Dear Ms Jay

ROLLING STOCK STRATEGY CONSULTATION DOCUMENT

Thank you for the opportunity to comment on the Strategic Rail Authority’s Rolling Stock Strategy Consultation Document. Passenger Transport Executive Group (PTEG) has compiled a response based upon the views of its members; the seven Passenger Transport Executives.

The attached paper details the comments of PTEG on the specific issues raised in your consultation though I have a number of general points to make by means of an introduction to the response.

PTEG has been concerned for some time about the lack of a national rolling stock strategy particularly in relation to issues of overcrowding and lack of suitable rolling stock that have been growing ever more acute.

The issue of obtaining additional rolling stock to cater for the substantial growth that will occur over the next few years is absolutely critical in all of the regional metropolitan areas. Without being able to provide additional rolling stock, passengers will be prevented from travelling at peak times, and travelling conditions will be extremely poor for those able to board services. There is currently no clear funding or procurement mechanism for additional rolling stock.

Where funding has been secured for additional rolling stock and despite the best endeavours to address these issues there have been barriers to acquiring the new vehicles. The lack of availability of units and the high leasing costs implies a failure in the leasing market to deliver where a clear demand and need exists.
The economics of providing regional rail services creates a major funding issue for rolling stock. Typical annual lease and maintenance costs for a single vehicle are in the region of £100k to £150k. Any additional vehicles would only be needed for one morning and evening peak journey and as such are unlikely to generate more than £50k per annum in passenger revenue. The purchase or lease of additional vehicles for this purpose would therefore require an on-going public sector commitment for additional revenue subsidy of up to £100k per additional vehicle.

The substantial non-financial benefits from relieving overcrowding should mean that there is an overall economic benefit from providing this subsidy. However, there is a concern that other areas, where the call for revenue support is lower (because of longer journeys which generate more income to cover the basic costs), will tend to receive priority because of the reduced need for public support. The provision of adequate capacity in the PTE areas is essential if rail is to play its full role in an integrated transport strategy including contributing to social and economic objectives.

Please do not hesitate to contact me if you require any further information.

Yours sincerely

ROY WICKS
CHAIR OF PTEG RAIL GROUP
PTEG response to:
Strategic Rail Authority Rolling Stock Strategy Consultation
June 2003

Q1 Do you agree with the SRA’s Rolling Stock Strategy objectives?
PTEG broadly agrees with the SRA’s objectives however we have a number of comments as follows:

- The first objective ‘ensure the availability of rolling stock to enable operators to accommodate anticipated passenger growth in appropriate modern standards of comfort, safety and accessibility’ should be seen as an overarching objective.
- The objectives should incorporate suitability for purpose of rolling stock to reflect the need for different types of stock in different markets e.g. commuter, rural and inter-city. Use of inappropriate stock can create operational inefficiencies and offer poor value for money.
- Given the substantial number of new vehicles delivered in the last few years, it will be some time before the strategy has a significant impact on performance and other difficulties that have arisen because of the lack of direction in this area since privatisation.

Q2 What should the SRA do to improve passenger benefits?
Overall, it is crucial that the Rolling Stock Strategy caters for the expected patronage growth that results from the economic growth in urban areas. Without meeting this future demand, improving passenger benefits will be of little significance when compared to the issues of overcrowding and the inability to attract new passengers to the railway.

It was disappointing that the discussion of passenger benefits almost completely ignored the issue of overcrowding. Chart 1 (overleaf) shows the top issues raised by Centro commuters in a recent survey undertaken by Central Trains. As can be seen, commuters see overcrowding as the top issue that ought to be addressed.

Obtaining additional rolling stock to deal with worsening overcrowding is therefore the most pressing rolling stock issue affecting many members of PTEG (along with extending platforms to cope with longer trains). The issue of overcrowding therefore needs a full debate within the strategy.

Consideration of appropriate loading standards needs to take into account local market conditions and the competitiveness of rail against other mode. Applying south-east regional standards across the national network may not allow the full economic benefits of rail to be achieved in the regional conurbations.
Chart 1 - Issues raised by commuters in a recent survey by Central Trains.

Accessibility:
The SRA should be working to support the Train Operators in improving compliance with RVAR. This is of particular importance where TOCs may be reluctant to accept increased lease charges from Leasing Companies for compliance where they perceive there to be little financial benefit to them, for example in removing seats and therefore reducing vehicle capacity to provide a fully-accessible toilet. Where adoption of RVAR standards is of wider benefit to all passengers this should be taken into account – such as the provision of Passenger Information Displays.

