



2002

transforming travel

People, Community and the Environment

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Verification Statement

ERM (Environmental Resources Management) was asked by FirstGroup plc to independently review its 2002 report for the UK, *Transforming Travel: People, Community and the Environment*.

We reviewed the programmes described in the report, including environmental and safety management, and customer and team initiatives. We also reviewed systems for collecting and reporting key data. Specifically, we undertook to:

- Check that the information presented is accurate, and that it represents the company's performance fairly;
- Critically review the scope, balance and interpretation of the information presented; and
- Assess the effectiveness of the Company's environmental data management processes that have generated the 2001/2 data.

Activities

To do this we:

- Interviewed First's environmental personnel and reviewed data management systems for collecting data on electricity, gas, water and fuel consumption from operating companies;
- Interviewed operating company environmental managers at the two largest train companies and three of the 26 bus companies, focusing on the quarterly data reporting process. This included visits to two bus depots;
- Interviewed representatives at Company and local level to discuss a number of the programmes described in the report; and
- Reviewed drafts of **Transforming Travel: People, Community and the Environment** and discussed our findings.

Findings

In the 12 months since the Company last reported on environmental performance, First has initiated significant programmes of work to strengthen its performance. These have been reflected across the Company through:

- Broadening the scope of reporting to include employee, customer and community issues.
- Presenting estimates of atmospheric emissions from bus and rail transport.
- Reducing water consumption in the bus division, through the ongoing programme to install water recycling on bus wash facilities.

- Introducing yellow school buses that provide community services, and help to alleviate traffic congestion and pollution through replacing cars on the roads.
- Further developing its programme of safety training and initiating behavioural safety audits.
- Initiating adoption of common health and safety performance indicators across all divisions.

In our opinion the scope of information presented in this report is balanced and fairly represents the performance of First. The Company has recently improved its systems for collating environmental data, which we expect will improve the accuracy of this data in future.

Recommendations

First's management recognises that opportunities exist to improve environmental and social management systems, performance and reporting. We recommend:

- Further extends the scope of performance reporting on employee, customer and community issues.
- Considers reporting on its progress in adopting common health and safety performance indicators and performance against them.
- Reports on performance measures and targets for monitoring improvements in employee issues such as working conditions.
- Improves data management systems further. Plans to undertake monitoring of bus fleet emissions and to improve calculation methods, will improve the reliability of data on atmospheric emissions.
- Refines quality assurance processes at Company level to systematically identify and resolve any anomalies in local performance data.
- Develops environmental objectives and targets that focus on performance improvements in addition to management inputs.

FirstGroup plc is one of a small number of transport companies that are leading the sector in environmental and social reporting. The Company is in the early stages of developing social and environmental management and data collection systems and we anticipate that the changes planned will improve further the robustness of its reporting programme.



Chief Executive's Statement

I am pleased to present our annual environmental performance report covering the period April 2001 to March 2002. During the last 12 months we have continued to work hard to further improve Company environmental performance through investment in fleet, improving the environmental management structure and standardisation of procedures. In particular our performance monitoring systems have been improved, and for the first time we are able to provide data in relation to energy and water usage, emissions and waste arisings.

We have also acknowledged the growing profile of the Corporate Social Responsibility agenda. In recognition of the desires of our shareholders, we have included a broader range of issues in this report. These issues are all encompassed in our vision to **Transform Travel** and make First the number one public transport provider.

First is a young company and therefore still relatively new to performance monitoring in all areas of Corporate Social Responsibility. We are however committed to continuous improvement and the raising of standards and monitoring procedures throughout First.

In addition to environmental performance, this report describes some of the initiatives we are taking to improve our staff and customer focus. Evidence to date has clearly shown that improving customer service increases the use of public transport, which will in turn lead to environmental benefits.

I would like to thank all of our staff for their continued commitment to this process of change, which I am sure will benefit the communities we serve in the longer term.

A handwritten signature in black ink, which appears to read 'Moir Lockhead'. The signature is written in a cursive style and is positioned above a horizontal line.

Moir Lockhead
Chief Executive



Profile of Operations

First is a major international passenger transport company with bus and rail operations in the UK and school bus, transit, contracting and management and vehicle maintenance services in the United States and Canada.

We are the largest bus operator in the UK running more than 1 in 5 of all local bus services and carrying some 2.7 million passengers per day. Seventy five percent of our operations are in urban areas where high levels of traffic congestion mean that buses can offer the most effective alternative to the private car. In these areas we have a real opportunity to grow passenger volumes. We are committed to improving the quality and accessibility of bus services and have pioneered partnerships with local authorities to alleviate traffic congestion in major towns and cities.

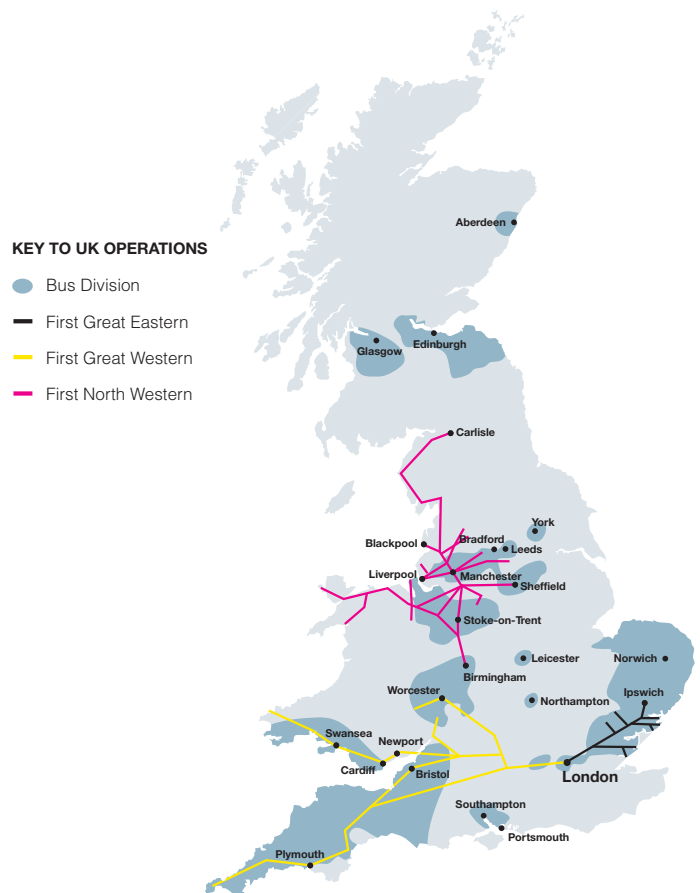
Our three UK passenger rail franchises account for almost 15% of the market and carry some 280,000 passengers every day. Our operations cover intercity (First Great Western), London commuter (First Great Eastern) and regional (First North Western). We are committed to the long term development of Britain's railways. We are delivering some £300 million of investment in new rolling stock and passenger improvements. We believe we can continue to bring innovation and strategic direction to the industry.

First also operate Croydon Tramlink, a light rail system which commenced operation in May 2000, bringing trams back to London for the first time in almost 50 years.

In the United States and Canada we operate yellow school buses and carry out transit contracting and management and vehicle maintenance services. We are the second largest provider of student transportation in the US and third largest in Canada. We operate around 15,000 yellow school buses every day, carrying over one million students across 33 states in the United States.

Our transit management operation is one of the largest private sector providers of urban bus services in the US. We manage public transport systems on behalf of cities such as Los Angeles, Houston, Denver and New York. Our vehicle maintenance services operation is the largest private sector provider in North America. We maintain vehicle fleets and equipment primarily for public sector customers, fire and police departments.

