



Liaison Committee

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Service agenda items

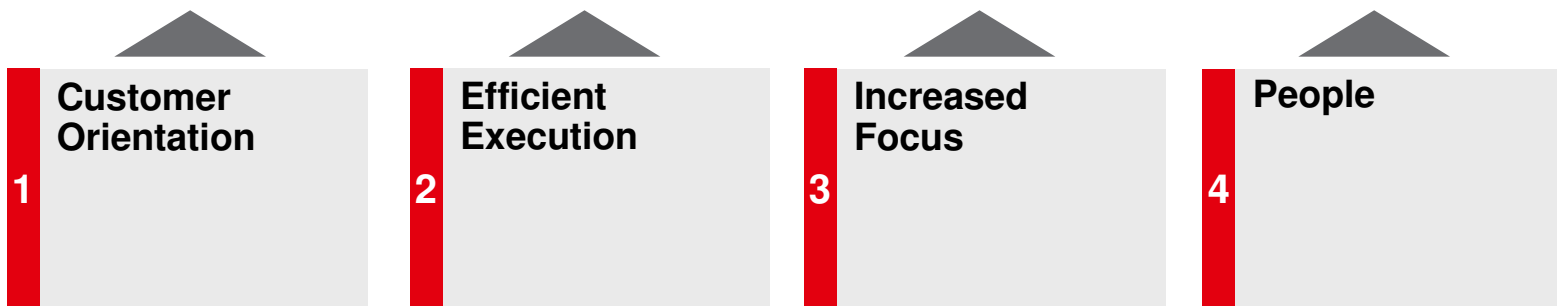
- 1. Service Division strategy overview**
- 2. Services UK future business shape**
- 3. Formation of pricing and the reason of loss of orders – ICE 1/Green Cargo**
- 4. UK Heavy maintenance – Ilford and Crewe**
- 5. Employee engagement**

1. Overview of Division Strategy

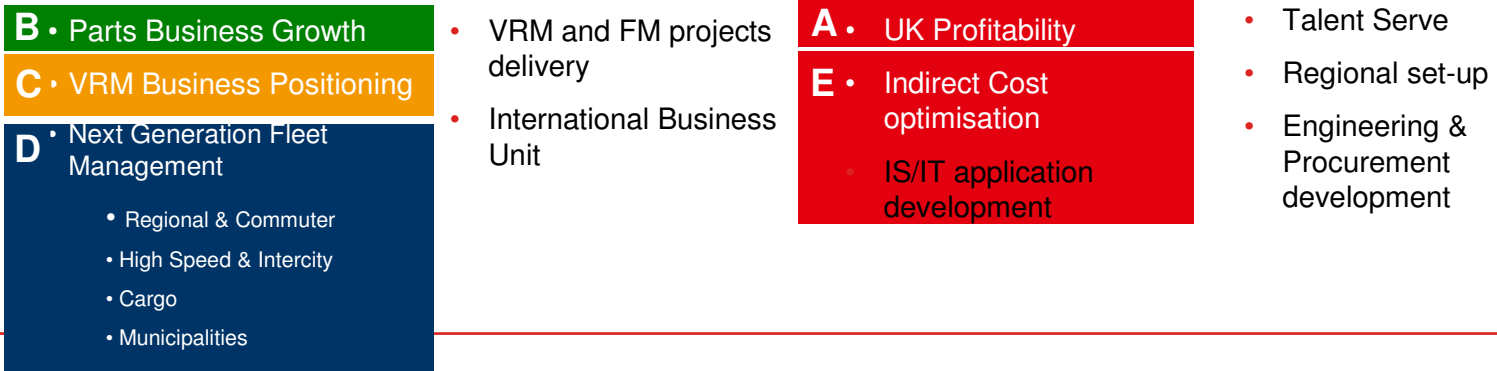
Goals for

- Sustainable EBIT, 1/3 from short-term Business
- Maintain Flat Sales
- Position as High-end VRM supplier
- Secure Book-to-Bill Ratio of 1.2, target 1.5
- Increase Backlog for Fleet Management and Material Supply Agreements

