



Putting Customers
First.

First Great Western Presentation to

Rail Alliance Members

26 May 2011

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Aims of Today:

- Background on First Group and FGW
- An understanding of the FGW vision and values
- An understanding of FGW spend
- An understanding of how FGW spends
- Spend Opportunities
- The Challenge Ahead



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Who Are First Group?

FirstGroup plc is the leading transport operator in the UK and North America with revenues over £6B each year.

We employ more than 130,000 staff throughout the UK and North America and transport 2.5 billion passengers every year.



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First Group Vision and Values:

First Group Vision:

To transform travel

First wants to lead the way in transforming the way people travel and the way they feel about public transport

Values:

- Safety. If you can't do it safely, don't do it.
- Customer Service. Delivering our promise

FirstGroup Highlights:

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First Student	First Transit	First Services	Greyhound	UK Rail	UK Bus
Largest provider of student transport in North America	Transit Management	Vehicle maintenance. Largest private sector provider of vehicle maint & ancillary services	Only national provider of scheduled intercity coach services in US & Canada	Largest UK Rail operator. 4 franchises and on open access operator	Largest UK Bus operator
4m students to and from school each day	Operates approx 7000 buses	Maintains over 50,000 vehicles	20m passengers per year	285m passengers a year	3m passengers every day
68,000 staff	15,500 staff	3,500 staff	8,000 staff	13,000 staff	25,000 staff
60,000 yellow school buses	Manages and operates in 235 locations	Operates in 150 locations	3100 destinations	We operate one quarter of the UK passenger rail network	We operate more than one in five of all local bus services

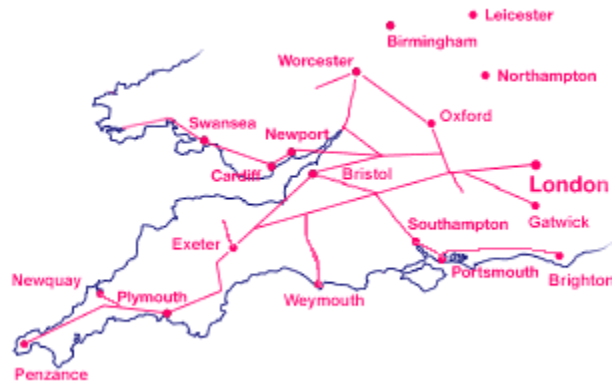
FirstGroup Highlights:

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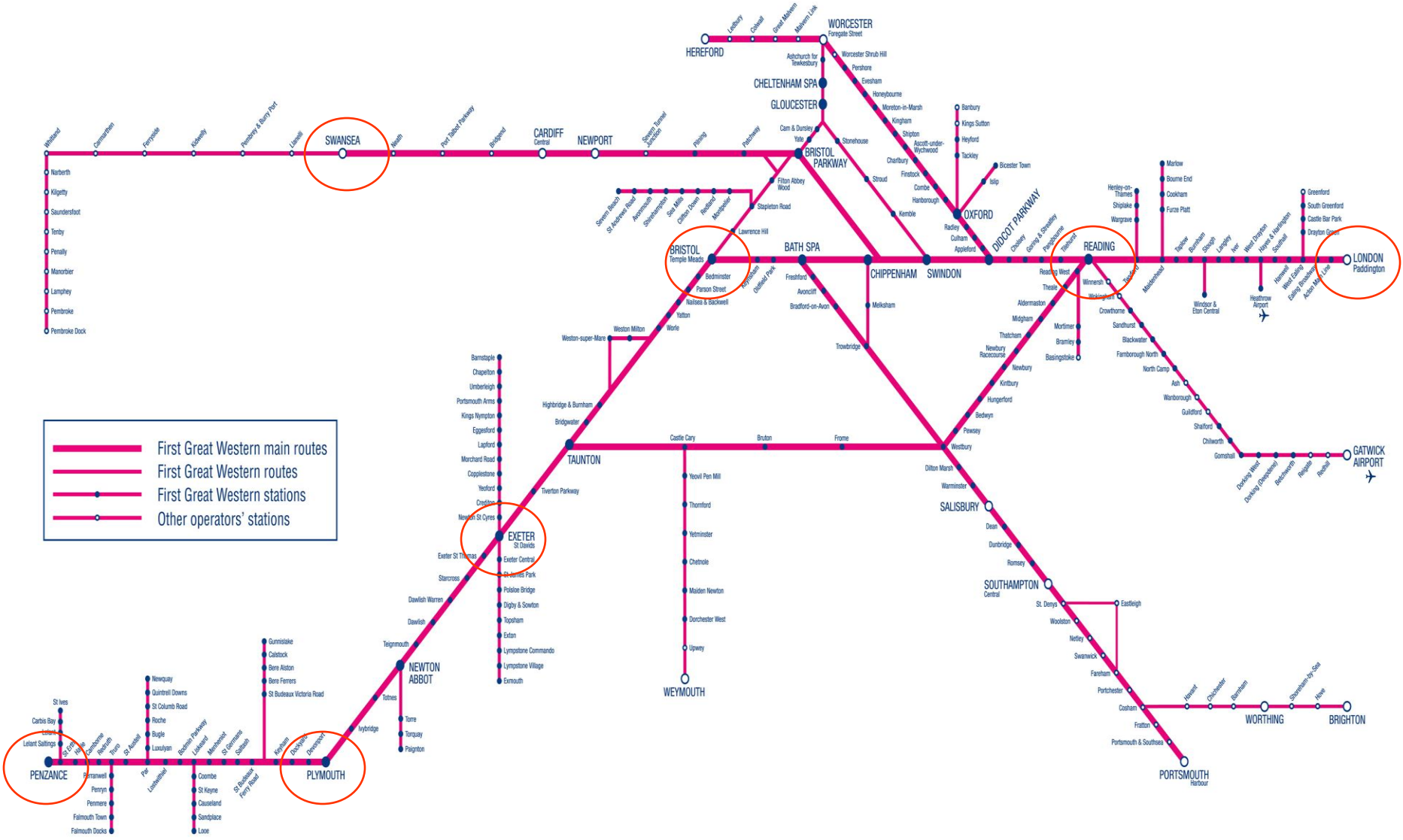
	Revenue	Operating Profit
➤ UK Bus	£1,171m	£125m
➤ UK Rail	£2,188m	£93m
➤ North America	£2,334m	£234m
➤ Greyhound	£603m	£24m
➤ Other	£133m	(£19M)
➤ Total	£6,429m	£457m