We have some 56,000 employees in the UK and North America.





Transforming Travel

Transforming Travel sets out the vision for First over the next ten years to become the number one public transport provider with a strong customer and employee focus. Our aim is to provide a service that is safe, reliable, high quality, personal and accessible.

First is a young organisation which has evolved from a large number of smaller companies all with their own management styles, identities and culture. **Transforming Travel** is the means of bringing these organisations together through our shared vision which will drive continuous improvement in the key areas of our business; these being safety, customer, staff, performance and environment.

This environmental performance report aims to provide an update on the Group's environmental performance and link this to the First vision for **Transforming Travel**, and is presented in the following sections:

- Safety First - which describes the structure and focus for safety management within the company.
- Customer First - which describes how we are putting customers' needs at the forefront of our development strategy.
- Team First - which describes how we are working to improve employee satisfaction.
- Environment First - which follows on from and updates the information presented in our previous environmental report.

This performance report focuses on our UK operations. We are in the early stages of generating and amalgamating systems for reporting of data in North America and over time hope to provide either separate or combined reporting on this part of our operations.

Unless otherwise stated, the reporting period for this report is April 2001 to March 2002. Where more than one year's data is presented it is presented for the equivalent period in previous years.



Safety First

In this section we provide an overview of the structure of safety in the Company and examples of some of the actions we have taken to improve the safety of our staff and customers. Safety is our number one priority. We want our customers to arrive safely at their destinations and our staff to work safely throughout the day.





Safety is our Number One Priority

First takes the issue of safety extremely seriously and is determined to aggressively approach safety as a core value. The establishment and focus of the Executive Safety Committee chaired by the Chief Executive along with a supporting structure of Divisional Safety Committees represents a clear demonstration of this.

First is committed to adopting and practising the highest industry standards and again this commitment can clearly be demonstrated by the adoption of and continuing work on the Cullen Report Part II which made recommendations on the safety culture in the railways following the Ladbroke Grove crash.

First works to the principle that all accidents are preventable and because everybody in the organisation is responsible for safety it is essential that all employees receive safety training.

More tangible evidence of this commitment is the significant programme of training that is taking place at all levels throughout the Company. A key component of this training is the development of behavioural safety auditing to form an integral part of this programme, which has led to the production and implementation of a detailed and comprehensive programme of behavioural safety audits. These audits are conducted by senior managers on a regular basis with the primary focus of the audit being the behaviour and practices of the workforce. Behavioural audits are central to our strategy of engaging all staff in safety, both on and off the job, and are important as the organisation and all its people develop the safety culture which is so important to our industry.

Further relevant and specific programmes for training and development are planned as part of the Safety First initiative with the clear aim to raise safety awareness and understanding.

Throughout the year, a number of initiatives have taken place. Notable among these has been the leadership shown to the Rail Industry in the reduction of 'Signals Passed At Danger' (SPADS). This has been achieved by the active and earnest collaboration of drivers and managers in their determination to reduce the level of SPADS incidents to zero.

In support of this, an interactive and continuous quality programme of selection, training and management has been established using modern driver simulation equipment and techniques.

This progressive and positive safety initiative has been further enhanced by the introduction of 'Automatic Train Protection' (ATP) equipment. The fitting of ATP represents a significant investment in railway safety and has been warmly welcomed by all sections of the Railway Industry.

A further positive step in the management of safety is the growing recognition throughout the Group that the major cause of injuries is the behaviour and unsafe actions of people. There is clear evidence to suggest that over 90% of injuries are as a direct result of people's behaviour. Plainly the recognition of this fact along with the increasing frequency of behavioural audits should have a major impact on the reduction of work related injuries.

Progress on the Safety First initiative involving the development of a consistent safety and risk management policy continues. This is supported by a wide-ranging and comprehensive publicity programme aimed at raising awareness of industry specific hazards.

Safety First



Given the diversity of culture and geography between bus and rail, the adoption of common health and safety performance indicators across all divisions is viewed as an important development that will lead to more sophisticated statistical analysis. This will allow us to focus our resources and to move forward more positively.

In order to accurately assess the progress of safety management within First a 'gap analysis' was recently commissioned. This analysis was conducted by an independent third party who reported their findings in a comprehensive report to the Executive Safety Committee of First.

The report highlighted not only the deficiencies but also the significant progress that had been made in respect of safety management within First. Moreover, clear targets and strategies were identified to enable those gaps identified in the analysis to be bridged. These targets and strategies will form part of the continuing development of effective safety management within First.

Whilst it is pleasing to note the progress that has thus far been achieved in respect of safety management the gap analysis clearly identifies there can be no room for complacency and it remains the intention of First to achieve the highest standards in the field of health and safety and continue to pursue the goal of zero injuries.

A statement from DuPont Safety Resources.

DuPont Safety Resources worked initially with First over two years ago to conduct a safety benchmarking exercise on both the Rail and Bus operations. This exercise concluded with recommendations made to the Board on improving safety and further developing the safety culture.

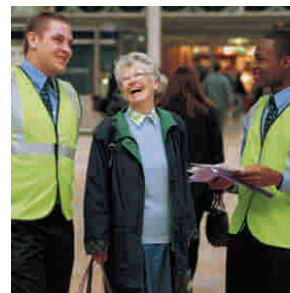
We are delighted to have been engaged with them in a number of programmes since then as First have steadily applied additional energy in their quest for safety excellence.

The advances made over the past year indicated above are a testament to the success they have achieved.

Safety has become embedded as a core value for First. The board and the staff recognise that gaps do exist and are addressing these within their working activities. They are impatient to reach the goal of Zero Injuries and Incidents.

We in DuPont Safety Resources are pleased that First continues to value our support in their efforts.

We firmly endorse their maturity of approach and commitment to safety.



Ensuring the Safety of our Passengers

In addition to improving employee safety, we have implemented a number of initiatives in relation to improving passenger safety both within the rail and bus networks. Many of these initiatives have been implemented in direct response to the results of our customer surveys discussed later in this report.

Examples of some of the improvements made in the rail network over the past few years are:

- Automatic Train Protection (ATP) on First Great Western's 39 high-speed trains and new Class 180 trains. This is the highest specification safety system in use on UK railways.
- First North Western's Class 175 trains equipped with Train Protection Warning System (TPWS) to prevent trains passing signals at danger.
- All new rolling stock fitted with On Train Monitoring and Recording systems (OTMR) which are similar to the 'black box' used on aircraft. The information contained in these can be used in the event of an accident but also in briefings with individual drivers to help improve their driving technique. Work is now underway to fit existing rolling stock with OTMR retrospectively.
- Safety announcements and airline style at-seat safety information on some trains.
- Luminous signs to assist in an emergency evacuation situation.
- Better lighting at stations.
- No smoking policy on all our services.
- Increased number of telephones at stations.
- CCTV cameras and security personnel.

And for buses, we have:

- Introduced a safety management audit programme.
- Committed to all new vehicles having low floor design to reduce the number of steps needed to board the bus where possible.
- Introduced CCTV cameras with video facilities on selected buses and at bus stations.
- Fitted all new vehicles with more handrails to meet the specification required under disability discrimination legislation.
- Introduced better signage and notices about passenger safety and security on all our vehicles.
- Developed and introduced training in Conflict Management, to help staff who may face conflict situations, possibly causing a threat to both employee and passenger safety.
- Waiting areas with better security facilities such as improved lighting, seating, barriers and CCTV in a number of key bus stations.
- Introduced the American style yellow school bus system to the UK. This is one of the safest vehicle designs in the world and together with a dedicated pool of drivers provides home to school transport in a safe environment for children, reducing road accidents, traffic congestion from the school run and contributes to an improved environment.

