



Oxford Cambridge and RSA

A Level Business

H431/02 The UK business environment

Resource Booklet

Thursday 7 June 2018 – Afternoon

Time allowed: 2 hours



INSTRUCTIONS

- This is a Resource Booklet.
- You should refer to it when answering the examination questions in Section B, which are printed in a separate booklet.
- The business described in this Resource Booklet is a real business.

INFORMATION

- This document consists of **8** pages. Any blank pages are indicated.

VIRGIN TRAINS

Virgin Rail Group is a UK train operating company which uses the 'Virgin Trains' brand name. It is a joint venture between Virgin Group Ltd and Stagecoach plc. Virgin Trains has operated the West Coast route since 1997 and the East Coast route since 2015 (see Fig. 1).



Fig. 1

Virgin Trains is one of more than 20 train operating companies in the UK, all of which are private sector businesses. However, the rail infrastructure, including the rail tracks, signalling and stations, are owned by Network Rail which is a public sector organisation.

Train operating companies, such as Virgin Trains, are awarded contracts by the UK government's Department for Transport to operate a geographical route for a specified number of years. Virgin Trains' West Coast contract runs until 2019 and the East Coast contract runs until 2023.

Extract A – Virgin Trains renews West Coast contract

Stagecoach Group plc & Virgin Group Ltd are pleased to confirm that their joint venture has agreed a new West Coast rail contract with the Department for Transport.

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Martin Griffiths, Virgin Trains Co-Chairman, said, “This new contract is a great deal for our customers, communities and taxpayers. Millions of passengers will benefit from thousands of extra seats, plans for new services and free super-fast wi-fi. At the same time, the taxpayer will receive a significant increase in income, helping support the Government’s record investment in Britain’s rail network.”

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“Our country has the best railway in Europe and Virgin Trains has been central to driving forward innovations. This new commercial contract shows that a well-run system, with the public and private sectors working together, can deliver significant benefits to all stakeholders.”

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The new contract builds on the progress Virgin Trains has made since taking over the West Coast route. The number of passengers carried each year has more than doubled to over 32 million. Journey times have been cut, the number of services has increased and more than £2 billion has been invested in new trains. Passengers have responded by consistently rating Virgin Trains the best long distance rail operator, with a satisfaction rating of 91%.

Source: Adapted from Stagecoach Group plc news release (19/6/14)

Extract B – Virgin Trains’ passenger charter

Our commitment is to give you the safe, high quality service you have the right to expect. Any passenger using services operated by Virgin Trains should enjoy:

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- A reliable and punctual journey
- Clean and safe trains and stations
- A Customer Service team member on each train to be available to provide help if required
- A refreshment service on most trains

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Virgin Trains’ employees

We are committed to providing excellent customer service. Our staff are our most important asset and have the opportunity to make a positive difference to your journey. We expect our staff to be smartly dressed and to respond to passengers in an efficient, considerate and courteous manner. We expect them to carry out their duties in a professional manner and to make every reasonable effort to deal effectively with customer problems immediately.

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Customer care

We commit to achieving the high standards of service associated with the Virgin brand. We rely on well-motivated and fully trained people to achieve this and all staff receive on-going training in customer care. Independent market research is completed twice per year to obtain unbiased evidence of customer satisfaction levels.

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Source: Adapted from Virgin Trains’ passenger’s charter (October 2016)

Extract C – The training we offer to our staff

All our training at Virgin Trains ensures you are fully prepared to fulfil your role. The more we can teach you about your role, the better you'll be at it. We believe in providing on-going training to ensure you excel in your role and develop your skills throughout your career with us. We provide a wide range of courses that will inspire and motivate you.

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Stations Training

Working at our stations is highly demanding. You'll be taken step-by-step through everything you need to know about our business, the industry and the job you'll be doing. There's a lot to learn, but we have a bit of fun along the way too. You'll be taught everything from uniform standards and railway geography to selling tickets and railway safety.

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Onboard Training

Customer Service Assistant is a challenging and rewarding job. You'll need to learn a whole range of skills from food hygiene to onboard emergency procedures. We'll also teach you how to keep a cool head when offering a great service at 125 mph.

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Train Manager Training

This role is all about ensuring the safety of our customers and knowing what to do in the event of an emergency. You must complete a 9-week training course and pass an exam, to prove you fully understand the demands of your job. You'll learn about signals, track safety, the onboard computer, tickets and lots more.

Source: Adapted from www.virgintrainscareers.co.uk (accessed 12/1/17)

Extract D – External challenges for the rail industry

Compared to the previous financial year, Virgin Trains' sales were 4.9% higher at the East Coast business and 4.6% higher at the West Coast business. However, these growth rates were slower than in previous years.

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"We believe the reduced rate of growth reflects the effects of weakening consumer confidence, increased terrorism concerns, lower fuel prices, greater car and air competition, slower UK GDP growth and slowing growth in real earnings," said a Stagecoach manager.

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A much greater political challenge may lay ahead. A survey in 2014 found that 60% of the UK population was in favour of the rail network being returned to the public sector. But how easy would this be? Not difficult at all, says James Abbott, editor of Modern Railways. "Network Rail is already in the public sector and the train operating companies have time-limited contracts, most of which expire by 2020. Once these have expired the government could get them back at no cost to the taxpayer."

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The Conservative Party are against returning the rail network to the public sector. A spokesman said that the current system has led to the most improved railways in the EU with record levels of investment, passenger numbers doubling and punctuality rates at record levels.

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Some people within the Labour Party have argued that complete public ownership is the only way to create a more successful rail network in the UK.

Sources: Adapted from "Stagecoach warns of terrorism's 'challenging' effect on rail industry", *Daily Telegraph* (27/4/16) & "Would it be realistic to renationalise the railways?", *BBC News* (3/3/15)

Extract E – Virgin East Coast boosts traffic on the London to Edinburgh route

Virgin Trains has promised to compete with airlines for a greater share of the profitable London to Edinburgh route, after rail passenger numbers grew to one million a year on this route for the first time. The train operator said that it was gaining market share on the route after an 8% increase in passengers compared to last year, while air travel passenger numbers have remained unchanged.

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Passengers travelling by rail now make up a third of the traffic between the two capital cities, up 2% from last year, and Virgin Trains plans to gain half the market by 2023. This ambitious goal would reverse a 40-year trend that has seen airlines dominate the route. British Airways, easyJet and Ryanair all offer flights on this route.

85

David Horne, Virgin Trains' Managing Director on the East Coast route, said the company planned to gain even more passengers by investing in its services and said the strategy was already being successful. "That's good news for passengers, good news for the environment and good for the long-term growth of rail traffic between Scotland and England," he said.

Sources: Adapted from "Virgin Trains looks to take on airlines as London-Edinburgh passengers hit one million", *Daily Telegraph* (29/12/16) & "Virgin East Coast boosts traffic on London-Edinburgh route", *Buying Business Travel* (3/1/17)

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