

Socio-Economic Report 2018

Introduction

This report looks at the activities and performance of TransPennine Express over years 1 and 2 of the franchise (April 2016 to March 2018), assessing the benefits which the franchise is delivering to the communities served, covering three key areas:

- **Social Measures**

These are broken down to consider:

- Leverage
- Gift in Kind
- Volunteering

- **Economic Measures**

These are broken down to consider:

- WebTAG
- Train Service Performance
- Employee Development

- **Environmental Measures**

These are broken down to consider:

- Energy
- Water
- Waste & Recycling
- Pollution

Key business results pertaining to each of these factors is contained within this report, and collectively they demonstrate the cumulative impact of TransPennine Express upon society.

Social Measures

TransPennine Express measures its social impact using the London Benchmarking Group model, which considers the inputs, outputs and impacts of all community investment activity.

When we consider the contribution to the community for social measures, we look at three types of investment.

- Leverage
- Gift in Kind
- Volunteering

Targets are set for each type of investment, giving an overall annual community investment target for each franchise year. The target is reviewed each year to ensure that it delivers a stretch. The split across the three investment types is also evaluated recognising that some may outperform or support others depending upon which activities take place.

It is recognised that volunteering carries the greatest benefit to the community as it allows physical improvements to be carried out, knowledge and skill transfer, and raises the profile of the business, and enables members of the community to interact with the industry and learn more about public transport.

Leverage

This is the term used for any direct cash contributions from our business, or generated through associated activities, such as through fundraisers or allowing charities to access our stations to carry out charity collections.

TransPennine Express has two allocated funds per financial year throughout the franchise, which account for a significant proportion of our leveraged contributions. These are:

Transform Grants

We make available a minimum of £50,000 per financial year to support community projects which seek to promote social inclusion, tackle youth unemployment and benefit the environment.

Growth Fund

We make available a minimum of £50,000 per financial year to fund projects identified by Community Rail Partnerships.

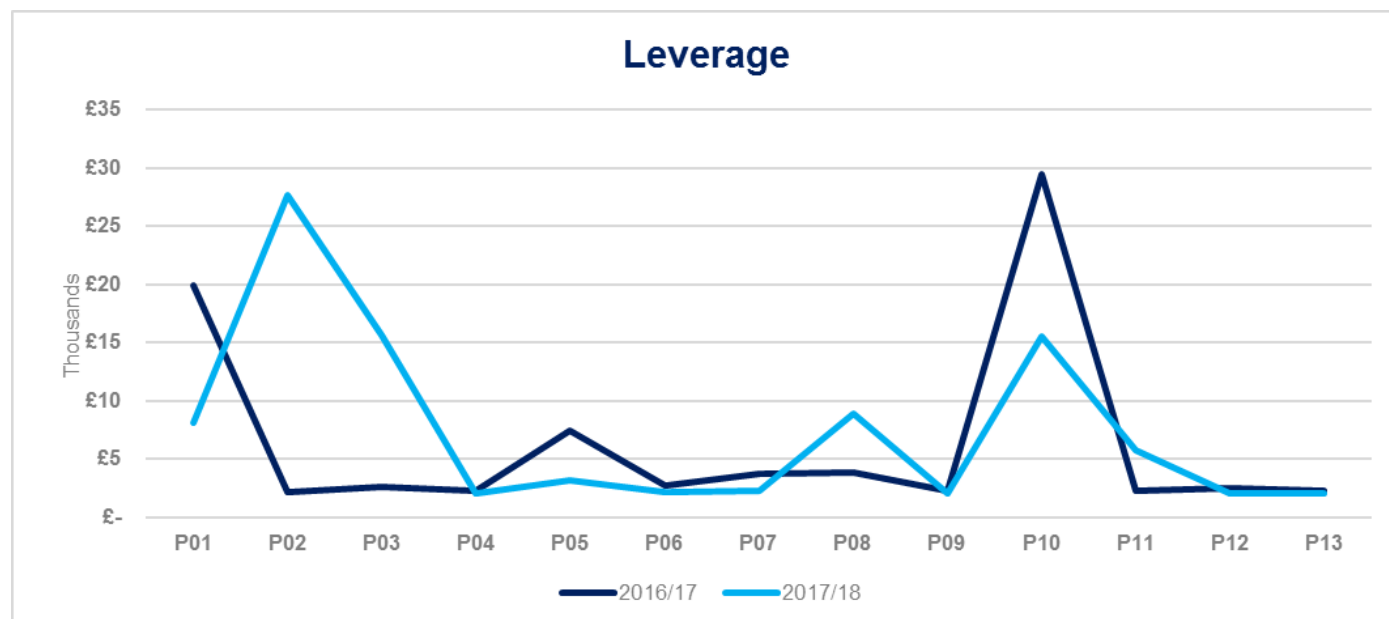
Payroll Giving

As part of FirstGroup, we offer payroll giving, allowing employees to donate to charities of their choice, with donations taken from their salary prior to tax deductions, meaning that the charity receives a higher donation than if the employee were to donate through direct debit.

Felix

The most influential charity fundraiser within TransPennine Express has been Felix, the station cat at Huddersfield Railway Station. A book deal, memorabilia and merchandise including calendars, stuffed toys and an advent calendar has contributed significant amounts to a number of charities across the North of England. With a second book deal in the pipeline, this is set to continue throughout year 3.

The graph below shows the leverage funds recorded by period for years 1 and 2.



Note: The contributions from 'Transform Grants' and 'Growth Fund' have been flat phased across all of the periods to prevent a spike being recorded in any one period of the year.

	Target	Actual	Variance
Year 1	£60,000.00	£83,431.33	+£23,431.33
Year 2	£65,000.00	£97,353.81	+£32,353.81
Variance	+£5,000.00	+£13,922.48	

In year 1, a spike in Period 2 was recorded as TransPennine Express operated a charter train, raising funds for the Railway Children.

