

First Group Agrees Termination Sums for Avanti West Coast and South Western Railway Franchises



First Group PLC has announced that it has reached an agreement with the Department for Transport over the termination sums for the rail franchises of South Western Railway and Avanti West Coast. The two companies are currently operating under Emergency Recovery Measurements Agreements (ERMAs), which were put in place by the Department for Transport to make sure rail services continued to operate for key workers in the coronavirus pandemic.

The ERMA is in place for Avanti West Coast until the end of March 2022 and is in place for South Western Railway until the end of March 2021. Train operators and the Department for Transport must agree whether any payment is required to terminate the existing franchise agreements, and if so, how much. The DfT and First Group have announced that no sum is needed for Avanti West Coast, which started in December 2019 and had been performing well before the pandemic. An agreement has been reached for South Western Railway, which requires a further contribution from FirstGroup of £33.2m.

FirstGroup reduces losses

Operating losses reduced to £16.4m from £118.1m, which FirstGroup said was ahead of its expectations. It achieved these results in the half-year to the end of September 2020 as it adjusted to reduced numbers of journeys due to COVID-19 restrictions



The group's UK rail and bus operations are being subsidised under a government support scheme (ERMA) while many of its overseas operations are either fixed contracts or also being supported. Revenues in the half-year to end September 2020 fell by 12% to £3.1bn with pre-tax losses of £100.1m compared to £187.1m a year earlier.

Operating losses reduced to £16.4m from £118.1m, which FirstGroup said was ahead of its expectations due to the government support, tight cost controls and a strong recovery by its US operations. On an adjusted basis, operating profits were £10.4m against £88.9m.

Matthew Gregory, chief executive, said the outlook remained uncertain because of the pandemic but the group had performed ahead of expectations in the first half. Talks over a sale of its US businesses are ongoing, he added, with a 'number' of credible potential buyers said to be interested.

FirstGroup added it had liquidity of £805m available at the end of the first half.