

ALSA



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ALSA

ALSA is the leading company in the Spanish road passenger transport sector, and was acquired by National Express in 2005.

With over 100 years' experience, it operates long-distance, regional and urban bus and coach services across Spain and in Morocco and Switzerland. In 2021, we will also start to operate urban bus services in Portugal. Apart from its bus and coach services, the business also operates service areas and other transport-related businesses, such as fuel distribution.

Revenue

£559.3m

2019: £824.7m

Underlying Operating Profit

£6.7m

2019: £109.5m

Statutory Operating (Loss)/Profit

£(93.5)m

2019: £93.8m

Revenue

€629.3m

2019: €940.6m

Underlying Operating Profit

€7.5m

2019: €124.9m

Statutory Operating (Loss)/Profit

€(105.2)m

2019: €106.9m

Underlying Operating Margin

1.2%

2019: 13.3%

Pre-Covid

ALSA was performing very strongly ahead of the pandemic, with revenue up 23% in the first two months of the year, driven by underlying growth of over 6% boosted by the new contracts in Rabat and Casablanca and acquisitions made in 2019. Our Spanish business was performing strongly across all segments but particularly in long haul where revenue was up 7%, passenger journeys up 5% and occupancy up 2%.

Navigating the crisis

As the first lockdown hit, we saw an immediate impact with passenger numbers falling by more than 90% in Spain. Demand came back quickly when restrictions were lifted but reduced just as quickly when they were re-imposed. Overall for the year, passenger journeys were down by 44% in Spain, and were particularly badly impacted by restricted inter-regional travel on our long haul routes, with a 62% year-on-year reduction. Patronage in Morocco grew slightly, driven by the new contracts in Rabat and Casablanca. Overall, and taking into account the fact that around 40% of ALSA's revenue is protected, year-on-year revenue decline was 33%. Wide-ranging actions were taken in order to reduce operating costs, which helped to deliver Underlying Operating Profit of €7.5 million (2019: €124.9m) despite seeing revenue decline by over €310 million. After accounting for separately disclosed items of €112.6 million, of which

€93.5 million represented one-off Covid-related exceptional items (detailed on page 24, the segmental result for the year was an operating loss of €105.2 million (2019: profit of €106.9m).

Protecting staff and customers

Our first priority was to protect our employees and customers, and to that end we rapidly implemented a number of measures:

- rapid provision of PPE and revised cleaning protocols;
- the provision of Covid tests to nearly 7,000 employees in Spain and Morocco;
- new policies and processes rapidly deployed to facilitate remote working;
- the roll-out of ‘For Your Health’ and ‘ALSA Helps You’ weekly communications to all staff;
- the redesign and update of websites to feature travel restrictions, rules and recommendations for passengers, ALSA safety measures, changes and cancellations, and FAQs;
- revised communication on buses and stations enforcing the mandatory use of face masks and related safety guidelines, and reassuring passengers on air quality and renewal; and
- monitoring social distancing measures on fleet and stations through mystery shopper audits.

Securing support

In our urban bus operations in Spain, terms were renegotiated for our Madrid Consortium contracts such that revenue is based on mileage operated rather than passengers carried, meaning that all urban services in Spain as well as a proportion of regional services carry no demand risk. Across ALSA, therefore, over 40% of revenue is now sheltered from demand risk and this figure will increase once Casablanca is fully mobilised in 2021. We have also worked closely with the Ministry of Transport throughout the year to ensure that when successive lockdowns and travel restrictions were implemented and subsequently lifted, service levels on our regulated long haul routes were flexed to the appropriate level. Working with all the relevant authorities, we received revenue subsidies representing around 3% of revenue in 2020 and we will continue to work to secure further subsidies in 2021. In addition to the revenue support, in flexing service levels to meet changing levels of travel restriction, we have made use of the Government’s ERTE (furlough) scheme to enable staffing levels to vary with volume. At the peak of the first lockdown, over 11,000 ALSA employees were furloughed.

Reducing the cost base

In addition to the temporary staff savings enabled by the ERTE scheme, we took rapid and decisive action to cut operating costs. Direct operating costs such as fuel and maintenance were reduced in line with service reduction and all discretionary costs were stopped. We also reconfigured services to utilise internal resources and hence materially reduced third party operator costs – a material saving that will continue into 2021. In addition, ALSA initiated a major restructuring programme to reduce central costs by up to 50%, the benefits of which will be fully felt in 2021. This initiative has involved a full review of central functions with the integration and streamlining of a number of teams to improve processes and increase efficiency. Together, the structural cost reductions across ALSA will reduce annual operating costs by €25 million.

Supporting the community

Throughout the crisis we have sought to provide assistance in the communities we serve, for example:

- the ‘Travelling with a Companion’ initiative provided free tickets for assistants accompanying passengers with learning disabilities;
- the ‘Madrid Thanks You’ initiative offering substantial discounts for key workers and medical staff;
- ALSA employees across Spain have delivered thousands of kilos of food parcels to food banks, homeless shelters and other emergency operations;
- we have supported a large number of employees in volunteering to support the Red Cross help people through the pandemic; and
- provision of buses to the army, to help transfer Covid patients and medical staff.

Preparing for the future

In addition to the cost reductions noted above that will continue to provide a benefit in 2021, we have continued to win and retain contracts as well as taking a number of other actions in 2020 that position the business for a strong rebound once restrictions are lifted.

During the year we successfully completed the mobilisation of Rabat and mobilised the first phase of our largest urban bus contract in Casablanca (which made a positive profit contribution in its first year). We will complete mobilisation of our operations in Casablanca with 700 new buses to be delivered in 2021, the first 400 of which start service in March, transforming the quality and safety of transport for our customers in this city.

We have successfully opened new markets in 2020. We have provisionally won new contracts in Portugal in Lisbon and Porto, with revenue of €44 million per annum and limited demand risk, providing access to a new market for us. Both of these contracts are set to start operating in the fourth quarter of 2021 and run for seven years. We also successfully mobilised our first urban bus contract in France which started operating in December. We have a strong pipeline of opportunities for 2021, including further revenue protected contracts.

In Spain, we retained our CalPita regional concession in Galicia for a further 10 years, worth €96 million over the life of the contract. This is particularly significant as Galicia is a region where ALSA had no presence prior to the strategic acquisition of CalPita in 2018, and it is pleasing to see we now have a long-term foothold in this region. The long haul concession renewal process restarted in 2020 and was then subsequently cancelled, as the authorities absorb the impact of the pandemic on transport, with no stated intention to restart the process in the near term. This will allow a level of stability to build back service levels as travel restrictions are lifted.

We are working towards a greener future, with the ambition to be the environmental benchmark in public transportation in Spain. To that end, we have added a small number of electric buses in 2020 and are also trialling hydrogen buses in Madrid. Further investment is planned for 2021 and beyond as we progressively move our urban fleet to zero emission vehicles.

We have also continued to invest in improving our digital capabilities and during the year we have invested in a new website and customer app, with enhanced functionality, improved customer experience and faster purchasing. This helped drive digital revenue up to 48% of ALSA’s total (up 7% year-on-year). 2021 will see digitalisation of sales extended to some regional routes and ALSA will join forces with Mastercard in a bid to promote social mobility in public transport, with contactless payment made via the ALSA app, driving further digitalisation of sales and further cost efficiencies.