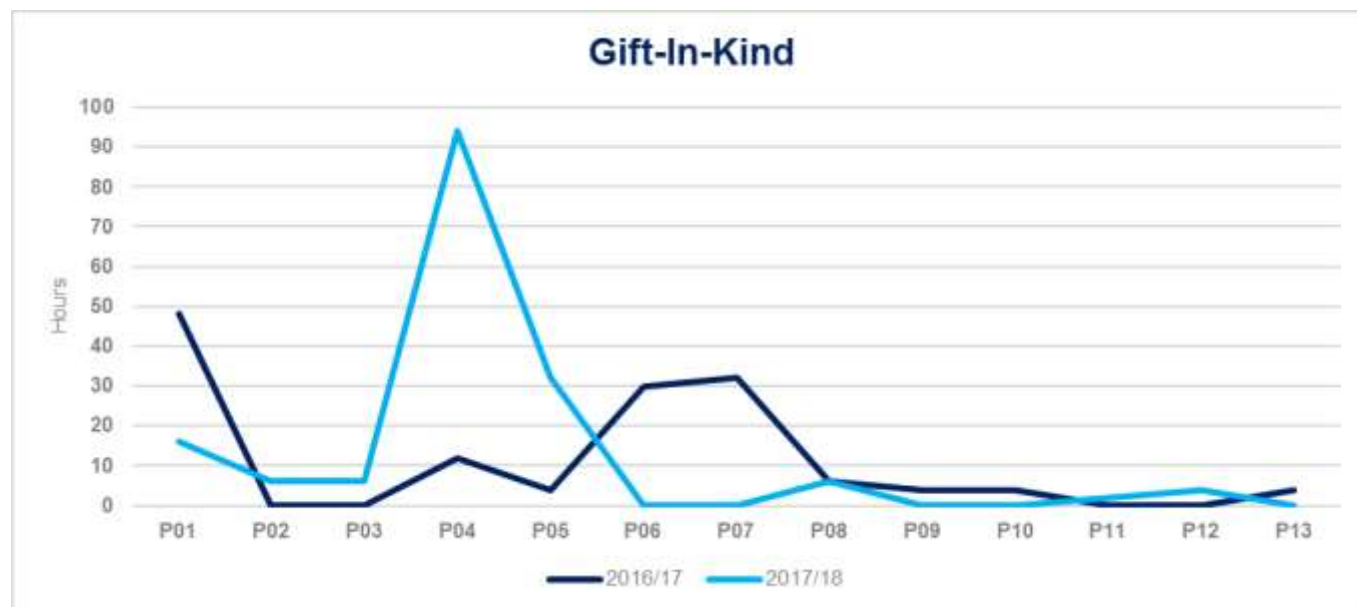
The spike in period 10 in both years shows the sharp increase in fundraising activity which takes place around Christmas.

The aim for year 3 is to focus on more regular fundraising activities for key charities, including the new FirstGroup charity partner, Action for Children.

Gift in Kind

Gift-in-kind contributions are where TransPennine Express has offered use of its facilities or services for the purpose of allowing community groups to save money or generate income. This includes donations of tickets as raffle prizes, use of community rooms at stations, and travel on board our trains.

The graph below shows the gift-in-kind contributions made by period for years 1 and 2.



	Target	Actual	Variance
Year 1	333	144	-189
Year 2	400	166	-234
Variance	+67	+22	

Despite including information about how to apply for tickets on our website the number of requests received is low.

Another issue faced by TransPennine Express is managing capacity. With some of the busiest train services in the UK, space on board is an issue, and so it is difficult to offer large quantities of complementary tickets. Restrictions are applied for the redemption of gift-in-kind tickets to divert claimants away from the busiest services.

The spike seen in period 4 of year two was when a number of supported journeys were completed, offering charity groups tickets for 'try the train' days with staff support. These again are offered throughout the year, but are dependent upon capacity being available on board the train.

In year three, there will be greater publicity of Gift-in-Kind tickets, and a different method undertaken to determining the assigned value of each ticket allocated.

Volunteering

Volunteering specifically tracks the number of hours donated to community work by TransPennine Express colleagues. We apply a value to the hours which has been determined by the cost to the business for the employee's time, rather than simply working off an average hourly rate of pay. In 2016/17 and 2017/18 this was set at £45 per hour, in line with London Benchmarking Group averages.

The graph below shows the volunteering hours recorded by period for years one and two.



	Target	Actual	Variance
Year 1	750	511	-239
Year 2	900	721	-179
Variance	+150	+210	

In year 1, volunteering was ad-hoc, and formed a part of general fundraising activities, as and when opportunities arose.

In year 2, a new, more structured approach was adopted. Each member of staff within the management grade was expected to volunteer at least one day of their work time towards community activity. This was included as an objective within personal development plans, and saw a broader range of managers getting involved in the activities than previously.

For year 3 more opportunities will be sought with a wider spread of activities recognising that some colleagues may not enjoy some of the more physical activities.

To achieve these volunteering rates, TransPennine Express has several established volunteering programmes, partnering with key organisations in our region.

Make the Grade

Working with the Ahead Partnership, TransPennine Express provides opportunities for staff to engage with local schools and colleges in the Leeds area to provide students with careers advice, particularly around pursuing a career in rail. Activities include:

- Presentations

- STEM (Science, Technology, Engineering, and Mathematics) Challenges (Including train planning scenarios)
- Mock Interviews
- Mock Assessment Centres

Building on the success of the schemes in the Leeds area, Ahead Partnership are looking to expand into the Greater Manchester region. TransPennine Express as a major transport operator and employer in the area will seek to expand our participation in the scheme within this area.

Cash for Kids

Cash for Kids is the charity of Bauer Media Network. Each year they run a number of high profile fundraising events including Superhero Day in May and Mission Christmas throughout November and December.

The funds raised by the charity support disadvantaged children across the North of England.

TransPennine Express has supported the charity through fundraising events, publicity including train livery wraps, and cash donations from ticket sales.

Caring for Life

Caring for Life are a charity based just outside Leeds, who help disadvantaged families in the region, and those with learning difficulties, providing extracurricular activities to develop employability skills in a safe environment.

Each year, TransPennine Express volunteers visit the Caring for Life farm to help them package Christmas food hampers which are donated to disadvantaged families in Leeds. This is a long running relationship which was established in the former TransPennine Express franchise, and which has continued.

Transform

Through the Transform Grants scheme, a number of volunteering opportunities have been established. Of note is EAT (Employment and Training) Pennines, based at Heaton Park in Manchester. In both year 1 and 2 of the franchise, groups of volunteers from TransPennine Express have visited the park to help clear areas of land and plant trees to create a community orchard.

A successful approach seen during year 2 is to establish volunteering opportunities for teams, allowing them to act as team building exercises as well as delivering community improvements. This will be used in year 3, with teams encouraged to volunteer earlier in the year.

Economic Measures

TransPennine Express can measure its economic impact through various means, but three key areas of focus have been identified for the purpose of this report. These are:

- WebTAG
- Train Service Performance
- Employee Development

Train service performance carries the largest weighting in this section, recognising that the reliability of our service directly impacts the decision as to whether people travel by rail, or use alternative means for the same journey, or consider not travelling at all.

WebTAG

At the start of the franchise, TransPennine Express commissioned ARUP to complete an economic study applying WebTag, which evaluated the benefit of the delivery of service improvement packages as part of the application to the Office of Rail and Road for Track Access rights.

