

# The Sunday Telegraph

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## THE SUNDAY INTERVIEW

Alistair Gordon

Keolis may not be a household name but the French rail firm's role in running our trains is only going to grow, its UK chief executive tells **Nathalie Thomas**

**E**VER heard of Keolis? Alistair Gordon wouldn't be offended if you haven't – and he is the company's UK chief executive.

Keolis is the French rail giant that today plays a part in one in three passenger train journeys in this country. That amounts to 414m journeys a year. And it is about to get bigger. From September, Keolis and its joint venture partner, Go-Ahead, will take charge of the biggest rail franchise in Europe: the giant "Thameslink Southern Great Northern" line, running from Bedford and Peterborough, through central London to the south coast of England.

Yet, unless you work in the rail industry or have a particular passion for trains, chances are that the name Keolis means nothing to you.

For many businesses, that would amount to an identity crisis. But not for Gordon. He is quite happy with Keolis anonymously going about its business, helping to operate rail lines all across the UK. From December, Keolis will also take over the running of the Docklands Light Railway in London, while its other franchises include London Midlands services between the capital, Birmingham and Liverpool.

"We don't want our name blazed over everything, it's not what we are trying to achieve," the 46-year-old transport chief freely admits. "What we do is we make a promise and pledge and commitment to a client – the DfT or TfL – and then we quietly deliver it for them," he adds, referring to the Department for Transport and Transport for London.

Who can blame him? Now is not the best time to be a rail boss. Last week's announcement that season tickets and off-peak rail fares in England will go up by an average of 3.5pc from January had most commuters choking on their cornflakes.

The Government sets regulated fares yet unions pounced on the news, which helped to reinforce a campaign for rail re-nationalisation. Prices will have gone up by almost 25pc during the course of the current Parliament, they were quick to point out.

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### ALISTAIR GORDON CV

Age 46

**Family** Married with three children

**Education** Malden Erleigh Secondary School and University College London

**Career** 1990 Gibbs and Partners, transport consultant; 1995 Steer Davis Gleave, rail consultant; 1997 Eurostar, strategy director; 2004 Keolis UK, project director 2012 Keolis UK, chief executive

**If he wasn't in this job he would be** an airline pilot

Opponents of privatisation have long complained of commercial rail operators creaming "fat profits" from Britain's railways. Last month, the campaign gathered speed after Ed Miliband confirmed that a Labour government would allow a state-owned train operator to compete with the private sector for multi-billion pound rail contracts.

Having worked in the industry since the Nineties, Gordon has heard all of the "fat cat" accusations before. Profit margins, he says, aren't nearly as "fat" as unions in particular seem to believe. "The 'fat cat' guys who are in charge of the train operators are running on margins of less than 2pc," he says.

The re-nationalisation debate has heated up as the Government prepares to return the only remaining state-run franchise – the East Coast Main Line – back to private hands. Under current plans, Directly Operated Railways, which is owned by the UK taxpayer and currently runs the East Coast line, will next year return to its original purpose of being an operator of last resort. That is to say it will step in only if something goes wrong with another operator – as it was forced to do in 2009, when National Express handed back the keys to the East Coast line.

Keolis is one of three private rail companies that has been short-listed to take over the London-to-Scotland East Coast line from March 2015. It has submitted a joint bid with Eurostar, which has the same majority owner as Keolis: SNCF, France's state-owned railway.

Although Gordon is keen to point out that SNCF isn't

### FACTS

**1908**

Year of foundation of STA, one of the transport companies from which Keolis was born

**£4bn**

Turnover of the entire Keolis group in 2013

**19pc**

Proportion of turnover generated in the UK

**4**

Number of rail franchises currently in the UK

**414m**

Number of UK rail passenger journeys a year handled by Keolis

**11,000**

Number of people employed by Keolis in the UK

Keolis's only shareholder – it owns 70pc of the group – it is one of several companies, along with Abellio of the Netherlands and German-owned Arriva, that supporters of Miliband's plans use to prove their argument that foreign taxpayers are able to reap profits from Britain's railways at the expense of UK taxpayers.

Most private rail operators have reacted to Labour's proposal with alarm.

Gordon takes a slightly different tack. He is a staunch supporter of privatisation and believes competition has brought a raft of service, safety and punctuality improvements to Britain's railways. He also points out that other countries in Europe are also opening up their rail markets.

Gordon's take on the subject sounds like more of a challenge. "I am a taxpayer as well," he says. "If the public sector genuinely believe they can run the railways better than the private sector then they should be allowed to have a chance at it, shouldn't they?"

That's not to say that he's a supporter of the Labour plan, though. Gordon simply believes that as long as public and private were competing on a level playing field, the private sector would win every time.

"I believe in privatisation, I believe competition works, it drives value and it drives improved performance," he says confidently.

"So if it's a level playing field I would expect a private operator to win every time. I can't think of another market where [the] private sector competes with [the] public sector and doesn't win every time. The question is you need to have it as a level playing field. Private sector operators will want to know that it is a fair bid because you don't want the public sector bidding and marking their own homework."

Keolis has been operating – through joint ventures – in the British rail market since the advent of privatisation two decades ago. Its first

franchise, in conjunction with the UK's Go-Ahead Group, was Thameslink, which from next month will morph into the biggest rail contract in Europe – although Gordon says that it could potentially be the biggest franchise in the world.

The £8.9bn seven-year contract will combine several previous franchises in one, carrying 273m passengers a year and generating revenues of £12.4bn.

"I can't think of a rail franchise bigger," says Gordon. "Keolis operates and bids for franchises all over the world and I can't think of anything we have bid for that is even a third of the size of [the new] Thameslink [contract] It is a huge franchise."

But "TSGN" – the rather dull moniker for the new mega-franchise – will also be incredibly complex. Govia, which is 65pc owned by Go-Ahead Group and Keolis, will have to keep services running and, perhaps more crucially, stop passengers complaining while the line undergoes a major overhaul.

London Bridge station is being rebuilt as part of a £6.5bn upgrade of the line and trains from Cambridge and Peterborough will travel through new tunnels, allowing passengers quicker access to Gatwick Airport and the south coast of England. Eventually there will be 24 trains an hour between London St Pancras station and Blackfriars – three times the current capacity.

While Govia already runs part of the franchise as the incumbent operator of Southern services, Gordon knows it is not going to be a walk in the park.

The potential pitfalls aren't

putting Keolis off, however. Neither did the West Coast Main Line debacle of 2012 – it was one of four bidders that were involved in a row over a competition for a new long-term contract for the line, a debacle that ended in red faces at the DfT when it admitted officials had made significant errors in handling the bidding process.

Keolis recovered its bidding costs – for large contracts train companies generally commit about £10m – courtesy of a legal challenge by Sir Richard Branson's Virgin Trains. "I was going to send him a card but I thought that would be a bit flippant," jokes Gordon.

Now, after 20 years of always being the bridesmaid, Keolis is flexing its muscles and increasingly taking the lead in its UK rail joint ventures. It is the majority partner on the DLR contract with Amey, a company owned by the Spanish infrastructure giant Ferrovial, while it is also taking the lead on its joint bid with Eurostar for the East Coast Main Line.

Keolis was also last week shortlisted for two further franchises, Transpennine Express and Northern. It currently runs the former with FirstGroup but is hoping to win a new contract for the line with Go-Ahead Group – only this time the joint venture will be structured with Keolis as the 65pc majority partner.

"So there is no limit to our ambition," Gordon says, when asked how much of the UK market Keolis wants to dominate.

You may not have heard of it now but one thing is for sure: you'll be hearing plenty more from Keolis in the future.