

INFORMED SOURCES e-Preview August 2015

There I was, enjoying some traction writing time with a long overdue traction and rolling stock round-up when the railway went political – big-time. As I write this the repercussions are still rumbling on.

While we predicted that the balloon was about to go up in our July Railtalk, I didn't expect it to happen so quickly. Nor did I expect the political backlash to be so severe. But more of that later.

SWT/Network Rail deep Alliance terminated
Network Rail in crisis – official
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FGW tries to be cool
Northern's little FLIRT

It had been apparent for some months that the 'Deep Alliance between Network Rail and South West Trains established in April 2012, was starting to struggle at the macro level. While it was making a difference at the operational level, if the Alliance was to deliver real benefits it had to take on more responsibility for the infrastructure, starting with renewals.

Meanwhile, at Network Rail, the management responsible for the devolution policy which had made the Alliance possible had gone and centralised command and control was back. When Stagecoach finally told NR that the Alliance could no longer continue, the answer was the equivalent of 'OK, whatever'.

So on 12 June NR announced that the deep Alliance had been 're-shaped to prioritise areas that deliver most for passengers'. Look for the CIA to adopt this euphemism, as in, 'the Al Qaeda leadership was reshaped last night by a drone strike'.

Curtailed

Then came a second blow for SWT. The franchise was expected to be extended from the nominal end date of February 2017 to the end of CP5 in March 2019 through a new Direct Award franchise agreement.

This extension would have allowed the Alliance engineering and operating team to see delivery of the complex series of HLOS Waterloo capacity upgrades for CP5 through to completion. An extension would also reset the financial terms of the existing 2007 franchise agreement under which SWT pays a premium while receiving a rebate under cap and collar. In 2013-14, SWT's net premium was £312 million. This was £100 million more than the next highest premium payers, East Coast and First Capital Connect.

Anyway, since July 2013 Stagecoach and DfT had been discussing terms for the proposed Direct Award Extension. But according to Informed Sources by the time the Alliance was reshaped the two sides were still hundreds of millions of pounds apart on premium payments.

Reshaping the Alliance meant that the extension became solely a commercial issue and with both sides agreeing that there was 'a significant difference regarding the financial evaluation of the proposals', DfT decided that the only way to find out the truth was to let the market decide. A replacement franchise starting in June 2017 will now go out to tender.

To my mind, it is a high risk option, In August 2017 a three week partial blockade of Waterloo starts. Not the ideal time for a franchise to change hands.

Network Rail crisis breaks

Given my up-beat headline in the February 2015 column 'ORR warnings presage year of crises', readers should not have been surprised by the Transport Secretary's announcement on 25 June. But the appointment of London's Transport Commissioner Sir Peter Hendy as the new Chairman of Network Rail was a genuine surprise.

At an annual salary of £500,000 for four days a week, Sir Peter is effectively executive Chairman. His first task, according Treasury's Budget Red Book, is to develop proposals 'to get the rail investment programme back onto a sustainable footing'. And please note that the Treasury is now calling the shots.

In what looks like the first stage of a drastic restructuring of NR, Mr McLoughlin has also ended the anomaly of public members, which I tried, and failed repeatedly, to join. Instead, old-BR hand Richard Brown has been appointed to the NR Board as a Special Director.

Reviews

As we all know, the political response to any crisis is to appoint a review. Network Rail is a three review problem.

In parallel with Sir Peter, Dame Colette Bowe, 'an experienced economist and regulator' is looking at the pile-up that was the CP5 HLOS. She will make recommendations for better investment planning in future.

But the third review is the one that really counts. The government (aka the Treasury) has asked Nicola Shaw, Chief Executive of High Speed 1, to advise on how it should approach the 'Longer-term future shape and financing of Network Rail'.

W-turn?

Another Treasury initiative is a reversal of the reversal of the policy of the previous NR Chairman and Chief Executive to devolve power to the Regions. The Red book reveals 'the government has asked Sir Peter Hendy and Mark Carne, to continue with the work started in Network Rail to devolve more power to route managers closer to the front line'.