At this point, TransPennine Express has delivered stages of each package, including:

- Additional services between Manchester Airport and York
- Additional services between York and Newcastle
- Evening and weekend enhancements

Some package elements have been delayed, such as the routing of Manchester Airport to Scotland services via Bolton, due to delays to the electrification of this route, however all efforts have been made to deliver other improvements early where possible.

As TransPennine Express are still on target to deliver all elements of all three packages, A, B and C as set out in the report by the same end date, the projected economic impact stands true, with expected benefits from improved connectivity, faster journeys delivering greater efficiency and on-board quality providing a strong alternative to other modes all set to boost the local economy. The expectations also remain unchanged for the projected job creation and resulting international connectivity from the improvements being delivered.

Train Service Performance

The rail industry has many means of measuring train service performance, and TPE recognise that performance is the main contributor to customer satisfaction, which is why it features as one of our Key Performance Indicators (KPIs) and is reported on a daily basis.

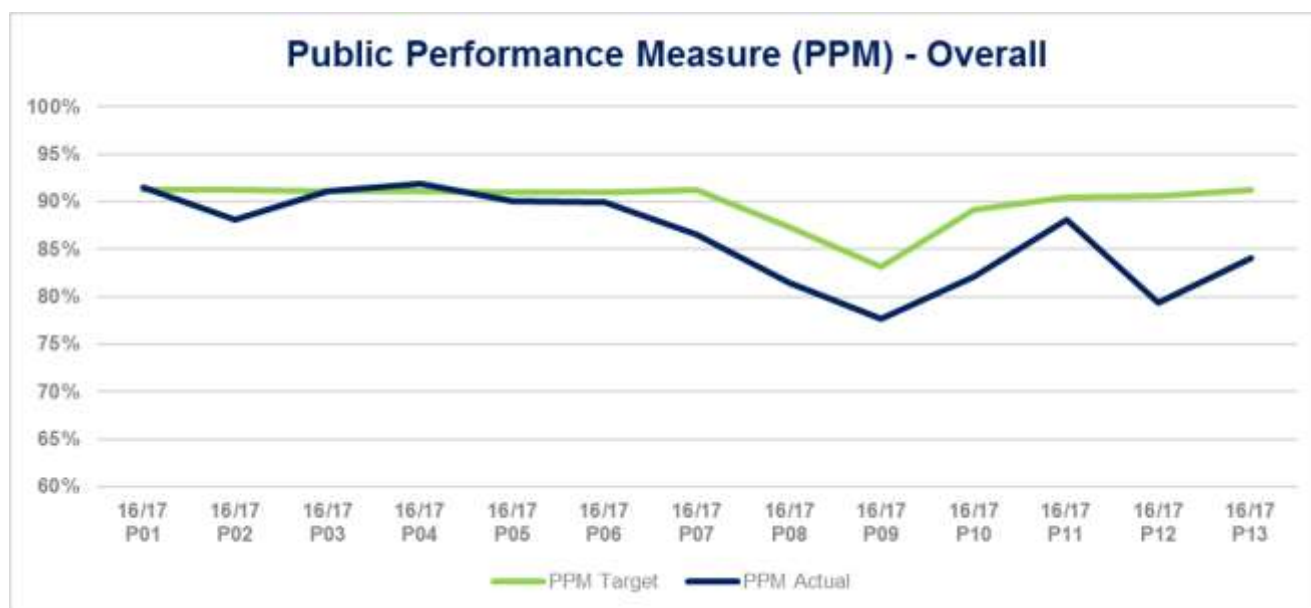
We have a dedicated team who manage performance, and challenge any delays to understand their cause and find solutions to minimise delays and prevent repeat incidents.

Public Performance Measure (PPM)

PPM is the main indicator used by the rail industry to measure performance. As TPE is a long-distance operator, trains arriving at their terminating destination between 0 and 9 minutes of when they are timetable to arrive are counted as having met PPM. Those trains arriving at their terminating destination over 9 minutes later than timetabled have missed PPM.

For local operators, PPM is measured to 5 minutes rather than 9, recognising that their services cover a shorter distance.

Targets for PPM are set within the franchise agreement, PPM targets are also set with Network Rail, recognising that the infrastructure pays a major part in TPE's ability to run trains to time.

