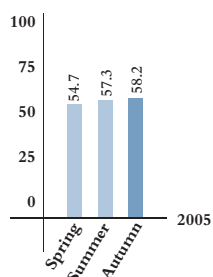


Community Rail Partnerships

Wessex Trains was one of the first train companies to establish dedicated regional business units and thereby help to raise the profile of community railways. These railways are revitalising rural transport by increasing revenue through more flexible fares and timetables, reducing costs, developing appropriate operating standards and fostering support by giving communities a greater say. Three of Wessex Trains branchlines in Cornwall, the St Ives Bay Line, the Looe Valley Line plus the Tamar Valley Lines, have been part of our community railways strategy. This has involved the introduction of specific branding to reflect the individuality and appeal of each route, the introduction of new ticketing initiatives such as the new carnet facilities on the Tamar Valley Line and new booking office at Looe on the Looe Valley Line. We have worked with local interested parties to develop initiatives which make the railways an integrated part of the community and have rolled-out similar strategies into Central Trains. Our community focus was recognised in the autumn, when a number of our operating companies won awards at the 2005 Association of Community Rail Partnerships (ACoRP) community rail awards.

In September last year, 'one' hosted the first National Community Rail Festival in partnership with ACoRP and Norfolk County Council. More than 10,000 people attended the event incorporating many community events. Many of our operators have close relationships with tourist boards and undertake investment schemes with key stakeholders including county councils. For example, Silverlink Metro has invested £250,000, in partnership with Park Royal Partnership, in improving access and passenger security at Harlesden station.

NXCSI SCORES – TRAINS



North America

Growing our business

During 2005, we experienced 16% growth in our North American operation with the addition of 1,800 new buses. Our North American school bus operations are spread across 22 states and the two Canadian provinces of Ontario and Nova Scotia. Within the United States, 30% of school bus services are undertaken by the private sector; whereas in Canada 80% of services are provided by the private sector. Our operations currently hold 7% of the total North American privatised school bus market, 10% of the privatised Canadian market, and 6% of the US privatised market.

All American states and Canadian provinces are committed to providing a comprehensive school bus service. Transportation services are contracted out by school boards, our customers. All contracts operate within a given region and require the start up of a Customer Service Centre (CSC) from which the fleet is managed.

In the United States contracts are usually for a period of five years, with around 25% to 35% of contracts coming up for renewal each year. In Canada, contracts are 'evergreen' and remain with the incumbent operator unless exceptional circumstances prevail. Our Canadian school bus operation, Stock Transportation has never lost a contract which bears testimony to its quality of service.

As the business becomes more integrated in ways of working, there is a greater sharing of best practice of common policies and procedures.

Monitoring performance

We aim to deliver a hassle free service that provides proven levels of performance. Although few school boards have performance metrics to monitor operators, we have now put in place our own localised reporting system to help school boards evaluate our services. Fleet management, driver recruitment, safety and the delivery of a consistent quality of service are all key criteria for these contracts.

At each CSC, a manager reports into a Regional Vice President or directly to a Senior Vice President of Service, with an emphasis on those aspects of our service which meet local needs. We use a balanced scorecard approach covering the financials, leadership development, safety and operations.

Building relationships

The nature of school bus operations and the focus on the safety of children underlines the importance of our very close working relationship with customers. At a local level, schools provide daily informal feedback to our CSCs. In addition, regular meetings are held with school boards to receive formal feedback and to provide an update on key issues. Customer satisfaction is vital. We carry out annual school board surveys and this year have added further to this process.

Looking ahead, we believe that there are further opportunities to develop the business. We put considerable focus on the efficiency and utilisation of our fleet and increasingly transfer fleets across regions. We are also concentrating on growing the charter side of our business, so that vehicles are fully utilised outside peak periods.

North America

Northstar – Ensuring stability through a time of change

In August 2005 our Stock Transportation business completed the acquisition of Northstar, one of the largest private school bus operators in Canada with a strong presence in the greater Toronto and Ottawa regions.

Although Stock has a history of acquisitions, most purchases have been relatively small-scale. With around 800 buses, 12 locations and a business one-third the size of Stock itself, Northstar was different. Almost overnight, the Stock business grew by 33%, the number of locations doubled and the number of drivers increased by close to 1,000.

A key challenge was the need to reassure Northstar's people and customers that the high standards of support and service associated with the Northstar brand would remain – and in fact would be enhanced by Stock's involvement.

Engaging with employees and customers Stock initiated a large scale integration project that would engage with customers and Northstar employees to explain where the business was going, why it was going there and when it would arrive. An 18 month integration process was launched with completion set for early 2007.

For those customers who already had a relationship with Stock in some capacity, the task was to underline continuing high standards and a seamless transition. For customers new to Stock, we organised face-to-face meetings with the Vice President of Service Delivery and also with the Regional Manager of Northstar. A senior Stock Project Manager was assigned to each location to oversee the integration in conjunction with the local General Manager. Importantly, the Northstar management team continues to run the business throughout the process.

Rising to the challenge of 'start-up' time The integration was further complicated by the imminent approach of the 'start-up' period – the time when students return to school after the summer break. These are the busiest, most complex weeks of the year for school bus operators.

Thanks to the success of the change management project, Stock was able to retain the goodwill of customers and, crucially, the expertise and support of key staff. There were minimal complaints from students or from customers during the transition from Northstar to Stock.

"We were pleased Northstar had been acquired by a well-respected business. The integration continues to be handled very professionally and smoothly, with a high degree of communication." Don Bassett, General Manager, Northstar Eastern Operations

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Stock Transportation focusing on growth