What is First Great Western

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- Franchise began in Apr 2006 integrating Great Western, Western Link & Wessex trains
- Franchise expires 31 Mar 2013
- 5000 strong team
- 210 managed stations
- 1.5m passengers each week across 9000 inter city, commuter, regional and sleeper services
- Train performance improved from 85% to over 92%



First Great Western main routes
 First Great Western routes
 First Great Western stations
 Other operators' stations

First Great Western Route Map



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The Role of Procurement

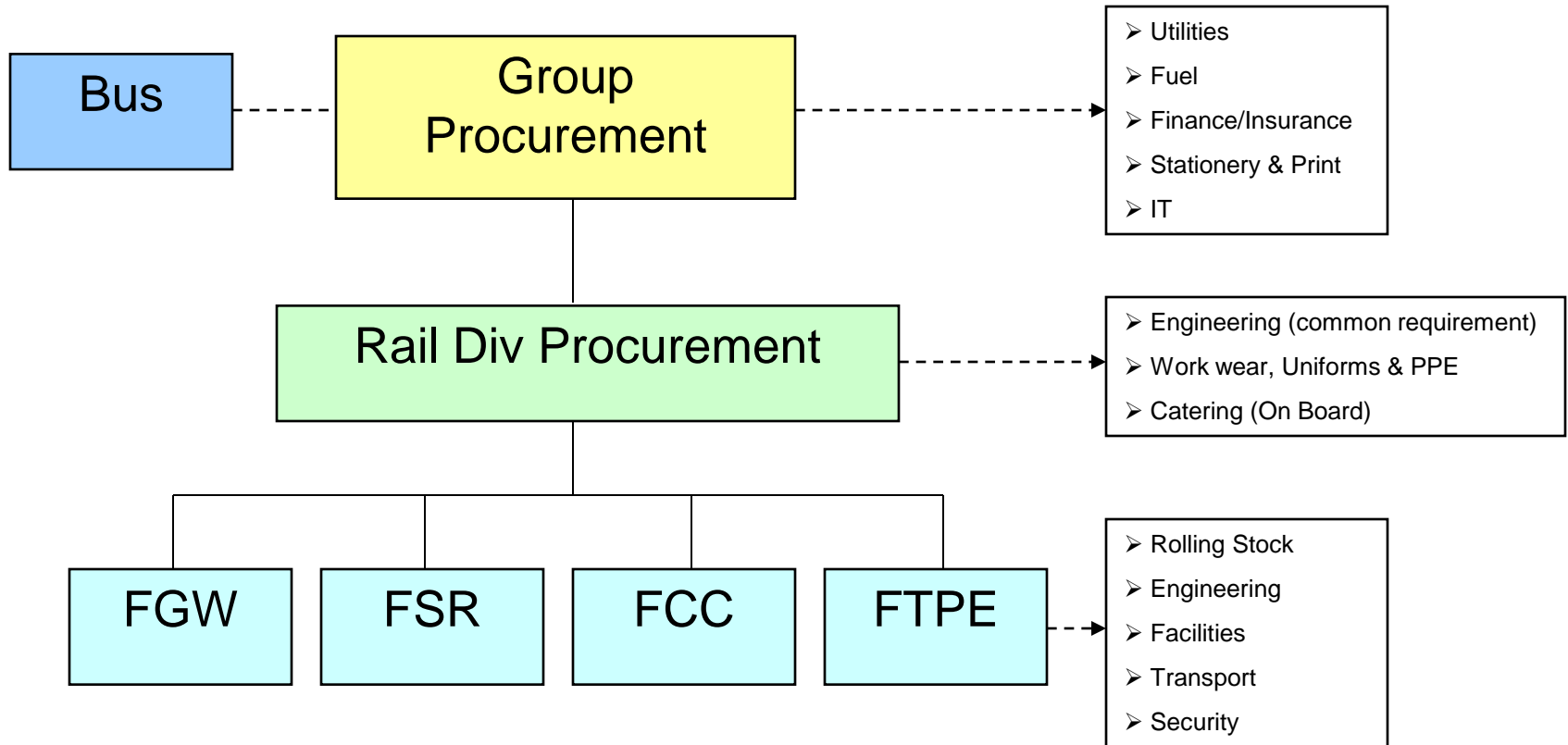
FGW procurement activities seek to identify the acquisition route that offers the best value for money (VfM) for FGW and to provide a strategy for the management of its suppliers.

The FGW Procurement Vision

To deliver best value for money procurement by developing innovative supply solutions and supplier relationships that contribute to the fulfilment of FGW and First Group business objectives.

