INFORMED SOURCES November 2022

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This month's column centres on important things not happening. Amid the political turmoil, railway policy is drifting.

TDNS terminated – official.

Decarbonisation reset – engineering the new pragmatism.

Great British Railways misses legislation target.

Operators in turmoil.

I can't say that we weren't warned what was coming, but the formal revelation at the Waterfront Decarbonisation conference in September that the rolling programme of electrification in the 2020 Traction Decarbonisation Network Strategy (TDNS) was now unaffordable still came as a shock.

At a media briefing in February, Network Rail Chief Executive Andrew Haines cautioned that, as far as the Treasury was concerned, there was 'undoubtedly' going to be a trade-off between how much money goes into the IRP and how much on electrification of other parts of the network.

And the reality of this trade-off was made clear by Rich Fisher, Head of Strategic Planning - Network & Integration at the Great British Railways Transition Team (GBRTT), in his presentation providing 'An update on the strategy for Traction Decarbonisation'.

There was no dubiety in the bullet point of his opening screen. It read '2021 Comprehensive Spending Review has made TDNS programme undeliverable by 2050'.

Mr Fisher's presentation explained how the GBRTT is seeking 'to address affordability and deliverability, with alternative approaches based on rolling stock solutions and reduced scope of electrification'. It is a brutally radical reboot with the hoped for rolling programme replaced by a phased implementation.

Each phase is a self-contained increment, with wiring stopping where it becomes unaffordable, in terms of the funding available from the Treasury, or simply uneconomic.

TDNS proposed 13,000 single track km (stkm) of electrification over the next 30 years. Including current committed schemes in Phase 1, the five phases being developed by GBRTT would provide 6,900 stkm by 2065-70.

A welcome feature of the GBRTT work is the recognition that if there is to be no rolling programme, the railway is not going to achieve the national target of Carbon Net Zero by 2050. This places a greater emphasis on the potential contribution to decarbonisation from traction and rolling stock in the near term, known as Phase 1+.

Phase 1+ is based on 'buying flexibility' through a combination of new bi-modes plus life-extending DMUs. 'Flexibility' includes the ability to replace the diesel engines in bi-modes with battery packs as the distances away from the wires reduce following electrification.

In the column, some figures are provided on the implications of this change of plan for the railway's CO_2 emissions. GBRTT estimates that by 2050, Phase 1+ on its own would reduce passenger train emissions by around 65%, with Phase 2 increasing this to 80%.

Options for decarbonisation

In retrospect, TDNS suffered from an overestimation of rail's significance when it comes to decarbonisation. I have only just collated the data to put UK rail's diesel consumption into the global context.

But while the UK railway's contribution to global emission is miniscule, it doesn't mean that we are not under a duty try to reduce it as much as we can. And there are many minor improvements at our disposal, in addition to the small infill-electrification schemes being proposed to cut diesel freight mileage under the wires.

Converting existing DMUs into battery hybrids is already being demonstrated by Chiltern. Similarly, Merseyrail is piloting electro-battery EMUs. And while I still regard bi-modes as overweight EMUs or underpowered DMUs, they do exploit the existing electrified network.

Getting rid of the oldest DMUs will provide a double benefit if linked to a cascade. New-build battery hybrid DMUs reduce emissions, improve air quality and provide a better experience for passengers. The cascade they start also gets rid of the oldest units. In the column I provide an example.

But we can all come up with fantasy cascades. With TDNS binned, someone in the real world now has to produce a national rolling stock strategy to support the GBRTT Phased electrification proposals.

Great British Railways delayed.

In the August column I subjected readers of Modern Railways to a detailed analysis of the consultation document for the Government's proposed Transport Bill. This included the legislation for the creation of Great British Railways. To be frank, it was a slog, but a necessary one if we want to understand the implications of railway reform.

But it may have been a slog in vain, because the various current crises mean that emergency legislation has pushed the Transport Bill, or at least its railway content, out of the current legislative session. To quote the latest official 'line to take', 'further detail on the timing of DfT's planned legislation on rail reform will be confirmed in due course. We will take forward legislation when Parliamentary time allows'.

This news seems to have been greeted by the railway industry with equanimity. Which has surprised us at Modern Railways.

So, does the delay really matter? Well as my August marathon made clear, for GBR to do serious stuff it needs to be an arm's length public body with a 'clear separation between it and Government'. The legislation defines not just GBR's future roles and responsibilities, but those of other key organisations within the rail sector, not least the ORR.

Delay breaks the link between the creation of GBR and the Office of Rail & Road's current Periodic Review of Network Rail's income for Control Period 7 (CP7).

Previously, it was expected that GBR would take on its powers from 1 April 2024, which is also the start date of CP7. But now the status quo seems set to continue for an indefinite period.

This complicates matters. For example, GBR is expected to produce £1.5 billion in cost savings in its first five year. But as we don't know when, or even if, it will come into being, that £1.5bn is not guaranteed.

Nor is DfT unaffected. Under the 2005 Railways Act, the Periodic Review process requires DfT to provide ORR with a High Level Output Specification (HLOS) of what it wants from the Railway in CP7, plus the Statement of Funds Available (SoFA) to pay for it. Both were due by the end of October.

When I asked DfT how they were getting on with the Periodic Review, all they could tell me in mid-October was that work is on-going, 'and we will provide an update in due course'.

But if the Transport Bill wasn't enough to worry about, also affecting rail reform is the Retained EU Law Bill. No, it was new to me too, but it is essentially about removing EU Law from the statute books.