Strategic Cornerstones



Strategic Priorities



1. Overview of Division Strategy

Parts Business Growth

Progress made to date


- FY10 A vs FY10 Budget*
 - OI of 182 MEUR vs 242 MEUR
- 421 fleets screened (13 under MSA agreements, 12 under 2nd tier FM, 44 under Full FM)
- 88 fleets targeted with Material Supply agreements
- 31 Fleet Demand Plans produced in various formats, 38 Demand Plans ongoing mainly in MCM format
- Approx. 30 LTSAs closed
- Supply chain efficiency improvement and cost reduction
- New Parts Governance implemented
- Market innovations launched (Light glass windows, LED lighting, Standard wheels...)

Delays/ roadblocks

- Delay on Order Intake in FY10
- Strong engineering and procurement workload needed to build parts list and demand plans due to lack of complete information from vehicle Divisions
- Customers
 - Reduction of OPEX
 - Internal procurement organization and processes slow to change

Support needed

- Accelerate Specific Terms and Conditions (STC) in new built contracts with system suppliers
- Integrate Top20 Services suppliers within Code 30+ management
- One ERP for Warehousing (Virtual Centralization) vs. decentralized country ERP systems

 *FY11 Budget: OI 268 MEUR

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1. Overview of Division Strategy

VRM business Positioning

Progress made to date

- FY10 Est. vs Budget*
 - OI 188 MEUR vs 323 MEUR
- Energy Saving (eco4)
 - Marketing Energy Metering launched
- Electrical & Diesel Propulsion
 - Product clustering & Fleet screening closed
- VRM Marketing & Sales
 - Alignment on target fleets with Sales force ongoing
 - 8 Proposals delivered
 - 3 Proposals in preparation
- VRM Delivery & Execution
 - Launch of Sao Paulo Line1 and Wiener Linien E2 ongoing
 - Mixed picture for vehicle handover to customers (Good progress for T44, delay on RC2)

Delays/ roadblocks

- Cost competitiveness issue
- Customer CAPEX postponement or cancellation
- Business case needs to integrate operations cost improvements (energy)
- Lack of system engineering resources in Services
- Cooperation with key suppliers to be managed

Support needed

- Higher cooperation with PPC: Quarterly Business Reviews, joint white book, improved cost competitiveness)
- Sustain Business Development with appropriate technical support
- PM and System Engineering Resources

*FY11 Budget: OI: 206 MEUR

1. Overview of Division Strategy

Next Generation Fleet Management

Progress made to date

- FY10 Est. vs Budget*
 - OI 641 MEUR vs 689 MEUR
- **Intercity & High-speed**
 - Reliability Growth Plan for HST 250 in place, validation of Maintenance Cost Model (MCM) for High-speed in Spain and development of reliability growth methodology with LOC
- **Regional & Commuter**
 - Thameslink Bid submitted
 - Road map defined for Automated Vehicle Inspection and Condition Based Maintenance roll out on existing fleets
 - Fleet Availability improvements through ORBITA
- **Cargo**
 - Fracas methodology reinforced and reintroduced with LOC; consequential reliability growth plan launched.
 - Process for optimized maintenance plan ongoing: Extension of intervals (inspections and revisions) in progress with different degree of maturity. High level of cooperation with LOC. Condition based maintenance is the last step of the plan.
 - Cost reduction plan on schedule.
- **Municipalities**
 - Lifecycle Cost guarantee successfully launched with Linz Linien FM contract
 - Benchmark with Evobus successfully launched

Delays/ roadblocks

- Added Value generation from ORBITA delayed due to lack of system engineering & reliability growth plan
- Cost of total supply chain (UK) still above 10% (13,5%)
- AVI capabilities not in full Service due to safety regulation requirements
- Overhaul costs underestimated in old contracts
- Tear & wear contractual definition unclear