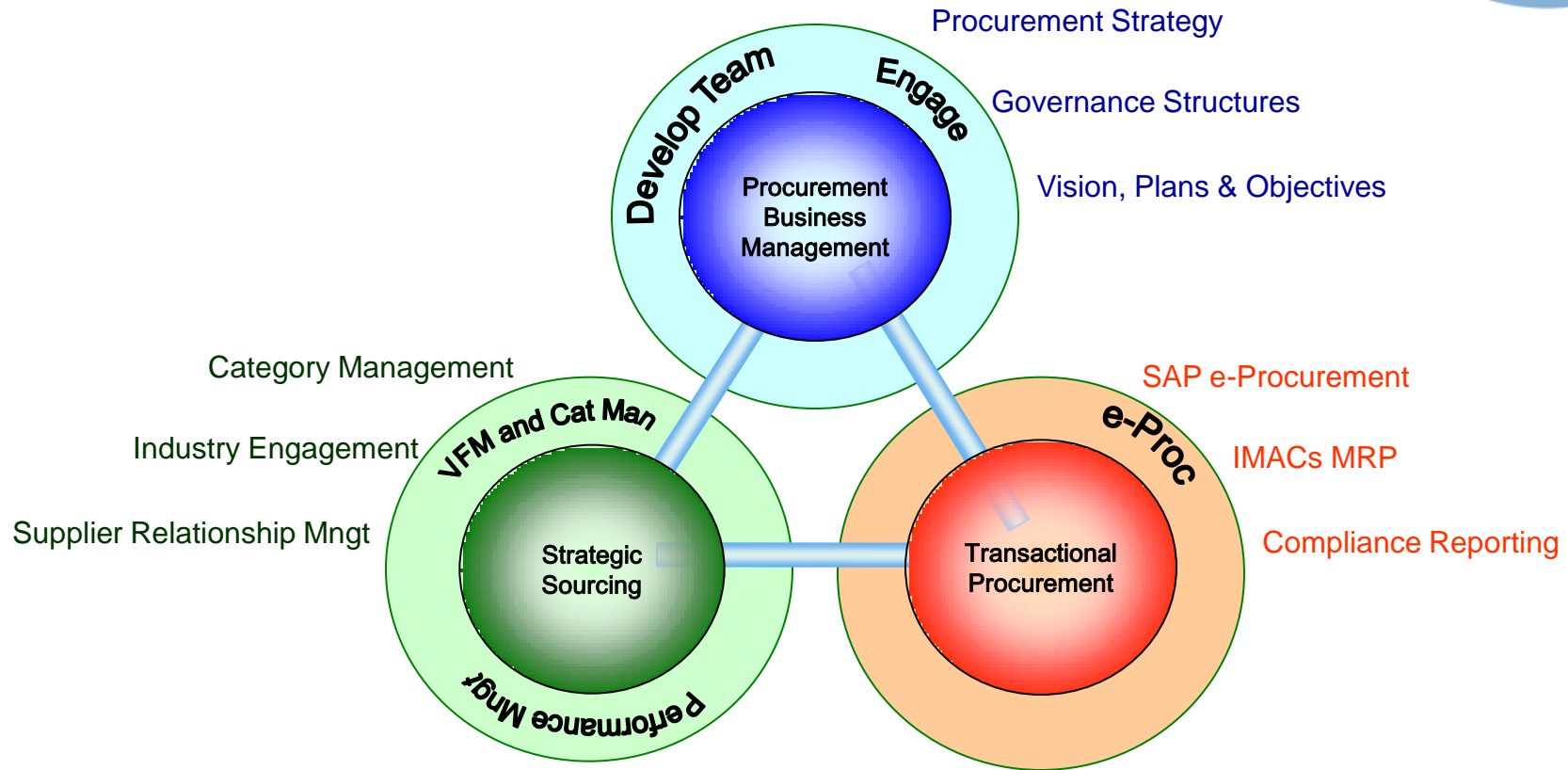
FirstGroup Procurement Structure

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