INFORMED SOURCES e-Preview July 2019

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Good grief! While opening the file for this month's missive, for some reason I thought I'd see how long e-Preview has been going. It surprised me. All is revealed at the end of the blog section.

New trains – deliveries still lagging
Railtex 2019 pictorial review
Franchising enters a doom-loop
New train TIN-watch

This month opens with an update on my February analysis of new train deliveries. In 221 days' time it will become illegal to operate passenger rail vehicles which do not comply with the Persons with Reduced Mobility Technical Specification for Interoperability (PRM TSI). Excluding the IC125 fleets, roughly 1000 vehicles will be affected.

These vehicles are due to be replaced before 1 January 2020 by the glut of new trains ordered three to four years ago. Back in February, all delivery schedules had slipped back. This month's analysis shows no sign of recovery.

Introducing brand-new designs of traction and rolling stock has never been easy or straightforward and this lesson is being relearned for the umpteenth time. However, even with the major delays, most contracts now have some trains running on the network, at least for commissioning or driver training.

In the column there is a table for each manufacturer showing progress on their current contracts. Tracking of more-recent contracts, from Transport for Wales and West Midlands for example, will start in the next review, scheduled for February 2020. By then any residual PRM-TSI issues will be evident. As the saying goes, only when the tide goes out do you discover who has been swimming naked.

A final table summarises the number of trains each manufacturer has to build and deliver over, broadly, the next six to nine months. What this Table reveals is the dominance of Bombardier, with over half the units on order.

Bombardier's backlog of trains to be built is greater than those of the other three manufacturers combined. Fortunately the company has five production lines at Derby and is opening a sixth.

What caught my eye at Railtex 2019

With so much heavy stuff going down, I thought a pictorial review of some of the technical kit I noted at Railtex might be welcome. The five items range from the simple – a clip-on snow filter for traction motors, to the really hi-tech in the form of a clever pantograph that monitors the overhead line in real time and takes a photograph of any problem areas noted.

There's also more technical detail on MTU's hybrid diesel power pack plus an update on Viva Rail's power module which is getting a greener diesel engine. With government policy emphasising decarbonisation, I realise I may get some flak for including diesel engines in this review.

Franchising enters a doom-loop

If trying to nail down new train deliveries gives fresh meaning to the Heisenberg uncertain principal, keeping up with franchise replacement is the equivalent of taking the pulse of Schrödinger's cat. Back in April 2018, Informed Sources introduced the concept of the Zombie Franchise – train operating companies that, while in business, were losing, or were expected to lose, their owning groups money. Apart from funding current bottom-line losses, the owners were making provision for future losses on these 'onerous contracts'

Onerous Contract Provisions (OCP) represent the operator's view of a franchise's future prospects at a moment in time. This estimate may prove over pessimistic, in which case the provision may not have to be drawn down.

Meanwhile, an owning Group that isn't challenging the DfT over some aspect of franchising is becoming a rarity. Stagecoach, Virgin and Arriva have gone to court over DfT's handling of one or more of the South Eastern, East Midlands and West Coast Partnership franchise bids. Abellio has now been joined by FirstGroup/MTR in challenging the mechanism in recent franchise agreements aimed at protecting train operator and DfT against changes in Central London Employment.

Against this turbulent background procurement of the replacement South Eastern franchise drags on. Pending re-franchising, Govia has been running South Eastern under a Direct Award franchise agreement. This had been extended to 22 June, which should have been long enough to let the replacement franchise, but clearly was not.

Early in June, Whitehall was debating what to do next. It could agree a further Direct Award with Govia, and see whether yet another iteration of bidding might find an offer acceptable to a train operator and the Treasury, or cut its losses and add SE Trains to the Operator of Last Resort (OLR) portfolio until the Williams Review is out of the way.

Blind optimism and short termism predictably won the day. On 13 June, DfT let Go-Ahead do its dirty work and announce a new Direct Award until 10 November 2019, with an option to extend to 1 April 2020. Bravely keeping a straight face, the Go-Ahead press release explained that this would allow the Government 'more time to review and award a winner for the next South Eastern franchise'.

Since neither of the remaining short-listed bidders is willing to sign on the dotted line until the pension issue is resolved you have to wonder what form this further 'review' will take. If DfT softens its line on future pension provision, it risks yet another challenge from Stagecoach, which was disqualified for rejecting the current terms.

As mentioned above both Abellio Greater Anglia and South Western Railway are challenging DfT over the flaw in the mechanism in franchise agreements intended to compensate for changes in Central London Employment (CLE). How the CLE protection is calculated can be found in the SWR Franchise agreement starting on Page 558. However, I don't recommend trying to understand it. All we need to know is that in today's economic and digital climate, the formulae are generating the reverse effect to that intended.