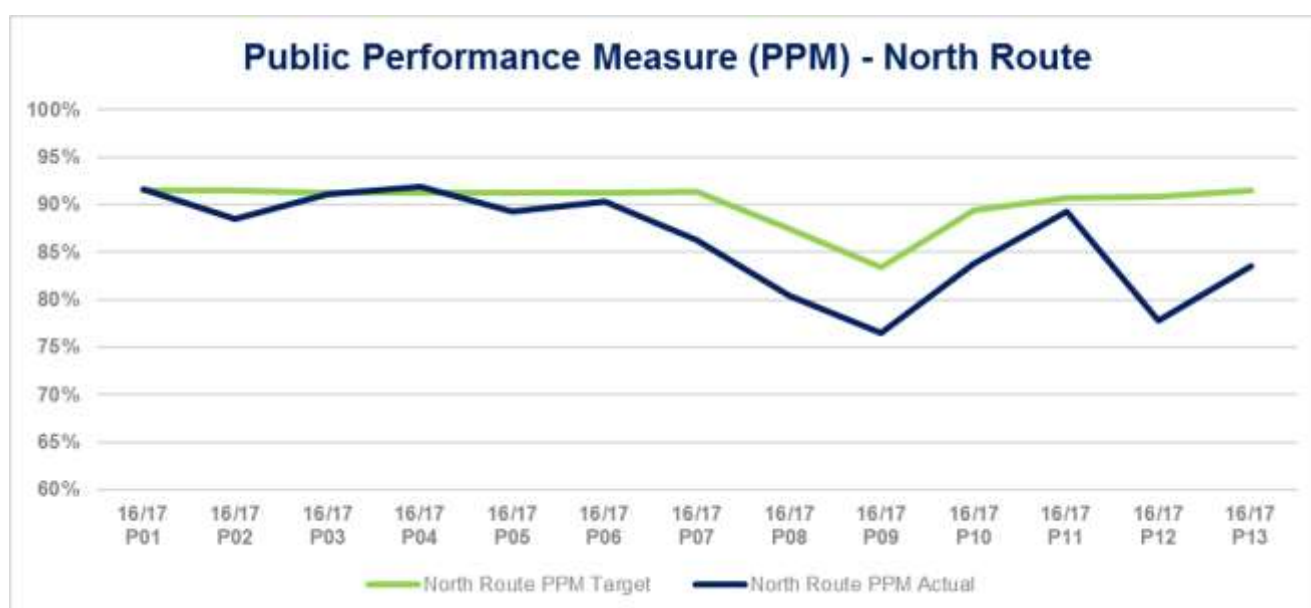


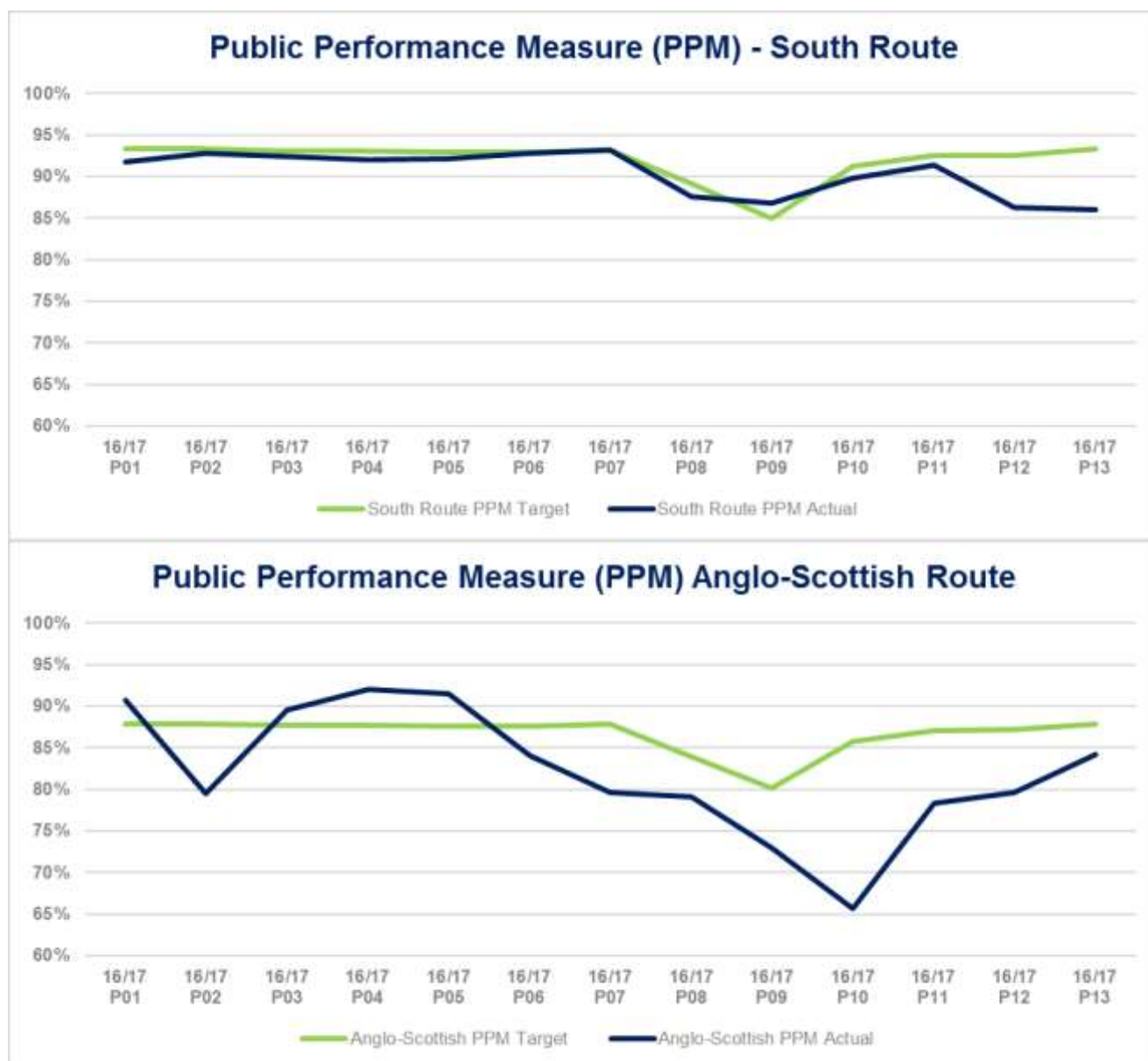
The annual PPM target is varied by period, recognising that the autumn and winter months present challenging weather which has a significant impact on train service performance.

From Period 6 (September), leaf fall can be the main cause of poor performance. Leaves on the line cause the track to become slippery, extending braking distances, meaning that trains have to run slower and further apart to ensure that they have safe stopping distances and don't overrun stations. When trains slip, they can sustain wheel flats, which then require the train to be taken out of service to have the wheels turned to correct the damage to the profile of the wheel.

In recent years, TPE has introduced autumn timetables which thin out the train service to build in the extra space needed on the network to run safely. This has helped to manage performance during these months.

Heavy rain, resulting in flooding, and strong winds also play a part, damaging overhead lines, and resulting in Network Rail introducing emergency speed restrictions to protect the infrastructure. 2017/18 saw a particularly hazardous autumn and winter with weather events, including several major storms, all of which impacted train service performance.





Right Time Arrival

There is a push within the rail industry to measure 'right time' running, rather than PPM. This is because right time considers performance between intermediate stations rather than just at the end of the journey.

TPE have undertaken a number of campaigns with staff and customers promoting right time departure, looking to minimise small delays which combine to cause a bigger delay, with knock on effects across the network.

TPE measure train service performance using right time running for:

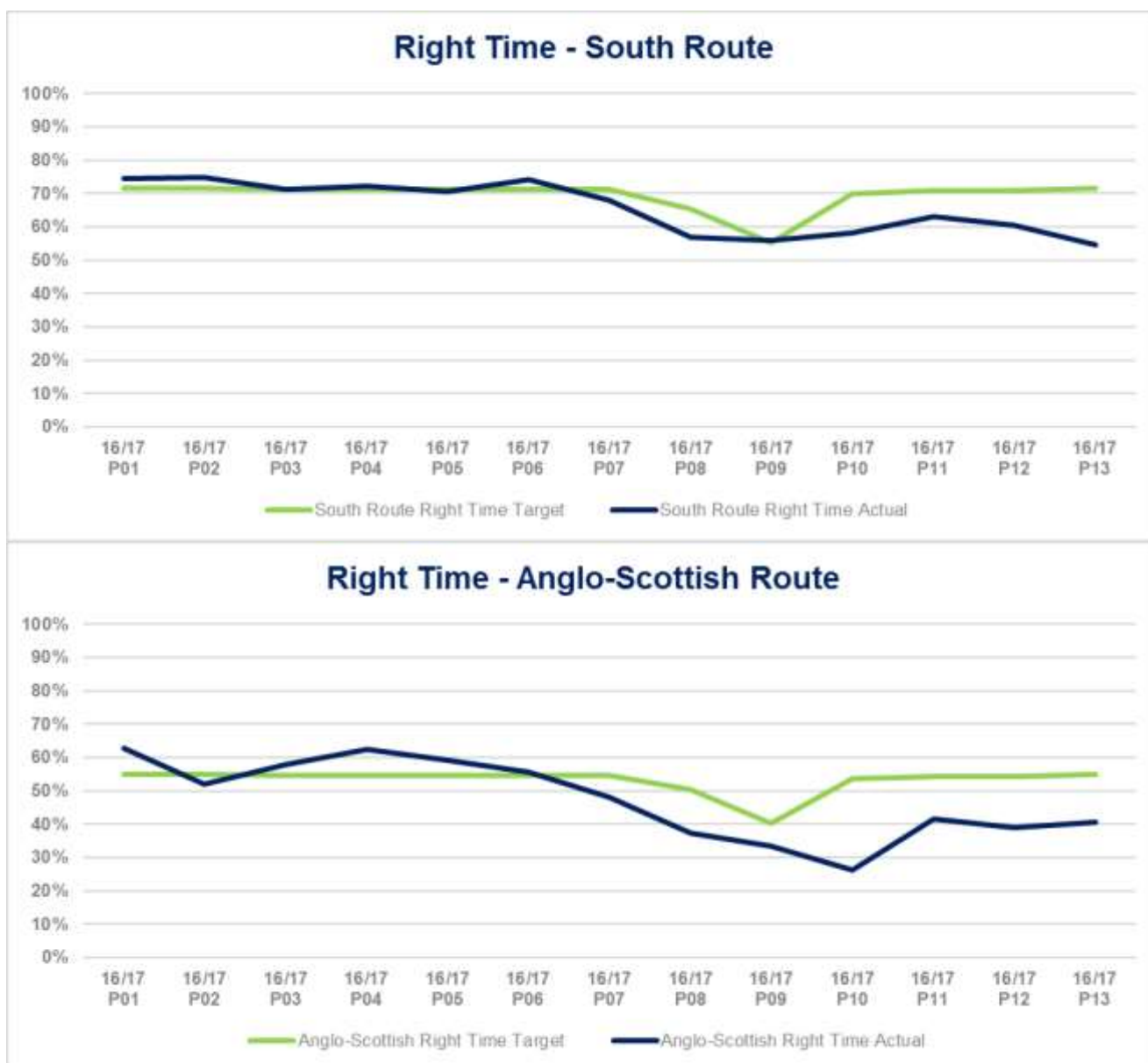
- Departure from origin station
- Arrival at intermediate station
- Departure from intermediate station
- Arrival at terminating station

Targets are set for right time running, and analysis is carried out where repeat issues are identified.



Right time running follows a similar profile to PPM, but places more consideration on the key midpoints of the routes served by TransPennine Express, such as Manchester Piccadilly, Leeds, York, Preston and Sheffield, recognising that for many, these key cities are the destination, or connection point to other services, and as such punctuality at these points has a greater effect.

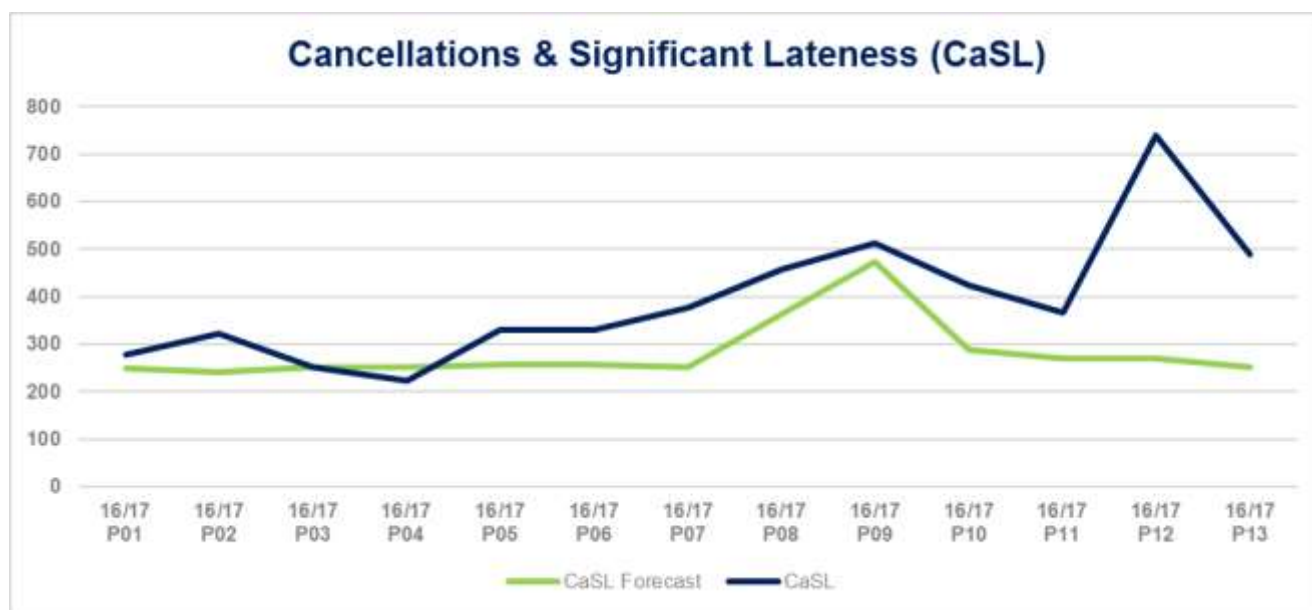




Cancellations and Significant Lateness (CaSL)

From time to time, it is necessary for trains to be cancelled. This can be for various reasons, many of which are outside of the control of TPE, such as infrastructure failures or adverse weather. Sometime the decision is also taken to cancel trains to recover service performance faster by creating space on the network.

Forecasts are set for the number of trains which may be cancelled or experience significant lateness (in excess of 30 minutes). These trains qualify for delay-repay reclaims.



Often, significant lateness resulting in cancellations will be incurred due to infrastructure issues, or technical faults with the train or other trains on the network. They can also be due to incidents including passengers being taken ill on board, or suicides.

TPE have a comprehensive set of mitigation plans to reduce delays caused by these incidents, including key partnerships with groups outside of the industry. We also work closely with industry partners to adopt best practice and adopt consistent approaches to improve the response to incidents.

Short Forms

In 2017/18, a total of 337 services were short formed. The majority of these were due to fleet technical issues, some of which can be attributed to root causes including wheel flats, which accounted for a total of 37 short forms (mitigated through the introduction of the Autumn timetable), coupling issues recorded as causing 26 short forms, with wider failures, both in traffic and on depot causing 87 short forms.

