

# TRANSPORT

## Briefing

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## Profits halved but National Express in 'stronger place'

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The government's withdrawal of concessionary fares for coach passengers, the loss of the Greater Anglia rail franchise and 'exceptional' costs incurred in repositioning and developing the business have led to National Express Group's pre-tax profits for 2012 being slashed by almost half.

However, presenting NEG's financial results, chief executive Dean Finch said investment in entering new markets and efficiency programmes, alongside "strong performance" in four of the group's five divisions had created a solid platform for the group's new expansion strategy.

"Outside UK coach we have made really good progress this year and I firmly believe we ended 2012 in a stronger place than we started it," he told City analysts.

At the UK coach division the withdrawal of concessions funding led to senior citizens making one million fewer journeys on National Express coaches in 2012, amounting to £16m lost revenue, while government cuts to the Bus Service Operators Grant brought a further £1m hit. The division's operating profit fell 40% from £35m to £20.5m, as the plan to minimise the impact on the coach business through service reductions, route changes, fare cuts and reduction in staff numbers proved unsuccessful.

Further initiatives are now being considered to offset the loss of concessionary revenue and the potential abolition of BSOG for coach companies. They include introducing new yield management technology, a programme to reduce depot costs in addition to the closure of Crawley coach station announced in December, reducing 'dead mileage' and developing new partnerships with other travel operators.

The poor performance of the UK coach business and the impact of austerity measures on the large Spanish division were offset by US acquisitions and increased profitability in the UK and US bus businesses. As a result NEG's operating profit excluding UK rail rose from £182m to £185m. However, the loss of the Greater Anglia franchise meant overall group operating profit fell £225m to £212m. The lower operating profit and the 'exceptional' costs of £42.6m saw pre-tax profits fall from £130m to £70m.



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### PASSENGER TRANSPORT

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