Customer First

In this section we outline some of the many initiatives we have in place to improve the quality of service to our customers. Part of Transforming Travel is understanding the needs of our customers and providing them with the transport experience they desire.



Buses

First conduct the most extensive customer satisfaction survey in the bus industry which is now in its fourth year. The survey is carried out independently on our behalf with around 1,500 customers being interviewed each month regularly across the UK. The purpose of the survey is to benchmark performance in key areas such as reliability, frequency, drivers, buses, fares, routes and information. We want to know what we do well and where we could improve. We can then identify key areas, make improvements and improve customer satisfaction.

The year on year changes in all areas of operation show improved results with 14 companies managing to increase their overall ratings. This has largely been driven by improvements in rating for reliability, frequency and routes due to the introduction of high frequency networks in a number of key areas of operation across the UK.

To improve the frequency, comfort and reliability of our services we have invested £396m in over 4,000 new buses in the last 6 years. To compete with the comforts of the private car, we have to make sure that people have a comfortable alternative. We have introduced through-ticketing, and attractive pricing packages, all designed to make our customers' travel easier and to encourage greater use of our bus services.

Examples of some of our recent initiatives to improve customer satisfaction include:

- **New buses**

Introducing in new low-floor buses that help our elderly customers, those with wheelchairs, and parents with buggies. Of the 4,000 buses mentioned 2,376 offer low-floor easy access.

- **Rural bus networks**

Many rural areas have few or infrequent bus services. The high levels of car ownership and population density make them somewhat incompatible with traditional bus service timetables. First has worked with local authorities to identify and introduce a range of solutions for rural areas.

For example

In the countryside near Huddersfield, two innovative dial-a-bus services have been introduced. The Huddersfield to Hebden Bridge cross pennine service helps the local community by delivering parcels and doctors' prescriptions. The Marsden Rural Bus shuttles people across the Pennines to Marsden town centre and back. Customers reserve their seat by phoning a mobile number and buses divert up to a mile off the route to collect them. Both these services have wheelchair access.

In the South West we are working with Devon County Council after a successful Rural Bus Challenge bid to set up a scheme to encourage more students to travel to and from further education colleges by bus. Another service, the Atlantic Coast Express, linking Exeter to Bude - is a key transport link for West Devon and North Cornwall and has resulted in a large growth in passenger numbers.

Customer First



- **Delivering real-time electronic passenger information**

Real-time information operates in various First locations including Aberdeen, Ipswich and Norwich. We are also involved in the use of Smartcard technology. For example, Bradford's bus fleet has been fitted with Smartcard readers. Branded 'FirstCard', it allows customers to put a cash value or pre-paid journeys on their cards. They are transferable, and also offer rewards by giving bus miles based on bus usage. Smartcard schemes are now being developed for areas of the South West later this year.

- **The Overground**

Passengers want public transport to be simple, clear and easy to follow. In over 12 towns and cities, including Glasgow, Aberdeen, Leicester, Sheffield, Southampton, Leeds, York and Bradford, bus routes are now colour coded so that the whole network can be seen in this format on a single diagram. We call this our Overground. The Overground has proved successful with passengers attracting 6% more people onto our buses in Glasgow, 4.5% in Manchester and 2.5% more in Aberdeen. We have also introduced integrated ticketing systems for bus and rail services, for example in Essex, where passengers can go on more complex journeys on a single ticket.

- **Investment in technology**

We are investing in appropriate technology to improve access to information and ease of travel. All our bus subsidiaries have websites, some of which provide useful journey planners and timetables, offer customers the ability to purchase tickets on-line and provide real-time passenger information. The website is being developed further to give customers the ability to view and download timetables and maps for services in their area. Our rail customers can also buy season tickets and travelcards online.

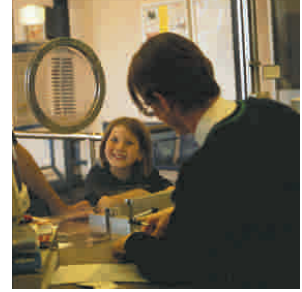
- **Guided Busways**

In town suburbs, the guided bus is just like any other bus. But, as it moves towards more congested areas, it enters a narrow dedicated lane, giving the bus priority which dramatically improves the journey time for passengers. Guided Busways now operate in Leeds, Ipswich and Bradford. They provide a real alternative to the car for rush hour journeys.

- **Park and Ride**

Facilities are now available in most towns and cities throughout the UK and First is continually in discussion with local authority Quality Partnerships to develop bus priority measures. Cycle facilities are available at our stations and racks are provided on our trains. We recently retrofitted the Express Service train from Swansea to Cardiff with cycle racks able to take up to 8 bicycles. As part of the Groups programme of promoting integrated transport similar schemes are likely to develop elsewhere.

All these initiatives are designed to create improvements for our customers and thereby encourage greater use of public transport as opposed to the private car.



Rail

Customer surveys are conducted by the rail division in line with the requirements of the Strategic Rail Authority. In addition we conduct our own surveys covering a broad range of issues such as customer perceptions and expectations i.e. what a customer expects from travelling on our trains and what their experience is. This covers everything from purchasing a ticket to the station and on-board experience.

Examples of some of our recent initiatives to improve customer satisfaction include:

- New rolling stock - From June 2002, First Great Western will start to introduce the first of a fleet of 14 high speed Adelante trains into service. The introduction of these trains will increase capacity by 25% when the full fleet is in service. The trains will also improve the passenger experience through improved reliability, better on-board comfort and entertainment, improved catering facilities and better disabled access.
- In response to the passenger surveys First Great Western have made significant progress in providing real-time train information to their passengers. Twice daily e-mail bulletins are issued to subscribers, and arrival and departure board information can be viewed on the company website, via WAP phones and on PDA's (hand held computers).

- Integrated transport and through ticketing is another issue that has received significant attention with through ticketing deals covering rail journeys with journeys to airports and city centres being in place in most parts of the country. For example, the improved Bradford interchange provides integration between bus and rail services and real time information on services.

ENVIRONMENT IN THE COMMUNITY

Community Transport

First provide a valuable service to the community through the provision of free transport for local organisations for days out, school trips and excursions. In many cases where we may not be able to offer corporate sponsorship we can assist through the provision of transport where vehicles and drivers are provided free of charge. The number of these "in kind" donations provided by the Company is not monitored or measured but we believe in this way we can provide valuable support to the local community.

Team First

In this section we present some of the actions we have taken to improve the working environment in response to the results of employee surveys. We believe that the more our people enjoy their jobs, the more customers will enjoy travelling with us, and the more successful First will become.





Our people are our most important asset. As part of our vision to **Transform Travel** First wants to be recognised as a company that values and cares for its people and becomes the employer of choice in our industry. With some 56,000 employees, of which approximately 35,000 are based in the UK, we want to create a culture where people don't just feel like a number, where we value our people as individuals whilst still maintaining common company values.

Think First

For the past 3 years we have been conducting an annual staff survey known as Think First. The questionnaire is sent to all UK employees to establish employees' attitudes and satisfaction in their jobs and opinions on First as an employer. The main areas covered by the research include:

- Safety and employee welfare
- Company standards
- Company management
- My manager/supervisor
- Training/development
- Communication
- Customer focus
- Pensions and benefits

The aim of Think First is to help management prioritise its actions in providing guidance on the relative importance of different issues to staff.