The business recognises that short forms have a significant impact on service through reduced capacity and knock on effects from delays accrued through longer dwell periods. Customer satisfaction is also impacted, particularly where customers have seat reservations. In response to the known root causes, the business is imposing mitigations to reduce the occurrences of short forms, including preventative maintenance, increased stock levels of key spare parts, including windows, and reducing door closing cycles.

Employee Development

Apprenticeships

Year 1 Young Apprentices

In year one of the franchise, TransPennine Express recruited eight young apprentices into the business in key areas, including train planning, customer experience and fleet.

The apprentices all have a structured training programme which means they spend time in other areas of the business. As a result, they gain an appreciation of how a train operating company operates in order to decide their future career opportunities. This benefits the business as we are able to identify future talent, in areas where the apprentices may not have previously considered.

All apprentices have a line manager and a mentor to ensure they are fully supported throughout their training period.

They study for a recognised qualification, and in addition to regular off job training, they are also working toward a Duke of Edinburgh (DofE) Gold Award. This includes undertaking charity work, physical activity,

regular 'Business Skills' training days and a series of expeditions. The purpose of this is to develop their teamwork, resilience and leadership skills by pushing them out of their comfort zones. The programme has been fully funded by TPE as part of the Duke of Edinburgh Business scheme.

Each apprentice enrolls onto a college course. The year one apprentices have already achieved:

- 7 x NVQ Level 2 Customer Service Practitioner
- 1 x NVQ Level 3 Engineering

In year two of the franchise, six of the eight apprentices have progressed, and are working towards the next level of their qualifications:

- 5 x NVQ Level 3 Customer Service Practitioner
- 1 x NVQ Level 4 Engineering

Two apprentices left the business after their first year, while two of the remaining six have gained permanent employment alongside completing their qualifications. These roles include:

- Revenue Protection Assistant – TransPennine Express
- Customer Relations Advisor – Hull Trains

In addition to their college studies, we put our apprentices through a series of in house and externally accredited development programmes. These include (but are not limited to) WorldHost Principles of Customer Service, Disability Awareness, British Sign Language, First Aid, Lead to Succeed leadership development (including 360* feedback beforehand), Media Skills and Social Media Skills.

Year 2 Young Apprentices

In year two of the franchise, we recruited a further seven young apprentices into the business, again targeting key areas of the business.

The qualification split in year two is:

- 6 x NVQ Level 2 Customer Service Practitioner
- 1 x NVQ Level 3 Accounting

Using our learning from previous cohorts, we put together a detailed and structured development programme so all Apprentices knew their key dates in advance. This includes their DofE expedition dates, planned in days for off job training courses and all their college release dates. The schedule is split into a series of 'placements' however the Apprentice and their line manager work the detail according to their specific needs and areas of interest.

Adult Apprentices

In year two of the franchise, the business provided 19 adult apprenticeships, split across two qualifications:

- 9 x Passenger Transport Driver
- 10 x Passenger Transport Service Operation - On-Board and Station Team Member

In the same way as with the young apprentices, a structured programme of development is in place shared by both the Learning and Development team and the line manager.

Graduate Placements

TransPennine Express supports the FirstGroup graduate programme, offering placements to graduates in key areas of the business. A significant number of FirstGroup graduates have gained permanent employment with TransPennine Express, and have gone on to work in senior roles within the industry.

In year one of the business, a total of three graduates completed placements with TransPennine Express, with one gaining permanent employment in the business, and the other graduates gaining employment with FirstBus and Great Western Railway.

In year two, one graduate is on placement with the business, working in the Major Projects team.

Professional Qualifications

TransPennine Express invests in professional qualifications for its employees across a range of developmental and key operational needs.

Qualifications include:

• Be Safe trainer license	5
• Personal Track Safety (PTS)	9
• First Aid at Work certificate	1
• First Aid at Work certification refresher	7
• Young People Safe-guarding accreditation	12
• Fire Wardens and Fire Precautions Managers re-accreditation	2
• MA in Teaching in Lifelong Learning (ongoing)	1
• Certificate in Education	1
• CIPD in Training Practice (ongoing)	1
• IOSH Managing Safely	6
• NVQ Level 3 Diploma in Customer Service	3
• Train Operating Liaison Officer license	6
• Institute of Marketing	1

These are in addition to the qualifications being pursued and achieved through the apprenticeships programme.

Environmental Measures

As a provider of mass transportation, TransPennine Express helps to reduce carbon emissions through offering individuals a more sustainable alternative to the private car, with lower CO₂/Km emissions compared with fossil fuel powered cars. However, we recognise that our infrastructure and the trains which we operate still have an impact on the environment, which is why we work hard to ensure our operations are as efficient as possible. Some of the schemes we have introduced, and are planning to roll out include:

- **ECO Drive**
This initiative began in the previous TransPennine Express franchise, and has continued to be effective in delivering fuel efficiency. The scheme incentivises drivers to operate our class 185 trains economically, by giving them a share of the cost saving from reduced fuel usage.
- **Driver Advisory System (DAS)**
Whereas ECO Drive encourages drivers to save fuel by coasting, shutting off engines and driving smoothly, DAS is more like a Sat Nav, informing drivers of upcoming terrain, running speeds etc, so that they can plan their drive.
- **Building Management Systems (BMS)**
Ensuring our buildings perform efficiently is key to managing our energy consumption. The BMS enables control of heating systems to ensure that air-conditioning is used efficiently to maintain set temperatures rather than allowing local control which can see excessive use to combat weather effects.
- **Voltage Optimisation**
Voltage optimisers were installed at all TPE managed stations at the start of the new franchise, and worked to minimise the energy consumption on key station systems, including lighting.
- **Solar Panels**
TransPennine Express are exploring opportunities to install solar panels at locations on our network to feed into local supplies to reduce consumption from the grid.
- **LED Lighting**
All TransPennine Express stations have had their lighting upgraded to LED, reducing energy consumption, and increasing the lifespan of the lamps, reducing maintenance requirements.
- **Fuel Additive Trial**
TransPennine Express are working with our rolling stock providers to trial fuel additives with the aim of gaining a greater fuel economy from the same quantity of diesel.

At an industry level, there is a move towards electric trains, allowing power to be generated from more sustainable methods rather than burning fossil fuels. Of TransPennine Express' three new fleets of trains, one is entirely electric, one is a hybrid, with the ability to run on electricity where overhead wires are available, and diesel where they are not, and one fleet uses locomotives, which will be diesel at introduction, but can be changed to electric if or when the infrastructure becomes available.