There will also be particular issues regarding vehicles that are approaching life-expiry and not cost-effective to make fully compliant. In the interests of maintaining national fleet levels whilst ensuring maximum value for money is obtained from the assets the SRA needs to provide a lead on strategy for the use of such vehicles, such as ‘Pacer’ type trains used extensively in proposed Northern Franchise area.

The recent refurbishment of the Class 144 ‘Pacer’ units highlighted the need for a clear and informed debate on the application of RVAR standards in relation to provision of seating and resultant overcrowding concerns. PTEG looks forward to participating in the DfT led consultation on the future application of the RVAR standards to existing rolling stock.

Additionally the SRA needs to ensure that where accessible trains are provided that the full benefits of the vehicles are realised. At present a fleet of fully accessible electric Class 333 units operates the Airedale / Wharfedale line in West Yorkshire, however the presence of remaining older
inaccessible diesel units diagrammed during the peak, prevent the lines being marketed as ‘fully accessible’. The relatively small fleet size of just 16 units (with 14 required in service) means that frequent diesel substitutions are necessary. Additionally, the issue of infrastructure accessibility on these corridors prevents a number of journey opportunities being unlocked despite the benefits of the new units. PTEG would wish to see a more comprehensive approach to providing accessible services in future that links with a holistic accessibility strategy.

Personal Security:
In accordance with the approach adopted for stations, the SRA should work with industry partners to develop a ‘Secure Trains’ accreditation scheme. Opportunities for synergy with the DfT, PTEG and other bodies in developing a ‘Secure Transit’ accreditation scheme encompassing bus and light rail modes should be explored. Such a scheme would help to address user and non-user fears regarding the use of public transport and assist the transport industry in implementing Best Practice across modes.

PTEG strongly believe that having a staff presence on board a train is a major passenger benefit and would like to see train design reflect this. Within regional franchises there is a requirement for a member of staff on board each train, in addition to the driver. This is related to providing passengers with information, customer care and enhancing personal security, in practice this role is undertaken by the conductor. Having intermediate door controls (or indeed full Driver Only Operation) gives a much-improved ability for staff to be visible on board a train. This will ensure that the conductor can carry out a variety of customer duties whilst minimising conflicts with service operation and revenue protection.

Cycling:
The SRA should specify a requirement for all trains to feature dedicated cycle stowage facilities. Barriers to making a journey on a train with a cycle should also be removed, for example where mandatory pre-booking is required, this should be limited to inter-city services if required. Commuter and Rural rail services should carry cycles on a turn-up-and-go basis (subject to space) such as currently happens on PTE sponsored services, in order to encourage use of sustainable transport modes.

This policy on cycle carriage clearly creates some difficulties at peak times, where cyclists are encouraged to use the cycle storage facilities at stations rather than take cycles on-train. More serious peak overcrowding conditions may restrict the ability for cycles to be carried on peak trains. The use of purpose-built racks should be encouraged as they require a smaller area and permit the user to secure the cycle effectively. PTEG sees the latter as the most appropriate solution to meeting the needs of all passengers, with or without cycles.
Q3 To what extent should the SRA specify new and refurbished rolling stock? What areas should any such SRA specifications cover?

The piecemeal approach taken to procuring new and refurbished rolling stock to date has created a wide variety of often quite small fleets. Within the various PTEG member areas are a large number of different types of diesel and electric multiple units, all of which carry out similar operating duties.

The SRA should take a broad overview on the types of stock to be procured and timescales for introduction in order to effectively manage the UK fleet and ensure the objectives of the Rolling Stock Strategy are met. This should include taking the lead on developing a new fleet of urban commuter diesel trains that could see use across the country, replacing the current fleets of Pacers and Sprinters that offer a poor passenger environment. The SRA would be ideally placed to specify standardised rolling stock across several TOCs rather than smaller individual orders that would prolong the present sub-optimal situation.

The specification set by SRA should incorporate a general performance envelope, reliability, intended market, route acceptance and interoperability with other units (i.e. multiple units). The three specific issues which the SRA plan to pursue; improved access for disabled people, better personal security and provision for cycles were specifically commented on above. In addition to these, PTEG feels that the following items should be considered:

- Seat quality (dimensions, back support etc.)
- Legroom
- Provision of toilets
- Luggage accommodation
- Internal and external noise levels
- Standards of heating, ventilation and lighting
- Other facilities such as catering and at-seat entertainment.