Support needed

- Handover of vehicle contracts to SER with reliability and material consumption data during warranty
- System supplier performance management during & after warranty
- SER to ensure return on experience to vehicle engineering

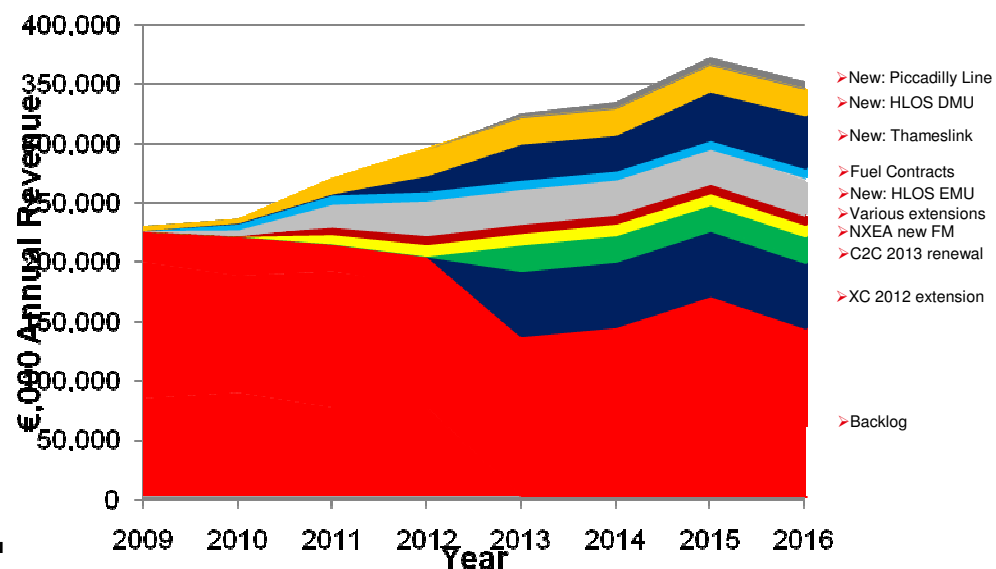
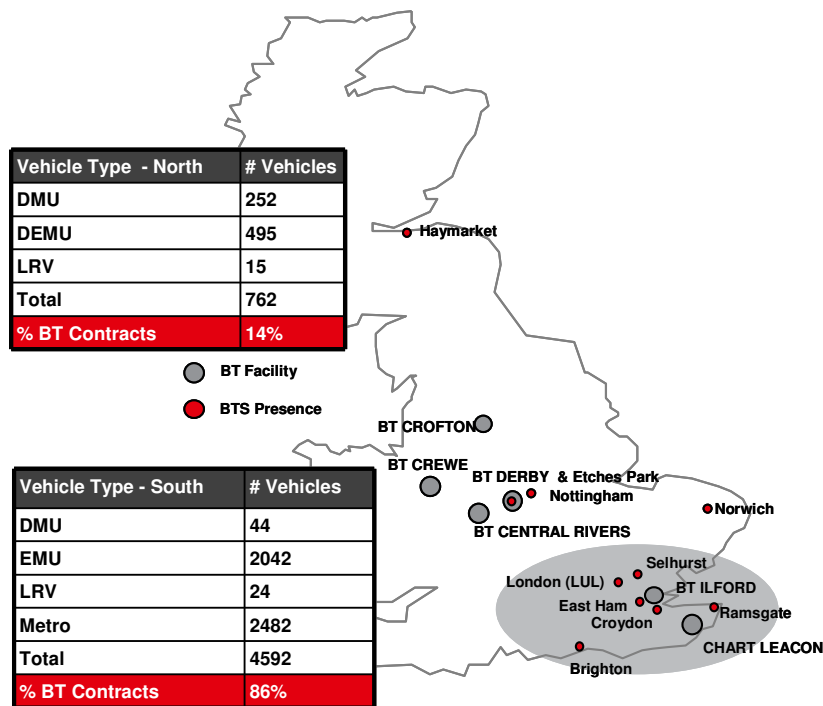