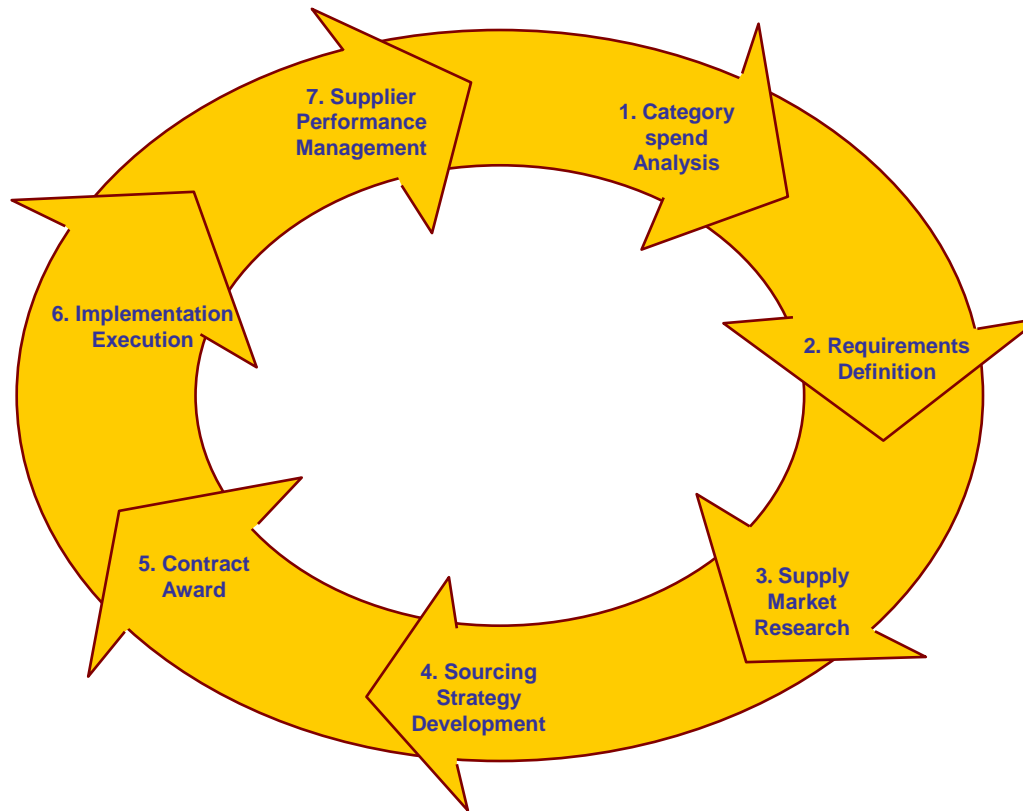
FGW Procurement Approach

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FGW Strategic Sourcing Process