The results of Think First are made available to staff on a company by company basis and are very important in guiding our development and improvement strategies.

Examples of concerns raised through these surveys:

- **Access to training and development**

As a direct result of feedback, we piloted open learning centres, giving our employees the opportunity to undertake a whole series of non-vocational training. We are also running a senior management development programme.

- **Internal Company Communication**

There has been a real focus on improving our internal communication. Company newsletters have been restructured and made consistent to ensure that employees are provided with quarterly news about First and their local area.

Regular meetings and staff briefings take place to ensure that employees are informed about local issues that will affect them. Company managers and supervisors have been provided with guidance on how to communicate the **Transforming Travel** vision to staff in a consistent way and also provided with guidance on means of communicating with staff.

- **Uniform quality and design**

Based on employee feedback, a working group with the staff and Trade Unions was established and, together with the manufacturer, we dealt with the issues raised and made improvements to our uniform collection.

Team First



Examples of some of the other areas where we have placed particular emphasis as a result of the research are described below:

- We have introduced a 'buddy system' to help new bus drivers in their first few months after leaving the driver training school. By using our most experienced drivers to help coach newly qualified drivers, the aim is to increase their confidence, help them deal with certain situations and have someone they can seek advice from easily. The buddy system has proved to be very popular with new staff and we will be rolling out the concept across the UK.
- We plan to improve employee facilities by creating modern canteens and better rest room facilities at our bus depots. A £1 million investment programme has been budgeted for the period April 2002 to April 2003. Part of this initiative involves the installation of water saving devices to reduce water consumption. The upgrading of canteens started in Manchester, which is now complete, and work will start shortly at a number of other sites, with a programme of refurbishment extending over the next twelve months.
- We are introducing common employment policies and a clear induction process for new members of staff. We are training our managers in how they can best improve effectiveness. Improved communication between managers and staff, discussing matters of common interest, and working together to solve problems will help everyone deliver the best possible service.
- We are looking at flexible benefit options, including cheap rate loans and mortgages, pension and savings plans, healthcare, savings on package holidays, gym membership discounts, help with childcare costs, savings on goods and services, and share schemes. These will be put in place over the next year.

Think First - staff survey

In previous years we have donated £1 for every completed survey form returned.

The survey form is sent to all our UK staff - some 35,000 people. In 2002 we increased this to £2 for each completed form, raising nearly £20,000 for charity. Employees were asked if they would like their donation to go to Imperial Cancer Research, NSPCC or a local charity. A total of £10,000 was donated to Imperial Cancer Research, £4,500 to NSPCC and around £5,000 to local charities.



Graduate Management Trainee Programme

We offer management trainee programmes in the UK and a separate scheme specifically for engineering technicians. Each March, assessment days comprising interviews, tests and group activities take place following which shortlisted candidates are interviewed by Senior Management. Competition is fierce but on completion of the programme, the management trainee is appointed to a post such as Manager of a small location, or as Assistant Manager in a larger location. First offers good opportunities for career progression - many of our Senior Managers joined the company as Management Trainees.

Feature:

"I joined the First graduate training scheme in 1997 directly from Swansea University where I had been studying economics. My initial placement was with our Essex subsidiary but I also spent time in London, Bristol and South Wales during the very enjoyable 18 months I was on the scheme. I think it is fair to say I saw every part of a modern bus company and spent time doing everything from driving in service to route planning and even venturing down the pits in the engineering department. On completing my training, I was appointed Area Manager with Cymru, and just over a year ago moved on to Leicester and Northampton as General Manager. Five years into my career with First and every day is different. There are always new challenges. The graduate scheme provided me with the skills to (hopefully) meet these challenges."

**Nick Owen**

General Manager
Leicester and Northampton

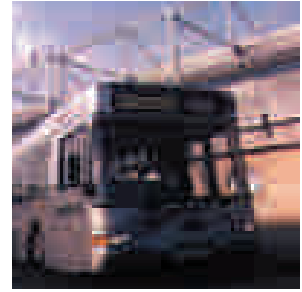
The Outward Bound Trust

The Outward Bound Trust was established in 1941 and has four residential centres in the UK. First has been a Patron Company Member for 6 years. This membership enables us to send groups of young people aged between 14 and 16 years from across the UK to the Loch Eil Centre, near Fort William. Over the last 6 years, around 200 young people have attended a personal development course at the centre. This course takes these young people from their usual urban surroundings to the depths of the Scottish Highlands. During the week-long course they experience activities such as abseiling, hill walking, canoeing and many other outdoor activities, and learn to develop teamwork skills as well as how to face personal challenges.

Environment First

This section of the report follows on from our previous environmental report published in 2001. It aims to demonstrate the progress we have made in relation to our main areas of environmental impact, our key policy commitments and provide data on our performance.





Our Key Policy Commitments

In the following section we demonstrate how we have continued to deliver the objectives stated in our Environmental Policy.

Develop private/public sector partnerships with the aim of improving the quality and flexibility of our transport services.

We continue to work with Local Authorities to launch new initiatives to improve bus accessibility in urban areas. We now operate two Guided Busways in Leeds with a second opened to the east of the city in February 2002. Passenger numbers on the first busway have increased by 65% since it opened. A new Guided Busway was also opened in Bradford in November 2001.

Our simplified route and fare bus networks - Overground and Metro - have been introduced in many of our operating areas including Glasgow, Aberdeen, Leicester, Sheffield, Southampton, Leeds, York and Bradford. Passenger volumes have increased faster than the average in the towns and cities where these networks are already in place.

Develop an internal management structure which clearly defines responsibility for environmental management that is capable of delivering this policy commitment.

We have introduced additional responsibilities into the environmental management structure, through the appointment of six Divisional Representatives in the bus division. The Divisional Representatives provide additional support to the companies within their division and meet periodically throughout the year to share best practice. The company Environmental Managers also continue to meet periodically to retain communication links and raise awareness. A number of companies within First are now developing management systems in line with the ISO14001 environmental management system standard. These include the train companies, and our bus company in London.

Monitor environmental performance to obtain a better understanding of our impacts and to use this data to set objectives and targets for environmental improvement.

We have continued to put great effort into the compilation of data from the depots and have now established consistent practices for doing this and have presented the data in this report.

This has been a challenge due to the large number of operational sites (approximately 150) and in some cases the practicalities of data collection (i.e. due to accessibility of meters). We now have a workable system which provides us with data to set a baseline, to assess trends and identify areas for improvement.



EnvironmentFirst - First's environmental newsletter

Environment First

To comply with, and where possible exceed, the standards imposed by relevant standards and regulations.

Environmental Managers have been tasked with auditing the depots within their company against regulatory requirements. In addition to this, the Divisional Representatives undertake an annual review of each company within their division. The company audits started in November 2001 and the first complete cycle of reviews will be completed in October 2002. The results of the company reviews are reported to the Environmental Director.

Provide appropriate training and development programmes to raise the environmental awareness of our staff.

A CD-based training package covering general environmental awareness associated with depot management has been developed by First. This has been issued to the Environmental Managers through three one-day training sessions. The intention is that this CD will be used as the basis for training over the coming year.

To reduce emissions and the overall impact of our operations on the environment.

We have now collated two years worth of data on our performance in relation to water and energy usage. This data shows an improvement in performance. Specialist consultants have recently completed detailed energy audits of 13 of our depot sites and provided recommendations on ways to reduce usage. We have also implemented a total waste management contract which incorporates waste minimisation initiatives.

We continue to invest in new buses and trains designed to the lowest emissions specification, which will further reduce emissions from our vehicles. Further information on all these initiatives is provided in later sections of this report.