Yet another reversal will see the government 'change the way it channels public money through the industry'. Network Rail's current direct grant will be transferred to the train operating companies. This was the situation at the beginning of privatisation, when all of Railtrack's income came through track access charges.

The Treasury argues that this change 'will put the customers of the railway back in the driving seat in demanding efficiency and improvements that matter to them, making the best use of scarce capacity on the rail network'. But just follow the money.

DfT will add around £3 billion to the subsidies paid to train operators bound to its whim by Franchise Agreements. They will pay greatly increased track access charges to Network Rail which is now an arm of DfT.

So it's a 'wooden dollar' money-go-round. Unless DfT sees devolved Routes run by TOCs as concessions, when all sorts of possibilities emerge.

MML and TPE electrification 'paused'

What really caused the media stir in the Transport Secretary's 25 June announcement was the decision to 'pause' the Trans-Pennine and Midland Main line electrification schemes so that NR could 'concentrate its efforts on getting the Great Western Main line electrification right'. Outrage ensued, especially since TP electrification was at the heart of the Chancellor's Northern Powerhouse.

But in reality TP was old news since it had already been deferred. As we have reported, train operators were concerned that the electrification, planned back in 2011, no longer reflected their aspirations for journey times and capacity on the route. Electrification tends to lock in track layouts and alignments, so a rethink of the scheme was already underway.

MML

With work started and around £250 million spent, the decision to 'pause' the MML electrification was the first victim of the GWRM crisis. Mr McLoughlin's comment about NR 'staying within its funding allowance' suggests that the GWRM cost overrun may have to be covered by more pauses, deferrals, de-scoping and perhaps even re-shaping of more projects than just MML electrification.

My previous working estimate was that GWRM was at least a year late. Informed Sources now suggest two years, which sounds credible and could even be optimistic.

Meanwhile the big question is how much were ministers told about the GWRM's lateness and cost over runs? We might find out this afternoon (July 20) when Mr McLoughlin and his Permanent Secretary Philip Rutnam appear before the Commons Transport Committee.

Captain Deltic's rolling Stock Round Up

TfL bidding pile up

Given this country's historic record of feast and famine in the rolling stock market, the last thing you would expect is to hear manufacturers complaining about too many contracts coming up for tender. But talking to chums at Railtex in May there was concern that Transport for London's procurement programme was threatening bidding overload.

DLR had just opened discussions with manufacturing industry on a new generation of rolling stock - more of that below. The Invitation to Tender (ITT) for the Jubilee and Northern Line Additional Trains contract, expected in 'early 2015', is now imminent, with bids likely to be required around the turn of the year.

Delays and cost increases with the Sub Surface Lines resignalling programme have put back bidding for the New Tube for London (NTfL) train fleet. Manufacturers now expect the ITT to be issued at the end of October this year with contract award a year later.

And it's not just new trains. Also on the tender list is the proposed replacement of the DC chopper control equipment of the Central Line 1992 Tube Stock with a modern three phase drive package. And finally, there's the Jubilee Line fleet mid-life overhaul programme.

Docklands

DLR has issued a Periodic Indicative Notice marking the start of formal consultation with industry on a new generation of rolling stock for the Docklands Light Railway. Known, imaginatively, as New Train, it is aimed at optimising capacity.

Currently, the 28.8m long B92 stock runs as three-car trains, total length 86.4m. With the further aim of reducing journey times, improving passenger ambience and reducing whole life costs, DLR is proposing a fixed formation, 86.4m long walk-through train with wide, open, gangways between carriages.

There's a technical specification in the column.

First blood to Bombardier

As the incumbent supplier of London Overground's (LOROL) Class 378 fleet and the Underground's S-Stock, you might have expected Bombardier to win the contract to supply 45 four car electric multiple for LOROL at a canter. Many people also assumed that Bombardier would offer a repeat of the Class 378 design.

Wrong on both counts. It is clear that all three shortlisted bidders, Bombardier, Hitachi and Siemens, regarded the requirement as a truly open competition and put forward their latest kit.

While Bombardier's winning bid is competitive at £1.44 million per vehicle, I suspect that technical performance is likely to have been a factor in contract award.