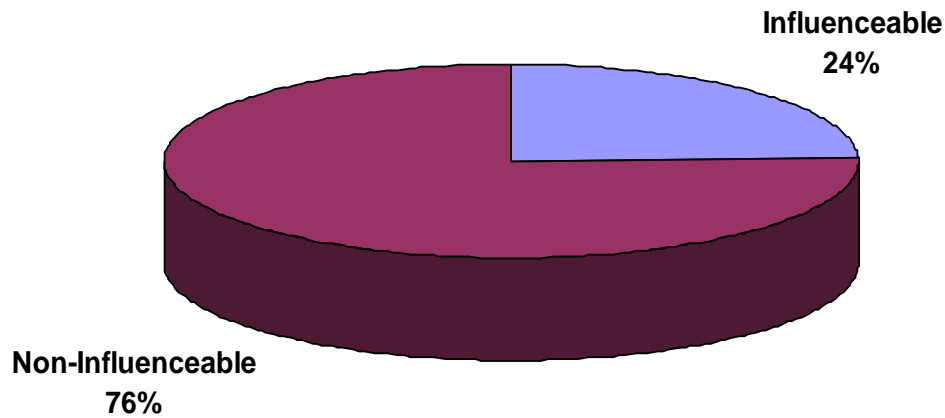
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FGW Spend Profile

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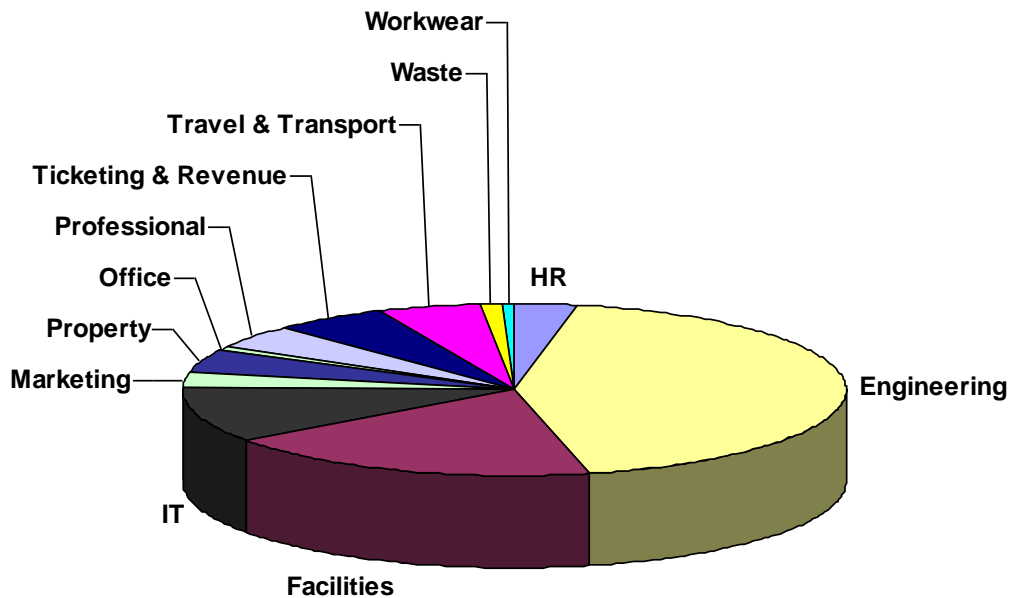
Influenceable Spend: Suppliers Analysis = £450m



FGW Spend Profile

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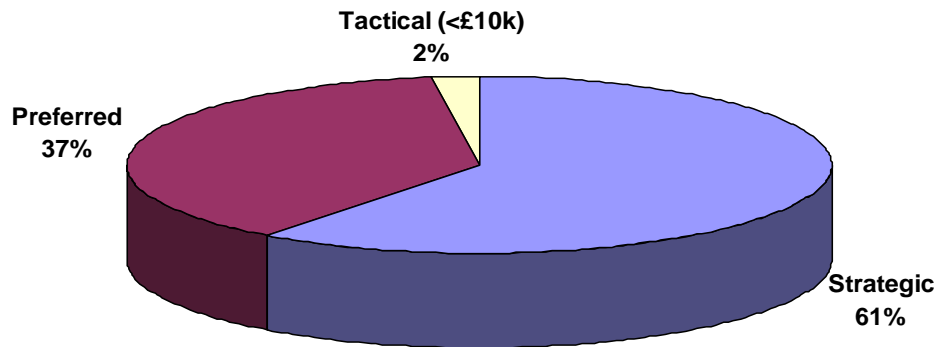
Influenceable Spend: Category Breakdown = £109m