To ensure that environmental considerations are taken into account when developing new sites or upgrading existing properties.

First has in place a programme of refurbishment and development work for the bus depots. This involves improving depot infrastructure and replacing old depots with new ones designed to meet the latest environmental standards. The only new depot completed in the last twelve months has been Kidderminster which has involved special design features related to its close proximity to a drinking water supply borehole. A major programme of development is planned for the next twelve to eighteen months and in all cases depots will be designed and built to the latest environmental standards as specified in our Company's Design Specification Guide with the aim of making the depot buildings as efficient as possible.

Support research into transport policy and the use of alternative fuels.

We continue to operate gas and electric driven vehicles as part of our programme to support research into alternative fuels. This year we are also able to announce our participation in a programme involving the trial of buses powered by fuel cell technology. Based on hydrogen as a fuel, hydrogen and oxygen are combined across a membrane and the chemical reaction that takes place produces electricity and water as the only by-product. The electricity can then be used to power motors and batteries. Starting in 2003, First will trial three fuel cell buses on behalf of Transport for London. This is an exciting project as fuel cells are likely to be the power source for transport in the future.

Encourage subcontractors and suppliers to adopt best environmental practice.

A questionnaire has been sent to a number of key suppliers to identify their level of environmental commitment. One of the company's objectives for the coming year is to initiate a programme of supplier audits.



Prosecutions and Incidents

A major incident occurred at our Rotherham depot. The incident involved a leak from a hidden waste oil transfer line. The leaking oil went into an interceptor which overflowed, discharging into a stream leading to a canal. The Environment Agency reported the incident to First and we had contractors on the scene within two hours with the facility to pump out the oily water from the canal. This was undertaken to the satisfaction of the Environment Agency. Since this incident, consultants have carried out a review of the drainage system and improvements to it are proposed. The Environment Agency undertook a full investigation into this incident but decided not to prosecute on the basis of the quick and competent response from our depot staff.

Regrettably, we have to report that we have been prosecuted in relation to one incident during the past twelve months at our Barnstaple depot. The incident occurred in November 2000 as a result of fuel leaking from pipework associated with the fuel storage tanks. The fuel leaked from the fuel containment area (bund) into a nearby water course because the drainage plug had been left open. Ground contamination was remediated to standards agreed with the Environment Agency and the watercourse was protected from further contamination. As a result of this incident drainage plugs have been removed from 'bunds' throughout the Company. As vandalism was cited as a possible cause of this incident we have reviewed security at the site and instructed all companies to undertake an assessment of the security and integrity of their fuel storage and dispensing areas and report on their findings.

We have successfully introduced and raised awareness of the formal reporting procedure for spills. Consequently, there has been an increase in the number of spills reported. It is our view that this is due to increasing awareness of the procedure rather than an increase in spill events. This trend may continue in the short term as we continue to raise awareness of the incident reporting procedure through our audit programme.

ENVIRONMENT IN THE COMMUNITY

Christmas Cards

As an alternative to sending out traditional Christmas cards, in 2001 we kept up to date with modern technology and e-mailed an electronic greeting card to our contacts. Our e-card was also displayed on our website. The £15,000 saved from the production of our traditional Christmas card was donated to charities nominated by employees.

We could also say that the environment benefited!



Year 2000 Objectives, Targets and Progress to Date

Objective	Target	Progress to date
To audit performance data with a view to reporting Group performance in the next annual report	Review data on individual company performance and review data collection methods to establish likely discrepancies in the data, so that accurate reporting of the results is maintained	We have provided two years' data for a number of parameters in this report. The reporting system for energy and water has been changed to a requirement for actual meter readings to be taken rather than the use of bills.
To establish regional forums for sharing information and discussing environmental issues	Hold four monthly meetings for the Environmental Representatives in each of the six regions	Forums for the Divisional Environmental Representatives have been held on a number of topics including ISO14001, auditing, data reporting, legislation and waste management. The Company Environmental Managers also meet to raise awareness and encourage sharing of information.
To establish a management programme for the train operating companies	To consult, prepare and issue an environmental management manual for the train companies to form the basis of the environmental management framework	A workshop was held with the train companies' Environmental Representatives on the basis of which the manual was developed. All the train companies have also committed to a programme for the development of an ISO14001 accredited environmental management system.
To develop a programme of internal auditing	<ul style="list-style-type: none"> To develop procedures at all levels and company auditing and an audit schedule for 2001 To undertake training for all environmental representatives in the use of the internal audit procedure 	A site auditing procedure has been developed and Environmental Managers are tasked with auditing their depots. In addition, the Divisional Representatives conduct Company environmental reviews. All reviews are scheduled for completion by October 2002.
To implement "Waste Management 2000 Onwards"	<ul style="list-style-type: none"> Establish regional/national waste management contracts To audit performance of this contract To generate accurate figures for annual waste arisings 	A total waste management contract was established in April 2001. Regular meetings are held with the Waste Contractor to review their performance and services. A limited scope audit of the contract was undertaken in November 2001. A full audit is proposed for Summer 2002. Systems for compiling waste arisings data are now in place.

Wrexham yellow school bus scheme is first for Wales - and largest for First so far

On the 10th June 2002, 10 of the distinctive US-built Blue Bird buses entered service in Wrexham on a network of school services operated under contract to Wrexham County Borough. The buses serve over 1000 students attending 7 secondary schools, 1 primary school and a college of further education. The scheme places a high emphasis on child safety. Measures include the bus driver maintaining a list of all students who should be travelling on the bus and a mechanism for parents to advise if children are to be absent.



Objective

To undertake an initial review of contractor and supplier performance

To encourage companies to develop environmental management systems in line with ISO14001

To increase training of staff

Target

To issue a questionnaire to all major contractors and suppliers and to obtain initial information on their environmental performance. This information will then be used to determine a programme of work to encourage contractors to improve their environmental performance and to assist in future selection of contractors

- To conduct a training programme on ISO14001 implementation for interested companies
- To prepare a Company-wide guidance manual on ISO14001 for interested companies
- To obtain ISO14001 accreditation for at least one depot within First

To develop a series of training courses in support of the development of our environmental management systems

Progress to date

A questionnaire has been established and sent to an initial group of key suppliers and we are now awaiting their feedback. One of the objectives for the coming year is to initiate a programme of supplier audits.

A series of five training workshops were held for six interested parties on the process of implementing ISO14001. A guidance document has been prepared for ISO14001 implementation. Although to date no company has been formally accredited to the ISO14001 standard there are a number of companies who are in the process of or considering implementation of the standard. These are the train companies and our bus operation in London.

An environmental training CD has been prepared and presented to all company Environmental Representatives through three one-day training sessions and in some companies training of their Depot Managers has also taken place. Divisional representatives have all attended a three day IEMA approved training course in Internal Environmental Management Auditing System.

Environmental Performance

Management of Property

With the combined rail and bus business, the Company operates approximately 150 facilities in the UK. These consist mainly of offices and depots which are used for vehicle washing, refueling, storage of vehicles and maintenance, and outstations which may be used for parking buses only.

The key environmental issues associated with our depots are:

- Storage and use of fuel
- Water Usage
- Energy Usage
- Air Emissions
- Waste Management

Fuel Storage

In recognition of fuel storage being one of the company's main risks, since 1998, there has been a programme of removal or decommissioning of underground fuel tanks in the bus companies to reduce risk at the depots. There are now only three underground fuel tanks which remain in operation: two at Harwich and one at Kings Lynn. These have had to remain due to space constraints at the depots. The integrity of the tanks at Harwich and the associated underground pipework is tested bi-annually. The tank at Kings Lynn is fitted with a leak detection system.