These do not appear to be referred to in the document and currently, each operator can take a different approach. Over the years, the comfort of passengers and the facilities offered has tended to reduce as pressures are applied to cut the cost of new trains and accommodate as many passengers as possible in a given space.

Those standards for safety and accessibility should continue to be set by the appropriate bodies, whilst the TOCs and Leasing Companies should continue to lead on the detail of the customer environment, engineering and operational issues.

Q4 Who should lead the procurement of new rolling stock?
The SRA should be leading the strategy with respect to the requirement for new rolling stock however the procurement of new stock should be led by the Leasing Companies and TOCs depending on order size, within the bounds of baseline standards set by SRA. By this, it is intended that SRA would have a general overview of fleet replacements allowing for future budget forecasting whilst monitoring the specifications to which vehicles are designed.

It is not considered necessary for the SRA to specify every design detail but it would be appropriate to set minimum standards (such as listed in the response to question 3) which should be met both in terms of passenger facilities and also the technical equipment which will ensure flexibility, greater reliability and interoperability. As the SRA is now responsible for the strategic direction of the railway they would seem best placed to lead the process.

Q5 What would be the advantages and disadvantages of the SRA facilitating the cascade of rolling stock between franchise areas?

Advantages:
Cascade of units from one TOC to another when new or replacement vehicles are procured should be led by the SRA. PTEG believes that the two major issues are the number of franchises that are presently up for renewal and the lack of commercial freedom of the TOCs to acquire new or additional stock without recourse to the SRA. Without the SRA taking a strategic view as to where rolling stock would be best used, there would be little incentive for TOCs to reallocate stock between themselves. The only situation in which TOCs may choose to promote rolling stock cascade is where they are owned by a single parent company, though this has only happened in a limited number of cases to date.

The various refranchising commitments and existing agreements for rolling stock are not always compatible. Overall supervision of the stock cascade process will maximise opportunities for optimum deployment of vehicles and passenger benefits whilst minimising non-utilisation of stock whilst it is ‘between TOCs’. The SRA, being closely involved in all the refranchising processes is best placed to carry out this role. PTEG also feels that this would fit in with the role for the SRA identified in our answer to question 4, with regard to planning procurement of new rolling stock.

An example of this would be the Class 323s, which is a relatively small fleet that is currently split between Birmingham and Manchester. To cater for increased demand it would not make sense for a few additional EMUs to be procured that are different to the 323s and allocated to both cities. There would be significant operational and maintenance advantages if the whole fleet were to be deployed in one location, and new trains being introduced in the other location. Only the SRA would be able to effectively facilitate a scenario such as this. Another example is the fleet of just three Class 321
units in West Yorkshire where all three units are diagrammed in the peak. Metro is trying to cascade these units as part of an RPP scheme to create a standard fleet of Class 333 units, but the lack of an SRA rolling stock strategy is making this difficult to achieve in isolation.

Disadvantages:
There is a risk that the SRA becomes overly-involved in the day-to-day running of the railway in co-ordinating cascades of stock but PTEG’s view is that this is a necessary by-product of the benefits such an approach. There is also a risk that cascade of vehicles is only carried out to satisfy the needs of the markets of higher priority to the SRA and that local and rural routes have to operate with inappropriately designed rolling stock cast aside from intercity and regional services. The cascade process must not be permitted to jeopardise the future viability of so-called ‘secondary’ services.

Q6 How significant do you consider the benefits of the SRA smoothing the flow of new stock orders? To what extent would such benefits outweigh other considerations currently determining the timing of new stock orders?
PTEG feels that there are considerable benefits from the SRA smoothing the flow of new rolling stock orders, particularly in that the demand for skills, personnel and expertise is smoothed. This ensures appropriate staffing across the industry and removes the need to pay premium rates for additional resource at times of high demand, difficulties in project delivery or the loss of skills from UK industry.

The recently announced closure of the Alstom factory in Birmingham highlights the problems faced by manufacturers trying to plan their workload. Given that rolling stock demand in the UK alone is insufficient to sustain the UK manufacturing capacity the SRA should consider how it could make the UK an attractive base for multinational rolling stock manufacturers. The overall benefit to the UK rail industry of having a local skills base cannot be underestimated.