FGW Spend Profile

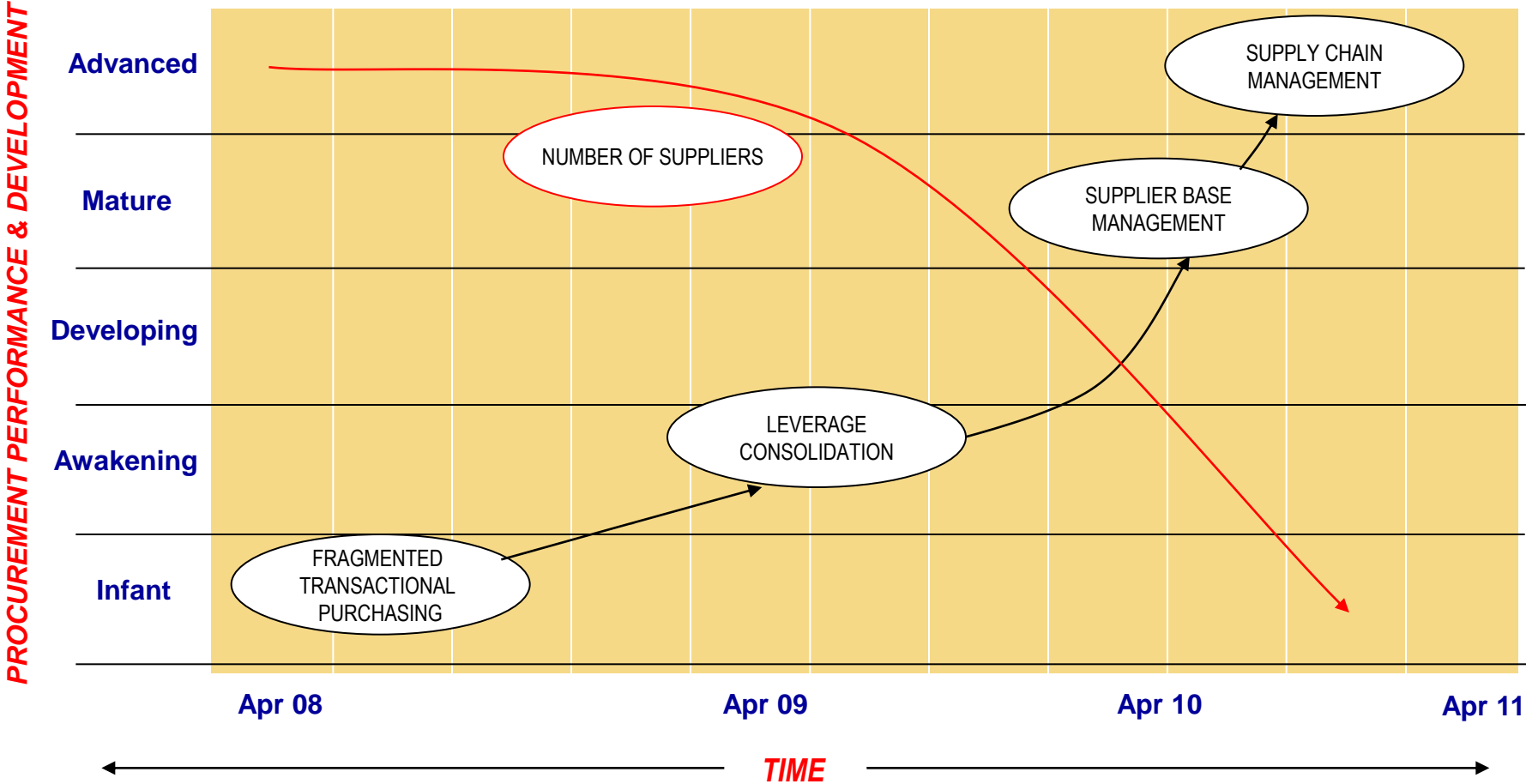
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Influenceable Spend: Suppliers Analysis = £109m



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Supplier Management





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Supplier Relationship Management (SRM)

What is SRM?

The process to reduce costs or improve service value from an existing supplier.

How does it work?

Analyse the relationships between buying and supplying organisations in order to identify scope for greater efficiencies:

- Integrate operations/processes with the suppliers to realise mutual benefit
- Benchmarking of current costs/processes
- Encourage and foster open book approach to costs and value chain
- Drive down costs through 2/3 tier value chain

Supplier Categorisation

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Strategic



Preferred



Tactical



Exit



Potential

Strategic – A provider of complex and/or high value £ goods/services that we seek to develop a longer term, collaborative relationship to achieve greater mutual benefits.