*FY11 Budget: OI: 509 MEUR

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2. SERVICES UK Future Business Shape

- 86% of BT UK Fleet Management activity resides in the South
 - Thameslink would increase this to 90%
- Backlog and realistic re-contest opportunities indicate an ongoing annual turnover of approximately 250 MEUR
- Incremental growth driven by New Build would increase this to 325-350 MEUR



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3. Formation of pricing and the reason of loss of orders – ICE 1/Green Cargo

DB ICE Traction Converter

- **Services price was underbid by ABB as part of their rigorous approach to enter the German market**
- **Bombardier unable to offer encapsulated traction converter, as requested by DB. The converter had to be closed to avoid incoming air and dust.**
- **The degree of efficiency of the converter was insufficient**
- **Delivery time for option: 5 months behind DB' schedule**
- **The price for the prototype converter was much too high**

3. Formation of pricing and the reason of loss of orders – ICE 1/Green Cargo

Green Cargo

- **BT's price was 20% above MGW and slow to produce bid**
- **Inter and intra Divisional knowledge usage ineffective**
- **Slow to provide fixed prices for extra items**
- **Our proposal of T&C which was not asked by GC**
- **Negotiation process not customer focused**
- **Issues of confidence arising from the refurbishment project**
- **Less flexibility than MGW**

4. UK Heavy maintenance – Ilford and Crewe Ilford

- **Quarterly briefs presented to all employees January, April and Sept addressing:**
 - Safety
 - Quality
 - Delivery – Project performance
 - Financial performance.
 - Business development/Commercial opportunities
 - Business Strategy. Growth.
 - **October 2009 all employees briefed on downsizing of HM Operations due to unsuccessful bid activity and the need to consolidate product streams. Ilford advised as a C4 site only with business running to end of 2011. Expectation we would then get continuation of contracts.**
 - **This followed up by fortnightly briefs through to end of November re-emphasising strategy moving forwards.**
 - **Briefs will continue through 2010**
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4. UK Heavy maintenance – Ilford and Crewe Crewe

■ Communication Methods

- Monthly face to face all employee briefings– General Manager (GC or TW)
- Weekly meetings with Union Reps – T&C negotiations or consultation meeting whilst going through redundancy process
- Monthly meetings with H&S Reps
- Monthly written briefs

■ Key Messages for Employee Briefings

- Safety
- Quality
- Environmental
- Customer Alignment
- New Business
- Current Status
- Challenges
- Successes

4. UK Heavy maintenance – Ilford and Crewe Crewe- 2009 Key messages

- **The future of the business is in our hands but to succeed we must:**
 - Regain credibility with our customers
 - Become more competitive
 - Lower our cost base
 - Increase Productivity
 - Adopt Modern practices
 - Deliver on Time
 - Improve our Quality
- **Employees made aware of:**
 - Financial status
 - Delivery performance update – improving
 - Inventory levels too high

4. UK Heavy maintenance – Ilford and Crewe Crewe Communications

- **Zero Pay Award for PC staff – based on**
 - Poor business performance
 - Losing money
 - Made improvements over the first 3 months of the year but business is still fragile and the site has a long way to go before we can say the business has made a positive contribution

- **October brief key messages – last face to face brief**
 - First half year on target financially
 - Now incurring losses due to falling volumes
 - End of year projection – significant loss anticipated – circa £2.5m
 - 2010 - next year budget doesn't look good, current projection £3m loss
 - Need to focus on what we can do to mitigate losses
 - Despite good work still in a difficult position – business sensitive to falling volumes.