In effect, the calculated revenue share payments to DfT due to rising employment are not being covered by a corresponding increase in fares revenue. I suspect that DfT's view will be 'You signed up to this, buster, there's no going back, hand over the money'.

However, I have some sympathy for those in this 'CLE trap', because employment patterns are changing. In particular modern communications mean that more people are working from home. I give simplified examples showing how even a small number of people working two days a week from home could cut the predicted revenue from a firm employing more people and vice versa.

As FirstGroup Chief Executive Matthew Gregory summarised the situation, 'Some of the protection mechanisms haven't worked as we had expected them to, or believe they should have worked. The central London employment metric suggests there is more employment in central London than we see coming on our trains. We don't see that working properly'.

Unfortunately, the CLE trap is probably the least of FirstGroup's concerns. As we know, Stagecoach saw that the timetable in the South Western franchise Invitation to Tender was unworkable, not least because of the power supply constraints analysed in depth in past columns. As a result Stagecoach qualified this section of its bid, disqualifying itself from the competition.

First/MTR signed up to DfT's impossible dream and now we learn that the Group is 'engaged in negotiations with DfT to work through potential commercial and contractual amendments to reflect timetable deferrals and other issues, in accordance with current franchise agreements'. While 'progress has been made, there is a range of potential outcomes at present'. This uncertainty is reflected in a £145.9 million Onerous Contract Provision.

As with the South Eastern pension issue, if DfT gives First/MTR any leeway on timetable deferrals, I could see Stagecoach, which has nothing to lose, adding to its list of legal claims against the Department.

Next, before it launched its legal action over disqualification from the East Midlands franchise competition, Arriva was already reported to be seeking to renegotiate the terms of its Northern Franchise agreement. It could certainly claim force majeure over the failure of Network Rail to deliver the infrastructure required for the May 2018 timetable and the subsequent collapse of services. More recent delays to the introduction of new trains will have only exacerbated matters.

Finally, according to Informed Sources, the West Coast Partnership, the franchise which will run HS2 and West Coast passenger services, could become a zombie even before it's let. An announcement could be imminent.

As Keith Williams sagely observes 'franchising cannot continue the way it is today. It is no longer delivering clear benefits for either taxpayers or fare payers'. He should have added train operators' shareholders to that list.

TIN-Watch

No changes in the ranking in the Table of Truth this month, although most of the fleets continue to improve. But look out for next month when two more fleets will be listed.

While I hope readers find this monthly reliability data useful, I also try to add value by turning the data into information. This month I have calculated the average unit annual mileage.

Obviously this depends on the type of service. So the inner suburban SWR Class 707s and Crossrail 345s are similar. Reflecting the Class 385 and Class 700 outer suburban running, the mileages are higher but equally close.

For Intercity services I thought it would be interesting to provide a yardstick for the Hitachi Class 800 and, shortly, the Stadler Class 745 long distance fleets. The resulting table covers seven current fleets ranging from the East Coast IC225s to the Greater Anglia loco hauled sets.

Talk about 'sweating the assets'. The mileages certainly surprised me as did the hardest worked fleet. I think you will be too.

To give some historical perspective I've included the Class 55 Deltics in the Table from the summer of 1963 when I was at Finsbury Park. They rank sixth out of seven.

Roger's blog

Last month, I was looking forward to a briefing on a new approach to managing stock and crew being developed by South Eastern and Tracsis. This will form part of a major up-date on Traffic Management I am planning to write later in the year. While at the South Eastern offices they gave me a tour of the integrated control floor at Friars Bridge Court where I came across a Network Rail asset management system.

This sort of thing is still being talked of as an 'innovation' at conferences and something we could learn from other industries. But here it was, already fully operational on the 'backwards' old railway.

A couple of weeks back it was the Westminster Energy, Environment & Transport Forum's policy conference on rail services in the UK. Somehow Westminster pack into a morning more insights from high level speakers than some events manage in a whole day, plus ample time for networking.

This coming Friday I will be the MC at the 21st Modern Railways Innovation Awards. These are the longest running awards in the industry and, as always, I expect to see them contradict the view that the railway is resistant to innovation.

Then next Monday I will be the speaker at the Retired Railway Officers monthly meeting. The title of my talk is 'East Coast traction from D to A' and I have had an enjoyable time in the archives finding suitable photographs.

After that the diary is pretty quiet, but I have a list of visits to organise. Meanwhile, time to polish up the presentation – retired they may be but the RROS members are a demanding audience.

Roger
Oh yes. The first e-Preview was sent out in November 2005. How time flies when you are having fun.