Preferred – An approved provider of goods/services.

Tactical – A low value (<£10K PA) provider of goods/services.

Exit – On their way out.....

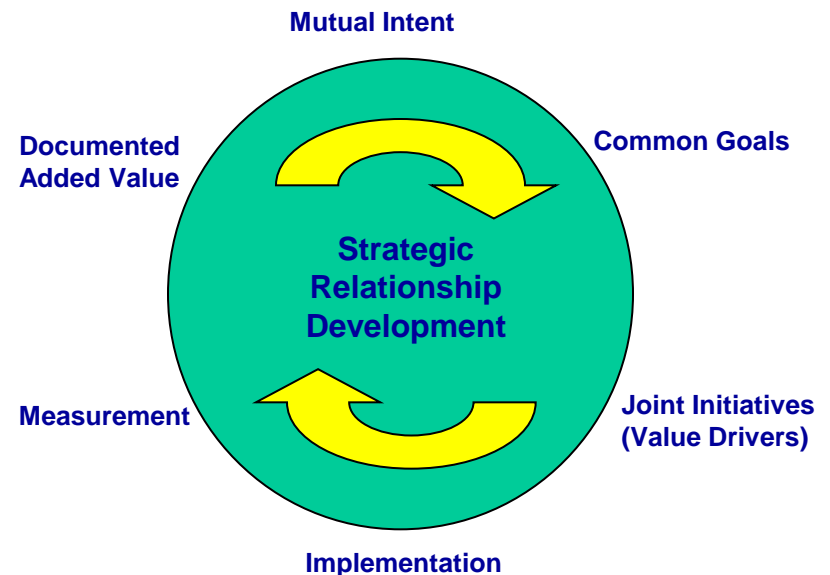
Potential – New suppliers that have strong potential to meet our requirements in the very near future

More Value from Relationships

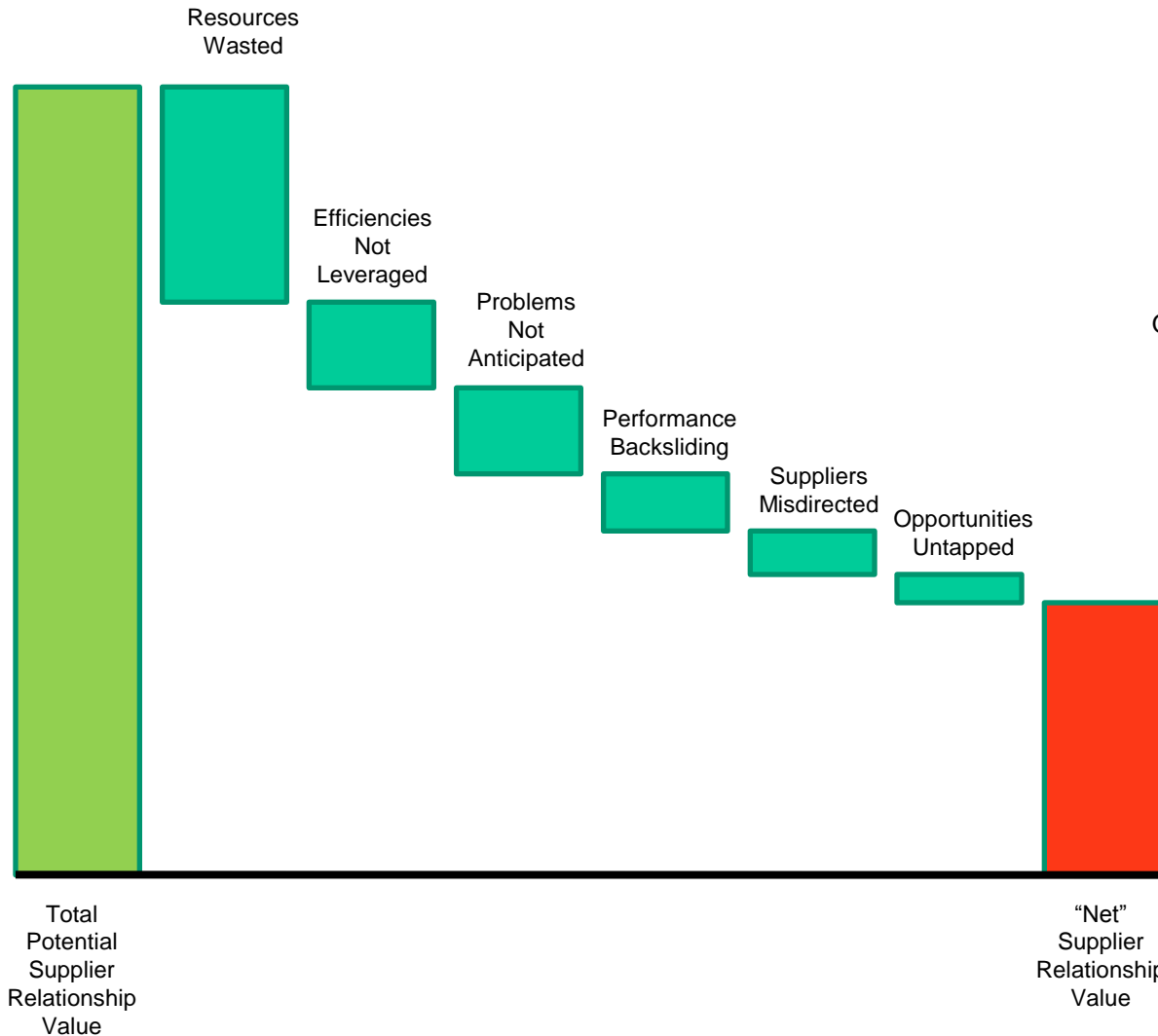
SRM is about FirstGroup increasing collaboration with strategic suppliers to SOLVE PROBLEMS or DELIVER OPPORTUNITIES that in turn create VALUE for both parties