As part of the underground fuel tank replacement programme, all underground pipework has either been moved above ground or replaced with triple core pipework combined with a leak detection system.

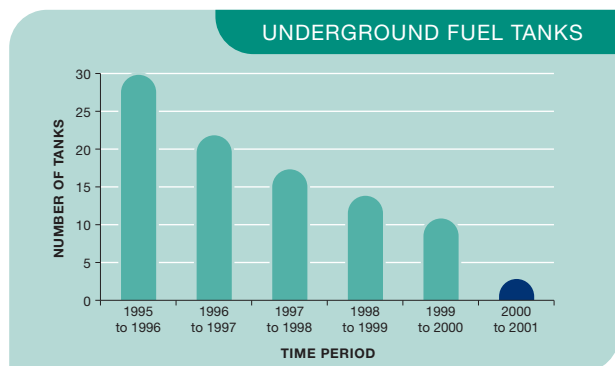
At the railway depots the upgrading of tanks and pipework is the responsibility of Railtrack who are made aware of any issues which may represent an environmental risk.

In preparation for the introduction of the Oil Storage Regulations all fuel storage facilities were audited two years ago by a specialist consultant and recommended actions were identified for a two year and five year period. The Group is currently collating feedback on progress in achieving the two year actions.

Drainage Surveys

We recognise that understanding the site drainage is an important element of understanding our potential environmental risks.

In 1999 we started an initiative to task all bus companies to locate drainage plans for their sites. Where these were inadequate or missing, companies were to make arrangements for drainage surveys to be undertaken. We now have drainage plans for 84% of our sites, the remainder being budgeted for over the next two financial years. In the case of the rail companies the plans are being secured through Railtrack.





Water Usage

The main use of water within the companies is for vehicle washing. In the bus companies where First owns the infrastructure we have been seeking to reduce water usage through a programme of installing and upgrading partial water recycling bus wash facilities. During the last 12 months £1.2 million was invested in a bus wash replacement programme. This replacement programme will continue over the next twelve months with a total further investment of £800,000.

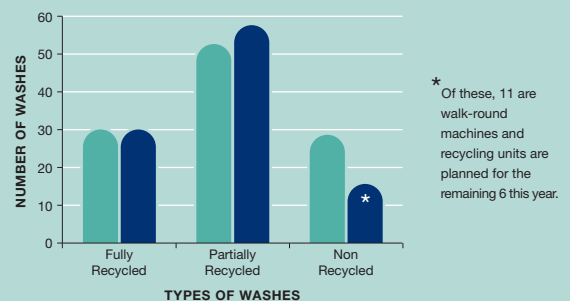
Two years' data for water usage is presented for the bus companies. This data is presented both as totals and normalised per bus, as bus washing is the main use of water. The total water usage for the bus operations over the past two years has decreased by 43,000 m³ (6%). However when this data is normalised, the water used per bus remains constant.

The baseline data we now have available to us demonstrates where we need to focus to improve water usage. The collation and analysis of water consumption figures has also led to the identification of at least six water leaks and in one case, at the depot in Northampton, the company was reimbursed on our water bills as a result of the identified leak.

GRAPH KEY

-  2000/2001 Annual figures
-  2001/2002 Annual figures

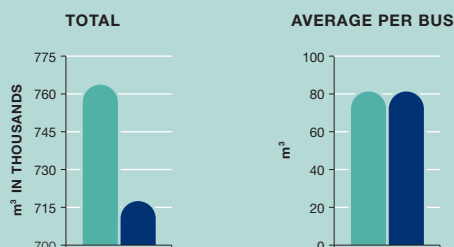
BUS WASH PROFILE



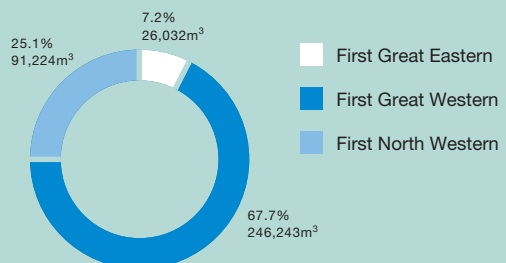
We anticipate being able to demonstrate further reductions in water use over the following year as the results of the investment programme begin to be reflected in the performance figures and through obtaining a better understanding of bus wash patterns between companies.

In our UK rail business we have only been collating data for the last 18 months. Data for the first year is presented in terms of total water usage at this stage.

TOTAL BUS WATER USAGE



WATER USAGE PER RAIL COMPANY



GRAPH KEY

- 2000/2001 Annual figures
- 2001/2002 Annual figures

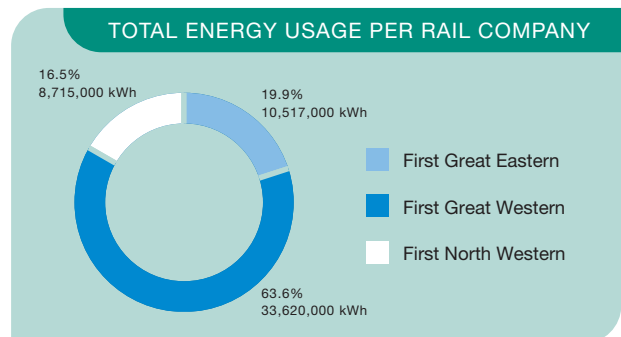
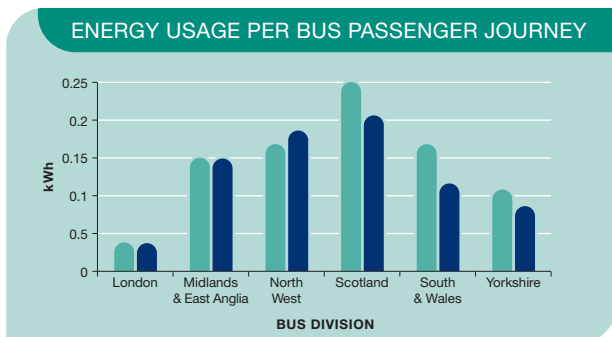
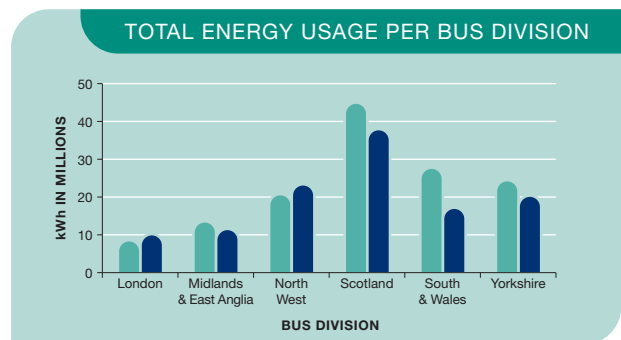
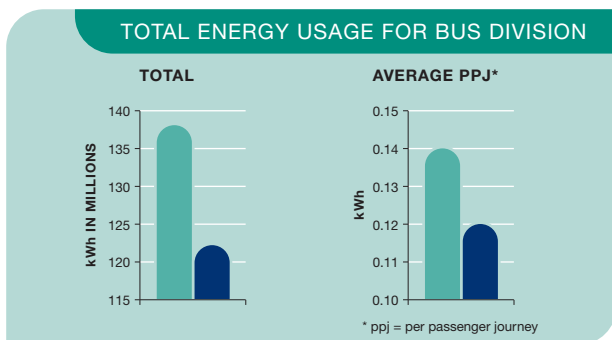
Energy Usage

We have now been collecting data on energy usage from our UK bus companies for the last three years on a site by site basis. Data for the last two years is reported below. Through a continuous process of comparison and cross-checking bills with utility meter readings, the data has proved to be reliable. The data in the graphs below includes gas and electricity usage for all properties in the bus division. The total energy usage for the bus division has reduced by around 10% over the past 12 months. This has been achieved through greater energy awareness within First through our training and awareness sessions.

