services branded “little oranges” from the beginning of September 2018 under a new substantive contract with Wokingham Borough Council;
 - A further round of revisions to Caversham services, to help bring costs more closely into line with the revenue being achieved, from September 2018;
 - Relaunch of Route 7 as “tiger 7” from September 2018;
 - Launching the operation of the Woking 925 RailAir service, under contract to National Express, from September 2018;
 - The acquisition of local bus operator Newbury & District Ltd in September 2018.
- 1.4 Whilst underlying trading conditions remained relatively stable, and the significant increases in patronage previously in evidence across most parts of the core commercial network continued, the year also saw significant one-off-costs associated with mobilisation of the new routes. As services were adjusted and new routes introduced at various points throughout the year, a substantial overhead in terms of planning and marketing activity was incurred, although by year-end the new routes were cumulatively making a positive contribution to the financial position. Taken together with the late conclusion of pay negotiations (and the subsequent back-dating of the pay award), which resulted in a delay to the implementation of some of the management actions planned to offset rising wage costs, and the substantial cost of maintaining additional resource to deliver timetables during Q2 when congestion and roadworks were at their worst, it was a challenging year
- 1.5 The migration to longer period smartcard products and the advances in ticketing technology, mobile phone payment applications and contactless bank card acceptance, have all continued to play their part in improving boarding times. The first sections of Red Route in Reading were introduced in February 2018 and will eventually cover the full length of the Purple 17, also helping to improve journey times on that corridor. Our mobile phone app, which supports journey planning, ticket purchase and provides real time bus arrival information, was re-launched on a more robust platform during the year. Contactless bank card payments (23%) and mobile ticketing (14%) accounted for 37% of all fare revenue (cash vault takings now represent 36%

of such income). Smartcard use is still declining and is now 31% of ticket income (down from 39% a year ago).

- 1.6 The underlying trading conditions for public transport operations continued to improve with growth in the local economy but at the same time, the overall increase in demand for travel by all modes brought further evidence of the corrosive effect of congestion in deteriorating journey times on key corridors. The company again secured a growing modal share, as measured by the Council's independent cordon surveys in central Reading, indicating that passenger numbers increased by more than the base level of economic demand. Previous investment in supporting front-line service operation and developer-funded service enhancements once again enabled delivery of an overall growth in turnover. Passenger journeys on the overall network increased by 0.65m trips, up 2.5% year on year and revenue on all routes was up £2.47m (+7.6%). Revenues on the core network marginally increased (by 0.1%) although passenger numbers fell by 2.5% reflecting the withdrawal of some services and the part-year effect of reductions in concessionary travel validity.
- 1.7 With the steadily rising levels of congestion, renewed expectation of a financial contribution and the strategic focus on profitable expansion, 2017/18 proved to be a year of dramatic change as the Company adapted to new financial and operational challenges. Longer-term investments, particularly those strategic services introduced south of the M4 and on the A33 corridor, all continue to develop as anticipated, with local authority, developer and business support. Contributions from all our contract operations, despite continuing local authority budget pressures resulting in fewer tendered services being sought, have had a positive impact on profit.
- 1.8 The company continues to be recognised as an outstanding operator at a national level and in 2018 was shortlisted and/or successful in the following awards:

Awards title	Category	Result
Nat West Venus Awards Thames Valley	Marketing & PR (Nikki Ball)	WON
Nat West Venus Awards National	Marketing & PR (Nikki Ball)	Finalist
Reading Cultural Awards	Business Champion of the Arts	WON
CILT Annual Awards for Excellence	Diversity Champion	Shortlisted
routeOne Operators Excellence Awards	Operator Training Award	Shortlisted
	Best Use of Technology	Shortlisted
	Environment Award	Shortlisted
	Large Bus Operator of the Year	Shortlisted
	Manager of the Year (Dan Bassett)	Shortlisted
	Engineer of the Year (John Bickerton)	Shortlisted
Pride of Reading Awards	Smile of the Year	Shortlisted
UK Bus Awards	Bus & the Community	Finalist
	Innovation in Road Safety	Silver Award
	Top Shire Operator	Silver Award
European Diversity Awards	Company of the Year	Shortlisted

Key Staff Update

- 1.9 The Chief Finance & Information Officer, Tony Pettitt, has given notice of his intention to retire at the end of August 2019. A recruitment exercise has been undertaken and the preferred candidate has accepted a slightly modified position as Finance Director, subject to receipt of satisfactory references and the confirmation of a start date.