Q7 What can SRA do to encourage more companies globally to tender for rolling stock supply contracts in this country?
By procuring larger quantities of more standardised units as suggested herein, the SRA should as a result, encourage more players to seriously consider entering the rolling stock supply market in the UK. The present ‘scatter-gun’ approach on relatively small orders cannot be obtaining good value for money as manufacturers invest substantial resources in responding to these tenders.

Q8 To what extent will the harmonisation of standards at EU level help competition, and over what timescale?
The manufacturers who tender and win contracts for rolling stock supply are already globally based. Asian manufacturers already supply rolling stock to the Irish Republic and there is no reason to believe they would not win contracts in the UK if it were in their interest. The generally small order sizes with little regard for any future or follow-on orders cannot be encouraging new entrants to consider the UK a worthwhile market.

Harmonisation of standards will improve matters but UK rolling stock will always need to be designed differently largely because of the more restricted loading gauge of UK railways. The timescale over which the effects of this will benefit the UK rail industry are too great to consider other measures proposed in this response with regard leasing costs etc.

**Q9 Is there sufficient transparency of underlying manufacturing costs?**

The true cost of manufacturing rail vehicles is not visible enough to organisations wishing to facilitate introduction of new vehicles. When conducting lease negotiations for new build stock the Leasing Company should be obliged to disclose the cost of the units separately from the maintenance, overhaul and leasing costs.

**Q10 What measures could be taken to improve the efficiency of the introduction of new rolling stock in this country?**

The SRA should take a proactive role and assist in smoothing the flow of new units, in line with the proposed Rolling Stock Strategy. This approach will ensure that proper planning is put in place for the introduction of units, allowing for sufficient testing.

Standardisation of certain elements of the specification will also assist in this process and where units have been developments of previous vehicles this is borne out. This situation could be further improved by the SRA setting common standards for all rolling stock orders (see question 3). This would not only reduce the time taken to achieve certification but would also increase the flexibility of the stock thus improving network efficiency and adding value. Greater flexibility in deployment of vehicles could encourage more ‘speculative’ orders on the part of Leasing Companies to meet demand as it grows in future.

**Q11 In what areas, if any, do you perceive that there should be increased standardisation?**

The degree of operational standardisation that was introduced by British Rail in the Class 15x fleets of DMU has proven itself invaluable both in terms of the daily deployment of rolling stock, but in the subsequent ability to redeploy fleets around the country. Any future strategic redeployment could be hampered by a proliferation of incompatible rolling stock types.
Standardisation should be primarily focused on achieving operational compatibility, with, for example, interior detailing being largely a matter for individual TOCs and their separate markets to decide. The requirement to comply with RVAR will inevitably lead to a greater degree of standardisation within vehicles. Operational compatibility should also broaden the proportion of units drivers are able to drive, thus improving overall service delivery.

PTEG also believes that there should be increased standardisation of components and spares across TOCs and that ATOC should use its position to continue to work with suppliers to drive down prices and improve performance.

As noted in the comments on Q3, common couplers and compatible electrical and mechanical systems are the most important areas for standardisation.

**Q12 Who should lead any move towards increased standardisation, if appropriate? In your view will the introduction of the Technical Specifications for Interoperability deliver greater standardisation without other intervention, and if so, over what timescale?**

PTEG believes that ATOC and the Leasing Companies should lead moves towards increased standardisation on existing vehicles. New build vehicles should be specified in order to complement such standardisation initiatives.

**Q13 How can the National Fleet Reliability Programme recommendations best be implemented?**

No comment.

**Q14 Are there significant barriers to entry in the rolling stock leasing market in Britain?**

Given that in the seven years since privatisation just one major new player has entered the rolling stock leasing market (by means other than a takeover) indicates that there are barriers to entry, particularly given the profitability of the existing Leasing Companies. To PTEG this implies a failure in the rolling stock leasing market.

**Q15 How effective have the terms of the MOLA been in facilitating the development of the rolling stock market?**

No comment.

**Q16 To what extent should the terms of the MOLA be replicated in the future?**

No comment.
Q17 What would be the advantages of more flexible lease terms for franchises?
More flexible leases would enable TOCs to terminate leases on stock that does not perform to the required standards such as reliability thus driving up performance – however this works on the assumption that other stock would be available in the market to replace it.