For comparison we have also presented the data normalised to passenger journeys which we consider to represent our business output.

Now that we have established a reliable baseline we have initiated a programme to achieve more significant energy reductions in the coming year. A review has been undertaken of all depots within First and 13 priority sites have been selected for an energy reduction programme. Each of these sites has been audited by a specialist consultant to identify possible energy reduction measures. On the basis of these audits, action plans will be drawn up for the depots involved for implementation over the next 12 months.

Again for the rail division there is less available data and at this stage the one year of data has been presented in terms of total usage combining gas and electricity.



Recycling Anti-Freeze

Our London depots have recently installed anti-freeze recycling units. The anti-freeze is drained into these units and once work has been completed on the vehicle it is pumped back into the vehicle by connecting to the depot compressed air system. If the anti-freeze is contaminated, it is pumped into an anti-freeze waste drum and collected for disposal.

Fleet Management

We operate a fleet of around 10,000 vehicles which impact on air quality through the emission of combustion gases and also use significant quantities of fuel. The level of emissions are governed by a number of factors:

- Age of Fleet
- Engine Type
- Fuel Type
- Maintenance
- Size and Weight of Vehicle
- Nature of the Journey

Of these, the first four are those over which we have most control and they are therefore used as performance monitors.

Age of Fleet

It is the Group's policy to have a structured plan of investment in low emission vehicles and to ensure these replace the oldest and least serviceable ones. Since the company's first year of operation there has been a reduction in the average age of our bus fleet of around 16% with the average age now being 8.1 years.

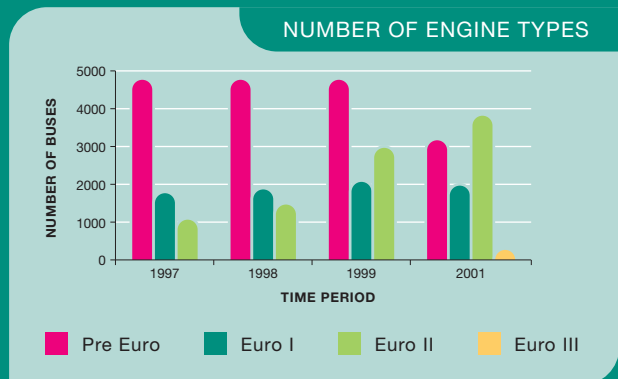
Our objective is now to maintain a fleet age in the current range as this is in line with government targets for the UK bus fleet as a whole.

Fuel Type

We continue to operate our entire bus fleet on ultra low sulphur diesel fuel with the exception of vehicles using alternative fuels such as electricity and gas. The UK rail division operates both electric and diesel trains.

Engine Type

Our continued investment in new vehicles is clearly reflected in our changing bus fleet profile. There has been a significant increase in our proportion of Euro II engines (22%) and a further reduction in pre-Euro engines. We are also able to report investment in 170 Euro III engines that achieve even lower emissions in relation to carbon monoxide, hydrocarbons, nitrogen oxides and particulate matter.



Maintenance

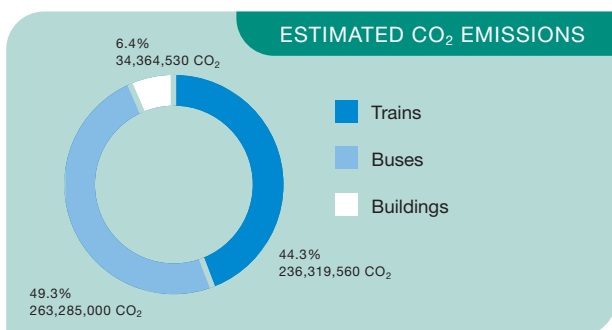
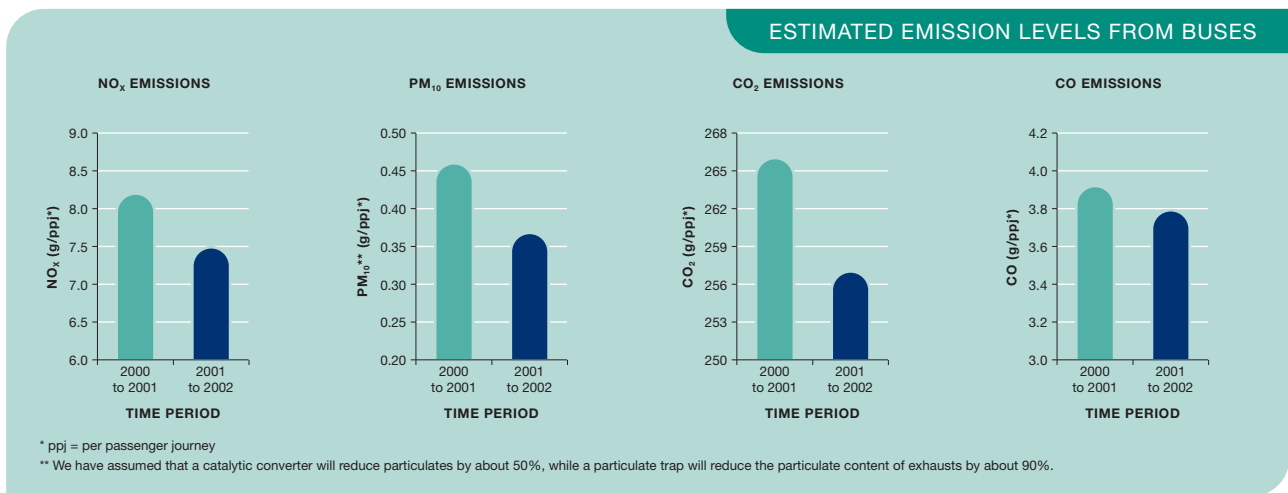
It is our policy to operate a planned maintenance programme against which each depot is regularly audited. In addition to our own internal maintenance programme, within the UK bus division we are subject to annual inspection of vehicles together with random spot checks from DEFRA.

Emissions

Buses

To provide an indication of the scale of atmospheric emissions from our bus operations we have calculated emissions for the main pollutants using emission factors available in the National Atmospheric Emission Inventory (NAEI) database. In the case of Nitrogen Oxides (NO_x) and Particulates (PM₁₀) data is available broken down into engine type. In the case of Carbon Dioxide (CO₂) and Carbon Monoxide (CO) a general emission factor for

buses has been used which takes no account of engine type. In all cases the factors for vehicles operating in urban environments have been used which represents a worst-case scenario. In the case of particulates, we take account of the company investment in catalytic converters and particulate traps. Twenty one percent of our buses are fitted with catalytic converters and five percent are fitted with particulate traps.



It can be seen that overall, our emission levels have decreased as a result of investment in new vehicles and growth in passenger numbers. In the case of CO₂ emissions, we have compared total emissions from the bus and train operations with those associated with energy use in the buildings. The emission factors for buildings are taken from the DEFRA publication 'Guidelines for Company Reporting on Greenhouse Gas Emissions'.