We monitor our environmental impact across four key areas, and set targets against these which challenge us to reduce our consumption and waste generation. These are:

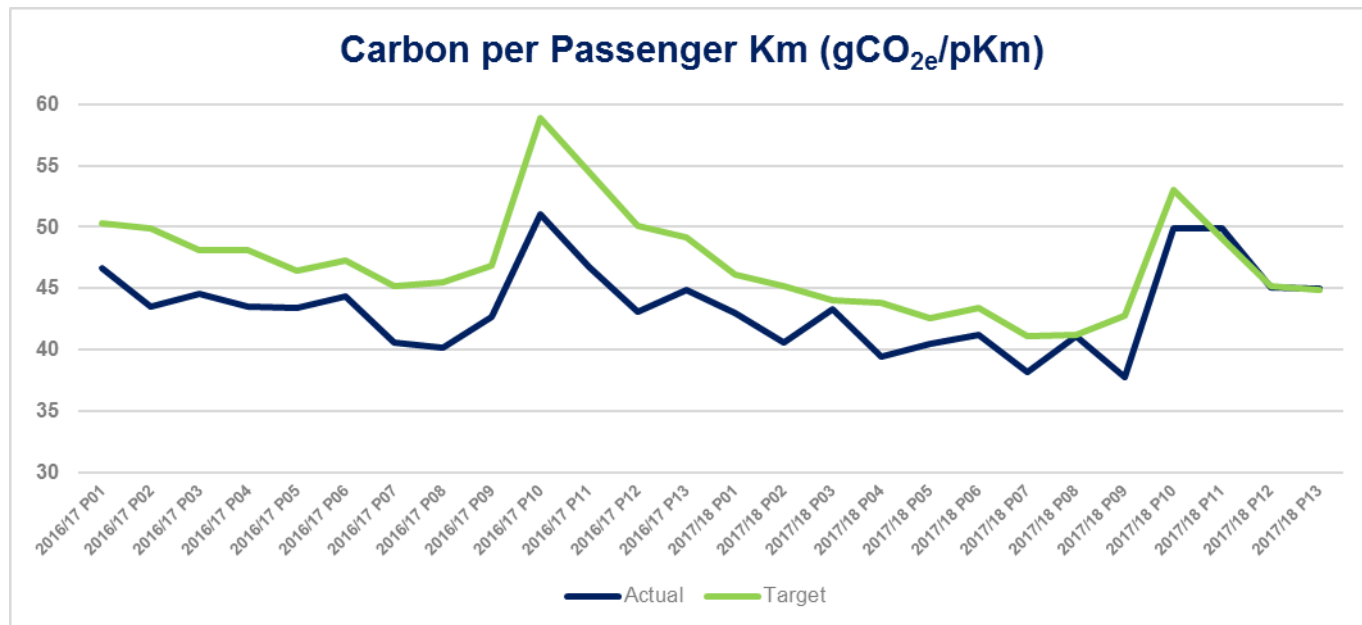
Energy

We monitor our energy consumption of both our trains and our wider operations, including our stations, offices and traincrew depots. These are split into traction and non-traction energy.

Traction

Traction energy is measured in a number of ways, including fuel usage, however we use Carbon per Passenger Km as it allows us to combine the energy used by both our current fleets, (diesel and electric) as

well as our usage year on year as the number of services which we operate, and therefore the distance covered, varies.

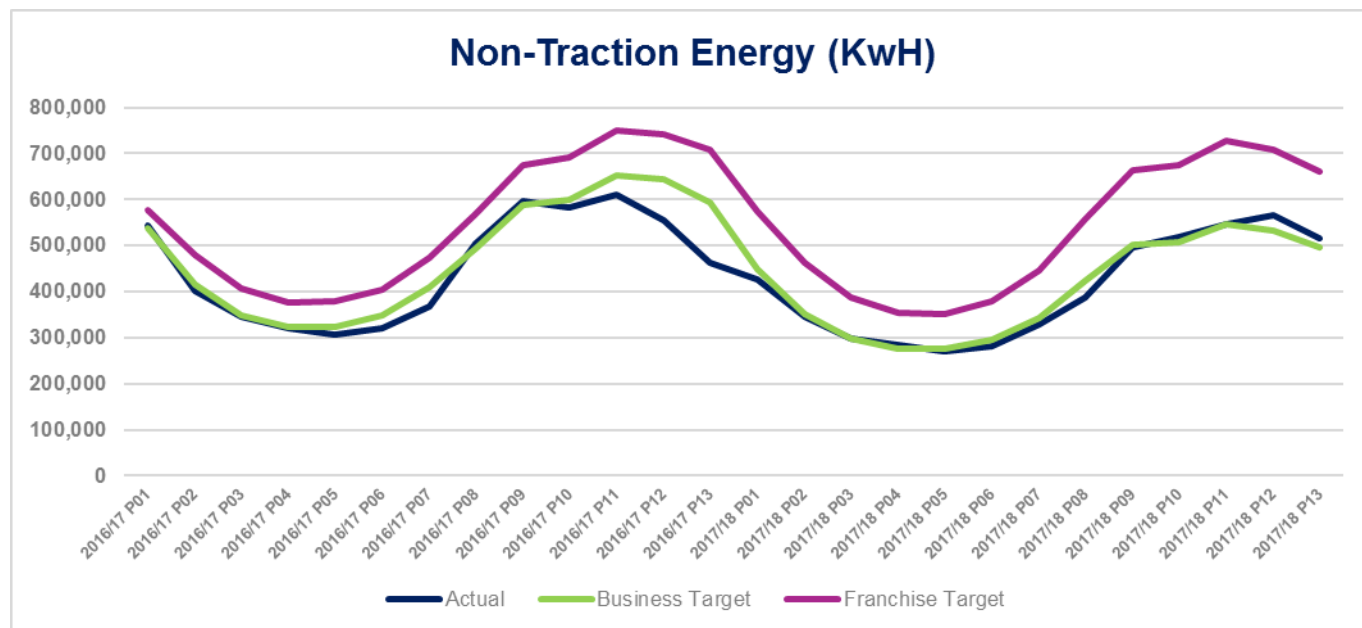


Peaks in CO₂ output are experienced in the winter months as greater usage of the air conditioning units maintains higher on-board temperatures. Train features including heated couplers also contribute to this spike, but are a necessity to ensure that vital train systems remain functioning in adverse weather conditions.

A harsher winter in 2017/18 when compared with 2016/17 saw Carbon per Passenger Km remain at an increase level for a longer period rather than spiking as was seen in P10 of 2016/17, however this was the only point where target was exceeded, and annual reduction targets were met.

