



NEWS RELEASE

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Directly Operated Railways publishes first Annual Report

- Financial performance strong – targets exceeded during the period**
- Passenger growth at East Coast increased by 3% since November 2009**
- East Coast turnaround progressing well – new foundations in place**

LONDON, 4 NOVEMBER 2010: Directly Operated Railways Limited, the company established in July 2009 and wholly owned by the Secretary of State for Transport, today published its first Annual Report and Financial Statements, for the period from incorporation on 2 July 2009 to 31 March 2010. The figures include the results for the Company's subsidiary, East Coast Main Line Company Limited (East Coast), since the date of its acquisition on 14 November 2009. Turnover for the nine months to 31 March 2010 amounted to £233.8 million, mainly reflecting ticket revenue earned from passenger services at East Coast and associated income earned from catering, car parks and commission from the sale of tickets on other train operators' services. Operating expenditure in the period amounted to £232.3 million, comprising access charges payable to Network Rail for stations and depots, rolling stock leasing costs, staff and other operating costs. This generated an operating profit before Department of Transport service payments and taxation of £52.7 million. Net financial performance showed a profit on ordinary activities after tax of £1.2 million.

The company exists to manage Train Operating Companies that are returned to temporary public ownership. It is currently anticipated that the East Coast franchise will be re-let again to a private operator by the end of 2012.

Commenting on the results, Elaine Holt, Chairman and Chief Executive of Directly Operated Railways, and Chairman of East Coast, said:

“Our financial performance in this first period of operations has been strong – and we are exceeding our targets.

“As a consequence of our good fiscal management of the business we’ve subsequently been able to pay back more money to the Government through higher ‘premia’ payments. We created early cash-flow – and the business has now become self-funding.

“Operationally, we still have much to do. Despite a 16 week mobilisation period, it was not until soon after a smooth transfer in November 2009, did we realise the full extent of the challenge, affecting almost every part of the East Coast business.

“Staff morale was low, investment in the business had all but ceased – and crucially, many of the key engineering skill-sets had been allowed to evaporate.

“It quickly became apparent that a complete business turnaround would be necessary, not simply to restore satisfactory operational performance in the short-term, but to hand over a business in excellent shape to the next private sector operator – for long-term and sustainable reliability in the future.”

During the reporting period, East Coast customer satisfaction has increased and positive feedback received about the changes made to enhance the customer journey experience. A number of initiatives have been introduced or are planned to improve the service and attract customers back to the railway. These initiatives include:

- A new First Class complimentary offer to absorb spare capacity in this segment;
- Lower cost advance purchase tickets;
- Improvement to the on-board cleanliness of toilets and the train environment generally;
- The removal of seat reservation charges;
- The extensive use of ‘excellent value’ promotional fares; and
- A new onboard Wi-Fi system.

“More than £10.3 million of new investment has been committed by DOR for the East Coast business, including developments at Edinburgh, York, Wakefield, Doncaster, Retford, and Peterborough stations, and in the areas of IT services, training and staff development.

“Already there are signs that the ‘pride’ is back among East Coast staff. Here, sickness absence has reduced by 25%, and staff turnover has reduced from 8% to 6%”, said Elaine Holt.

“At a time of economic challenge, East Coast has delivered 3% growth in passenger numbers.”

“Operational performance remains the number one challenge for East Coast. During the year, we’ve started the process of putting back the skills and infrastructure to enable us to deliver optimum performance. And whilst there are signs that these efforts are starting to pay-off, I anticipate it will take several more months before we are in a position to sustain our targets in this area. We’re working closely with Network Rail to create improvement, as their infrastructure failures also have a direct and considerable impact on the ability of East Coast to deliver to target.”

May 2011 will see the introduction of the biggest timetable change on the East Coast Main Line in 20 years. East Coast will introduce a new ‘clockface’ timetable called ‘Eureka!’, with 10,800 extra seats available each weekday, 20 new services (from 136 to 156), and faster journey times from many key stations, with a new destination of Lincoln.

Elaine Holt concluded:

“Whilst we’ve made a good start for this turnaround, we have much still to do. During the next year, we’ll remain focused on getting the basics right, fixing the problems we inherited, improving and building for the future – and restoring the pride in the East Coast railway.”

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Note to editors:

The full Report can be downloaded at www.directlyoperatedrailways.co.uk

About Directly Operated Railways

Directly Operated Railways was established by the UK Government's Department of Transport in July 2009. It fulfils the Secretary of State's requirements under Section 30 of the Railways Act to secure the continued provision of passenger railway services should an existing franchise not be able to complete its full term.

National Express East Coast was awarded the operation of the East Coast Main Line rail franchise in December 2007 and this was scheduled to run until 31 March 2015, subject to its achievement of performance targets. However, in July 2009, the parent company, National Express Group, stated that it was limiting its financial support to the franchisee in view of the poor trading conditions that the Group was experiencing. This led to termination of the National Express East Coast franchise on 13 November 2009.

During the summer of 2009, Directly Operated Railways assembled a team of rail industry experts to plan every aspect of the ultimate transfer to public ownership, thereby ensuring a seamless transition of the business to a new wholly subsidiary called East Coast Main Line Company Limited (East Coast).

Directly Operated Railways has assumed the role of a supportive parent organisation for East Coast until the franchise is re-let again to a new private sector operator, and will also assist the Department for Transport franchise team as necessary to achieve this.

About East Coast

East Coast operates 136 weekday train services along the East Coast Main Line, linking London King's Cross, the East Midlands, Yorkshire and Humberside, North East England and Scotland.

Passengers made more than 18 million journeys in 2009.

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