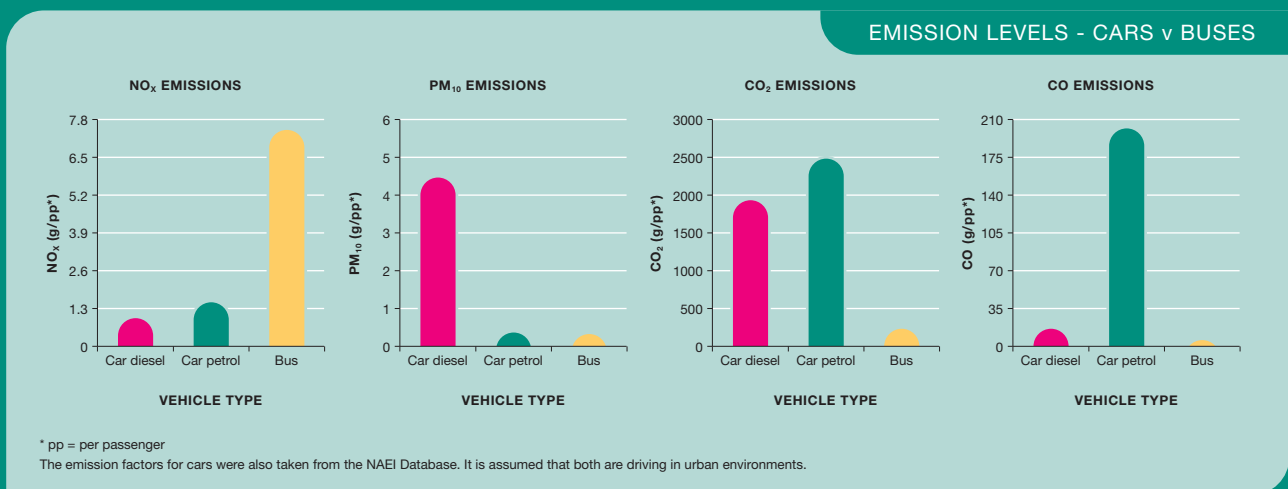
Railtrack Award

First was the winner of the Railtrack Environmental Award 2001 in the category of best Train/ Freight Operator. The awards are presented to those companies or individuals who have exceeded their legal and contractual responsibilities in the environmental field. First was nominated for the introduction of the initial Train Operators' Environmental Management Manual and the general management of environmental improvements.

First Great Western played a major part in gaining the award; it was cited that an independent audit of their depots demonstrated a major improvement in environmental housekeeping and awareness when compared to their status 2 years previously.

Car versus bus

Despite the inevitable scale of emissions associated with operating a vehicle fleet the size of that at First, comparison of emissions from cars and buses clearly show the environmental benefits of bus travel.



The calculated emissions for buses represent the average emissions calculated for the period 2001/2002. During this period bus mileage figures and passenger statistics indicate that over a 100km distance 148 passengers will on average get on and off a bus. The figures for cars assume an average occupancy of two passengers travelling over the same distance.

Rail

With regard to emissions from trains, new rolling stock will enter service on First Great Western later in the year to supplement the existing fleet. These trains have engines to meet the latest European standards on emissions and are aerodynamically designed to reduce drag and improve fuel efficiency. First Great Western is also exploring two engineering modifications to reduce emissions from trains during idling times, which is when the train is waiting to depart from a station.

We have not calculated emissions from trains for this year's report but intend as part of our objectives and targets for next year to review the possibility of doing this.



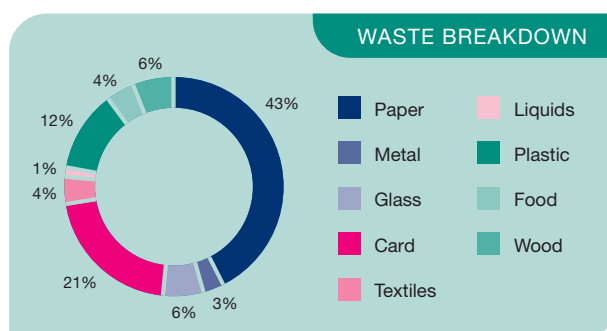
Waste Management

As part of the process of rationalising waste management, in April 2001 we entered into a Total Waste Management contract for management of waste in the bus division. The contractor is tasked with ensuring that we meet regulatory requirements, seeking opportunities for waste minimisation and opportunity for diversion of waste from landfill. They are also tasked with monitoring our waste arisings across the company.

The key achievements during this year have been:

- Rationalisation of waste management to ensure greater consistency.
- Development of a breakdown of waste arisings.
- Completion of fifty waste minimisation audits which have led to identification of a number of waste minimisation initiatives.
- Development of a framework for reporting quantities of waste arisings on a quarterly basis.
- Road shows and regular meetings to raise awareness on waste management to all bus companies.
- Initiation of glass recycling at our Rotherham depot.

To date we have available two quarters' data on volumes of dry waste, wet waste and waste oil recycled and we intend to report such data in our next annual report.





Objectives and Targets 2002/2003

Objective	Target	Completion date
To continue training and awareness of staff.	To initiate awareness raising sessions with the company Managing Directors. To conduct further training and awareness sessions for Depot Managers.	April 2003
To achieve ISO14001 accreditation for a number of our companies.	To achieve ISO14001 accreditation for our operation in London and at least one rail company.	April 2003
To reduce energy utilisation across the Company.	To ensure the recommendations from the recent energy audits undertaken at 13 sites are assessed and implemented as appropriate and monitor the impact of changes made.	April 2003
To reduce waste arisings in the Company.	On the basis of the recent waste minimisation audits to draw up a waste minimisation action plan and develop a framework for reporting on waste recycling throughout the Company.	April 2003
To assess the performance of our waste management contract.	Conduct an audit on our waste management contractor to ensure we are compliant with all relevant Waste Management Legislation through this contract.	August 2002
To assess the performance of our major suppliers.	Initiate a programme of supplier audits.	April 2003
To update our environmental documentation.	To review and revise our environmental management manual and associated documentation.	August 2002
To develop procedures to improve monitoring and reporting on vehicle emissions.	<ul style="list-style-type: none"> • To hold a workshop with key staff to discuss this issue. • Agree a reporting approach and proforma. 	April 2003



Summary of our Achievements

Development and Investment

Continued investment in vehicles has further improved the engine profile of the fleet. The number of EURO II engines has increased by 22% and the Company now operates 170 vehicles with Euro III engines.

Communication

Regular environmental forums are held for both the Divisional and Company Representatives to exchange information and best practice.

The company issued a training CD covering environmental awareness, legislation and ISO14001. This was presented at a number of training sessions for Company Representatives.

Improved Control

First has developed a programme of auditing depots within First and provided an audit proforma for depot audits.

The Company only has three remaining underground fuel tanks which cannot be removed due to site space constraints. These tanks are regularly pressure tested and have been fitted with leak detection systems.

For the first time we have provided data on our energy and water usage. Data is presented for the past two years for the bus division and for a year in the rail division. The data for the bus division shows an overall reduction in consumption during the two year period.

Energy audits have been conducted at 13 depots and action plans for energy reduction will be implemented over the next 12 months.

Management Initiatives

Appointment of six Divisional Representatives responsible for environmental management has strengthened the company's management structure.

During the past 12 months the Company entered into a total waste management contract which has involved the rationalisation of waste management in the UK bus division. We have completed around 50 waste minimisation audits and developed a framework for reporting on waste arisings. The results of the waste minimisation audits will form the basis of waste minimisation initiatives to be implemented over the next twelve months to reduce waste arisings and encourage recycling.