Non-Traction

Our non-traction energy consumption is measured in Kilowatt Hours, with the majority of use being measured at our managed stations.



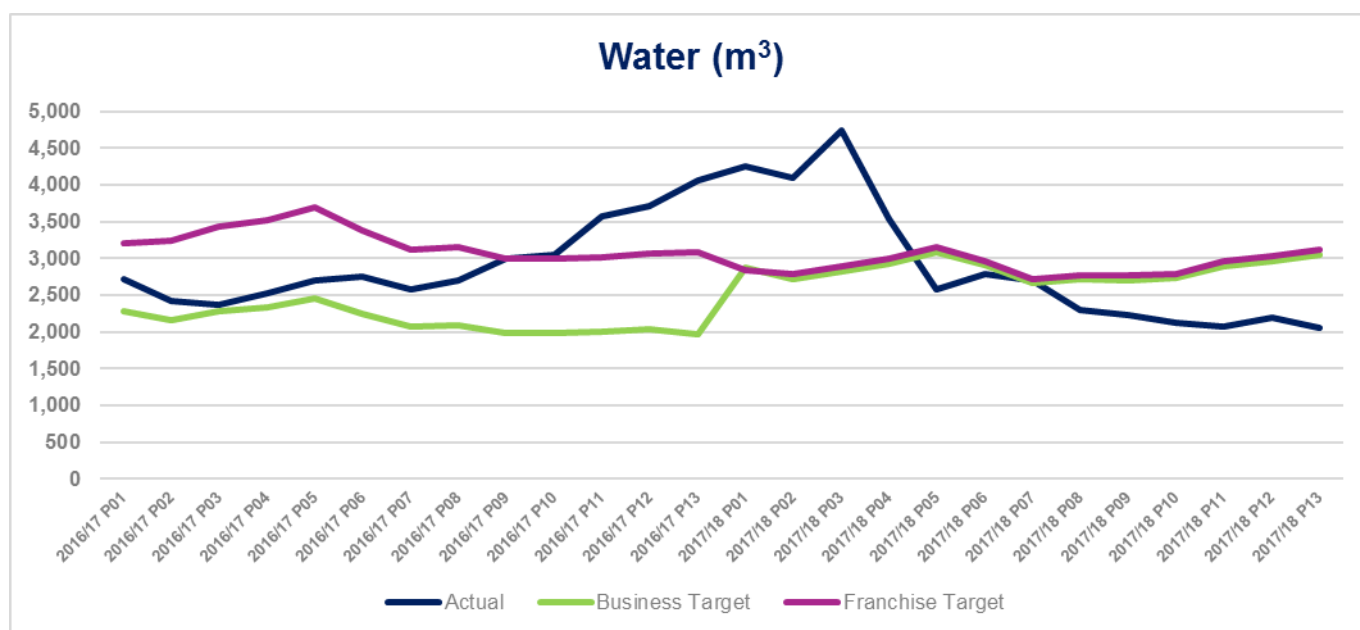
The installation of LED lighting, Building Management System and Voltage Optimisers has had a positive impact on the businesses electrical usage, however some areas are taking longer to realise the benefits than others whilst system anomalies are resolved.

These initiatives have also been countered in some locations by the installation of additional draws on electricity for customer benefits including new waiting rooms, gatelines, ticket vending machines, and cycle parking structures.

A similar pattern is experienced as for traction energy, whereby consumption is higher in the winter months for heating, and also for additional lighting during the darker evenings, but a significant year on year reduction has been achieved.

Water

Our water consumption is measured in cubic metres, with the majority of use being measured at our managed stations.



Water use is relatively consistent across the year, however the graph clearly shows usage averse to target for a sustained period throughout 2017. This was later attributed to a significant water leak at Cleethorpes which took several months to find and rectify, however the impact can be clearly seen from period 5 onwards in 2017/18 where usage fell and has then continued to reduce, beating both franchise and business targets.

Opportunities to introduce water fountains and bottle refill stations may have an impact on water usage, but is ultimately a positive move in terms of environmental initiatives to support national campaigns to reduce the use of single use plastics.

Waste & Recycling

The business has a franchise target from the end of Year 2 onwards of 100% of waste avoiding landfill and 90% of waste recycled or prepared for reuse. Numerous initiatives are in place to work to achieve this.

Challenges have been faced particularly at those locations where operators other than TransPennine Express deposit waste, as recycling bins quickly become contaminated through the inclusion of items such as coffee cups.

Limitations imposed on the industry in the interest of security prevent additional recycling bins being placed on stations for specific items, so TransPennine Express are exploring opportunities to reduce the number of instances of contamination which would greatly improve recycling rates.

Pollution Incidents

There have been no reported fuel or chemical spillages during the current TransPennine Express franchise.

Water leaks have been experienced at some locations, however these have been identified and since rectified by Network Rail.

Omitted from our environmental impact statistics are:

- *Any locations where facilities are leased from other Train Operating Companies or Network Rail, including traincrew depots at locations where TransPennine Express are not the Station Facility Owner.*
- *Train Maintenance Depots, including York and Ardwick where Siemens operate facilities to stable, clean and repair our trains.*

Summary

It is evident that TransPennine Express is having a positive impact on the communities we serve through the provision of high quality rail services connecting key towns and cities across the north. This infrastructure enables journeys to be undertaken for business, leisure or commuting, and provides a key alternative to private car usage. It is fair to say without rail the north would be a far less prosperous and productive region.

What is key is that in providing this infrastructure and services, we do not have an adverse effect on other social and environmental factors. Whilst it is important to ensure communities are connected, it must not be to the detriment of the environment or culture which surrounds us.

Investing in our communities by supporting the initiatives which are important to them, through small fundraising schemes or large-scale redevelopments, and providing skills and opportunities places us in an advantageous position, whereby people recognise the benefits of rail beyond providing a link to other towns and cities, and provides stability and sustainability to grow the network.

It is widely acknowledged that train travel is more environmentally friendly than the equivalent car journeys, however TransPennine Express is still taking steps and will continue to pursue opportunities to reduce the environmental impact of our services. This includes the provision of new electric and bi-mode trains, installing solar panels, and seeking to reduce the amount of single use plastic in use by our business.

In a changing world with a shifting culture, personal car ownership, particularly in cities, is declining, giving way to the rise of car sharing, bike hire and schemes such as Uber. For the environmentally conscious, rail travel is an obvious choice, so long as it continues to outperform the alternatives and maintain a lower carbon footprint. Add in the convenience and added productivity which can be gained through working whilst travelling on connected trains benefitting from Wi-Fi, ever shorter times, and we have a long term formula for growth across the network.