Additionally, the fixed high costs of leases does not realistically relate to the quality of the units and the use to which they are put. PTEG would like to see differential leasing arrangements to recognise or the reduced usage and costs associated with branch-line operation compared with inter-urban and commuter services.

In general, lease terms need to be more flexible and transparent. PTEG is particularly concerned that the way lease charges are established does not equate to the value of the assets (for example a typical rolling stock vehicle could cost around £1m, have an asset life of 30+ years but an annual lease charge of £100-150k). This implies a significant profit margin to Leasing Companies who do not have the same duties to maintain, renew and invest in industry assets as Network Rail. For example, modifications or refurbishment of rolling stock is down to TOCs to negotiate an increased lease charge. It is suggested that the SRA considers whether the current regulatory structure for Leasing Companies is providing value for money, particularly when Leasing Companies seem able to bear the loss in revenue whilst old intercity stock is off-lease in sidings.

The economics of providing regional rail services creates a major funding issue for rolling stock. Given the typical annual lease and maintenance costs for a single vehicle are in the region of £100k to £150k. Any additional vehicles would only be needed for one morning and evening peak journey and as such are unlikely to generate more than £50k per annum in passenger revenue. The purchase or lease of additional vehicles for this purpose would therefore require an on-going public sector commitment for additional revenue subsidy of up to £100k per additional vehicle.

Q18 Is there sufficient emphasis on underlying lease costs?
No comment.

Q19 Is there scope for recalibrating the life of existing rolling stock in unexpired mileage rather than unexpired years?
PTEG believes the issues are more to do with performance of the stock and its ability to meet the modern standards of safety and comfort in a cost effective manner than the number of miles or years left. It is also doubtful that a significant element of existing fleets would have a substantial margin of unexpired mileage when they reach their design lives. With regard to present and future rolling stock, the SRA should be questioning the logic and
reasoning behind the seemingly standard 30 year design life and whether any change in this might have merit.

In many other industries assets are replaced at such time as there is a clear overall economic case for doing so, not necessarily at the design life of said asset, the SRA should emulate this approach with rail vehicles.

Q20 Should the SRA seek to alter the balance of rolling stock performance risk between the TOCs, ROSCOs and the rolling stock manufacturers?

The SRA should seek to balance the performance risks to those parties who are best placed to address them. PTEG believes that requiring the manufacturer to maintain new build stock has demonstrated many benefits because the manufacturer is incentivised to produce reliable and maintainable units.

With regard to older units, PTEG believes more risk should be transferred to the Leasing Companies, given that the manufacturers have been privatised and subsequently bought-out or otherwise displaced. The Leasing Company has the continuity of experience with the units and should be incentivised under the leasing agreements to provide improvements to under-performing units. At present TOCs are required to pay for modifications or improvements (usually through increased lease charges) although there is a clear benefit for the Leasing Companies.

Q21 Under what criteria and conditions should the SRA offer Section 54 undertakings?

Logically these should be offered when clearly the life of the rolling stock will exceed the term of the franchise or will be replaced as part of the franchise plan commitment. As the SRA policy is to let short term franchises PTEG would assume there would be a greater need and justification for such agreements. The reluctance of the SRA to enter into Section 54 undertakings is potentially preventing procurement of additional Class 333 units for deployment in West Yorkshire.

Without these undertakings the leasing costs are, in PTEG’s view, unnecessarily skewed to take account of the risk that the lease will not continue after the period of funding (franchise agreement or RPP funding). Withdrawal of the vehicles, such as the additional Class 333 units bid for, after expiry of funding is a prospect that the SRA should not be entertaining.

Q22 Who should determine maintenance regimes for rolling stock?

Maintenance regimes should continue to be determined by the TOCs/Leasing Companies in order to determine maximum availability/reliability/cost effectiveness. However in order to make this effective at improving (or at least retaining) performance of the fleet, the
SRA should incentivise the TOCs to provide a given number of units for service (see also question 23).

**Q23 Do existing maintenance regimes provide incentive to TOCs and ROSCOs to improve the cost-effective provision of reliable rolling stock?**
Yes the current regimes provide some incentive in terms of reducing costs but perhaps SRA should consider introduction of a performance incentive for failure to provide a contracted number of units / vehicles for service.

**Q24 Is there sufficient transparency of underlying maintenance costs?**
No there is not.