Air-cooling upgrade for FGW

Tucked away in the new Great Western Direct Award franchise agreement was the requirement for two multiple unit fleets to be retrofitted with 'air-cooling equipment'. Note that air-cooling is not the same as 'air-conditioning'.

With full air-con you dial in the required saloon temperature and, irrespective of the outside ambient temperature, what you dialled is what

you get. Air-cooling reduces the outside temperature noticeably, but on a really hot day the interior won't be as chilled as with full air-con.

I'm cool with this, but my colleague Ian Walmsley gives it the cold shoulder on the grounds that if you are going to do something expensive for passenger they deserve a proper job.

First for retro-fitment will be the Class 165 Networker Turbo DMU fleet, due to be cascaded within the franchise following the arrival of new electric multiple units for the Thames Valley commuter services. Thames Valley services are also scheduled to get some Class 365 Networker electric multiple units cascaded from Great Northern. The aim should be to have air-cooling, plus equipment for Driver Controlled Operation (presumably an Aslef-friendly euphemism for DOO), fitted by the end of 2017.

Hybrids to replace Northern Pacers?

In his June Pan Up column Ian Walmsley concluded that while the Stadler GTW would be ideal for the 120 new DMU vehicles specified in the Northern replacement franchise invitation to tender, the Swiss manufacturer would be deterred by the hefty design costs and the 'notorious difficulty of the UK market'. Well, the good news is that Stadler were not deterred and, spurred on by the strength of the Swiss Franc against the Euro, has offered its FLIRT diesel electric multiple unit to at least two of the bidders for the Northern Franchise.

As far as I can tell, the only other firm bidding for the Northern requirement is CAF of Spain.

Roger's Blog

Last month's blog left me looking forward to the Stagecoach summer reception and the Innovation Awards ceremony at the Fourth Friday Club meeting. Apart from the reshaping of the Alliance, the main topic at the Reception was the new Network Rail Chairman. No one came up with Sir Peter Hendy - so much for the wisdom of crowds.

In terms of ambience the Innovation Awards went really well. Clare Moriarty, head of DfT's Rail Executive gave a well-received speech - not ducking the previous day's announcement by the Transport Secretary, described above. The shortlists were all strongly practical with some interesting winners.

The following Tuesday I went to the Railway Industry Association's 15th Unlocking Innovation Workshop. I was under strict instructions not to make a nuisance of myself, that is, curb my well known scepticism.

It was an interesting event. The only time I had to hold my tongue was during an 'elevator pitch' for that hoary old perennial, self-propelled small passenger pods which are individually routed round the rail network. The promoter ended by asking 'has anyone got a branch line we could run a trial on?' Rather sweet, really.

Mind you, I wasn't all sweetness and light. A presentation on my bête noir, the Rail Technical Strategy, started with that supporting video in which the voice over croons 'trains will be built of light weight materials'. In the networking break I tracked down the presenter and asked him 'what lightweight materials that we don't use already?'

Of course, he didn't know. 'Perhaps from other industries', he suggested' 'What lightweight materials from other industries' I fired back? Well, it made me feel better.

Last week I had an update session on the Waterloo capacity upgrade with SWT, gave a talk to a local group and on Thursday went to the farewell drinks party for Clare Moriarty who is off to be the Permanent Secretary at DEFRA. Several people were surprised that I was allowed into the DfT offices, but I had some useful conversations.

At the moment my diary for August - yes, a real paper diary - has two meetings currently being set up plus a visit.

Network Rail wants to bring me 'up to speed more fully' on Digital Railway. Given that one of my August jobs is to write to the National Audit Office drawing their attention to the Traffic Management System procurement farce, which I've been covering from the very beginning, I'm not sure that I'm that much off the pace. We shall see.

Then following an article in the Financial Times, which caused a rumpus at DfT, ORR want to talk to me about their views on devolution at Network Rail.

And the visit? Why, a trip to see the first D78 stock conversion. Must take my overalls for a look underneath at the engine installation!

Meanwhile, the next job is to write an article putting the aspirations of the Rail Supply Group into historical perspective.

Enjoy the Summer

Roger