Objectives include:-

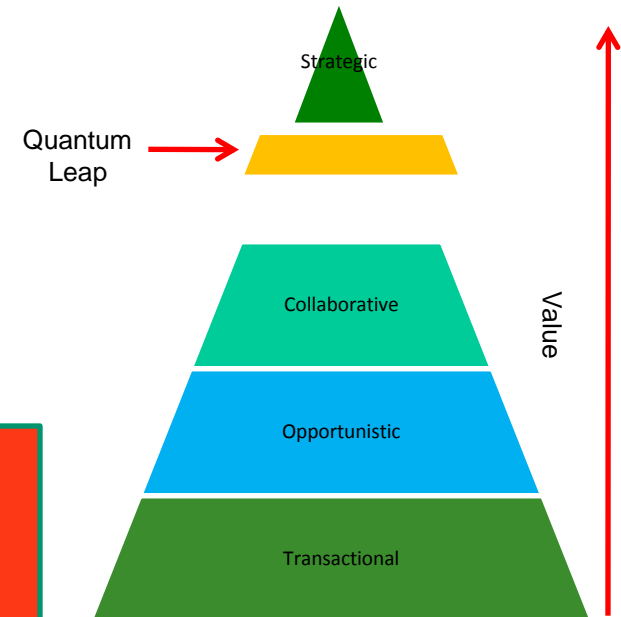
- Enhanced performance, faster response
- Lower cost of engagement
- Improved communication and collaboration
- Communicate key policies and objectives
- Supply-Demand matching
- Minimise Risk
- Encourage innovation
- Customer of first choice



Why is SRM important?



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Source: Aberdeen Research

Benefits of Supplier Management

General

- Cost reduction opportunities
- Lead Time reductions
- Reduction in duplicative efforts (Admin, Quality checks)
- Continuous improvement in the contract

More Advanced

- More open relationships based upon openness & trust
- Informal alliances reduce risk of either party suddenly switching business
- Goodwill & favouritism
- Innovation

Factors for Success or Failure

Success or Failure

- Balancing short term internal performance measurements with longer term efforts to establish commercial advantage
- Measure performance against targets
- Quick Wins
- Public Procurement Regulations
- Top level commitment & entire organisation aligned to approach
- Honesty, Openness & Trust

Procurement Plan 2011/12

Projects underway

- Fasteners and Fast Moving Consumables
- HST Alternators overhaul
- HLOS HST/DMU refresh

Projects to be started

- Catering
- Rail Replacement
- Waste Management (Recycling)

...All contracts will end 31 Mar 2013



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The Challenge Ahead

- Increasing pressure on Rail Costs
- Develop as an Intelligent Customer
- Engage Industry earlier
- Fewer and closer
- More agile, more incentivised contracts
- Wider TOC/Infrastructure collaboration



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Thank you

Any Questions?