ORR Chief Executive John Larkinson described it as a 'big and complicated bill', because there is an 'awful lot' of rail legislation derived from EU Law. Areas affected include interoperability, access charges, TUPE and the Channel Tunnel.

Before privatisation a popular claim had been that railway policy had been based on managing decline. Now, 30 years later the optimistic assessment is that DfT is currently managing stagnation.

Operators in turmoil

In the world of what used to be called franchising, but is now a melange of contractual arrangements from NRCs to OCFAs, the last month has seen change upon change. I decided to cover these events in alphabetical order, starting with Abellio leaving the UK market.

In 2003, in joint-venture (JV) with Serco, Abellio signed the 25 year concession to operate the Merseyrail network. The Netherlands' company's final acquisition was East Midlands in 2019. Most recently the ScotRail franchise was taken back by Transport Scotland in March this year.

Over these two decades, Abellio's UK foray has proved expensive. The ScotRail franchise reported losses and Greater Anglia had to draw down loans from NS. In the year ending 2020, Abellio Transport Group Ltd, the UK parent company, reported a loss of £40 million, largely as a result of paying back loans.

Anyway, on 22 August, and without alerting the UK workforce, the NS Board announced that it had decided that now was the time to divest its Abellio UK subsidiary and focus on its domestic transport market in the Netherlands.

Ex-BR manager and franchising veteran, Dominic Booth is leading a Management Buyout (MBO) of Abellio's UK transport businesses, to be called Transport UK. But Dominic's MBO is not like buying a car where you handover the money, collect the registration documents and drive away. NS is providing Transport UK with financial support to take the car away and keep it running.

All existing franchise funding will remain in place, with NS continuing to be responsible for all outstanding Rail Franchise obligations, including Funding Deed commitments and Parent Company Support (PCS) facilities, plus any relevant bank bonding.

Currently, the MBO's emphasis is on obtaining agreement from DfT on the transfer of the businesses. Transport UK is expected to take over fully at the turn of the year.

Avanti Angst

Next in alphabetical order is Avanti West Coast. This was already a horribly complex franchise, with its dual role under its formal title of West Coast Partnership, of running the existing railway in the near term, while acting as shadow operating partner for High Speed 2 Ltd.

This may have contributed to its remaining under the Emergency Recovery Measures Agreement (ERMA), introduced during the Pandemic, when other former franchises had already transitioned to National Rail Contracts.

Meanwhile, a shortage of drivers meant that Avanti was particularly vulnerable to rest day working as industrial relations worsened. On 8 August the operator announced that it would be 'stepping down the timetable' to a basic four trains per hour.

A month later First Group revealed that long term Virgin Trains and Avanti West Coast Managing Director Phil Whittingham 'had decided to step down from his role in order to pursue other executive leadership opportunities'. Phil had jointed Virgin Trains from accountants KPMG in 2003 as Finance Director for Virgin West Coast, becoming Managing Director for Virgin Trains tem years later before transferring to Avanti.

So, that was August and September. Avanti's ERMA had already been extended from March this year to 16 October, which left DfT in a pickle. Despite services gradually recovering, on-going high profile operational failings, meant that politically, 'something had to be seen to be done'.

And on 7 October DfT announced that the ERMA would be replaced with a six months Direct Award Contract, during which Avanti would be 'challenged', to deliver 'the urgent increase in services required'. This contract expires on 1 April next year.

According to Transport Secretary Anne-Marie Trevelyan, the six-month extension will allow DfT to assess whether Avanti is capable of running this crucial route to a standard passengers deserve and expect.

If all goes well, the pain transfers to DfT, which will have to develop an appropriate National Rail Contract for this most complicated of franchises. If not, DfT can call in the Operator of Last Resort (OLR) early in February.

There has been talk of OLR not having the resources to take on another operator. But it doesn't work like that. while OLR knows that trouble is coming, it waits until DfT says 'scramble', before mobilising the necessary management resources.

Serco

Finally we come to Serco failing to renegotiate an acceptable offer at the break point in the Caledonian Sleeper Franchise Agreement. You can read all about the cancellation in Modern Railways' perfectly timed Scotland feature this month.

My only comment is that Serco is exactly the type of management-by-contract service provider that GBR is based upon. Having lost money on the Sleepers, how keen will Serco be on coming back for more?

Roger's blog

October began with the annual Rail Freight Group conference staged by Waterfront. With industrial action taking place on the day, the organisers offered the option of streaming the sessions, so I attended from my desk. The tech was impeccable - no cries of 'You're muted Roger' – and the list of speakers was compelling.

Star of the show was Beacon Rail's Stadler-built Class 99 electro-diesel locomotive. GB Railfreight MD John Smith calls the mighty 99 his Class 66 replacement. With 8,000 hp under the wires and 2,400hp self-powered, that is some 'replacement'.

Word of the day was 'growth' and the contrast in attitudes to the rail passenger business was stark. Yes, these are difficult times, but the freight operators are positive about the future.

I've got several visits I want to make but plans have been frustrated by the industrial relations situation. That said, when I open the new file for the next month's Informed sources I carry over any un-used potential topics, then add new ones as they emerge. There are already more ideas than space available for December and new issues will probably emerge from the current political turmoil.
However, one thing I am determined to produce is an analysis of how new trains have performed since they were 'promoted' from the TIN-Watch Table.

Talking of train performance, it is time for my annual visit to the local motor factor for the Spanners used for the Golden Spanners Awards trophies. This year, I'm considering awarding my wild-card to the various 're-purposed' trains now in service.

Oh yes, and the next issue will also see the last of my retrospectives of Modern Railways Six decades. I'm in 2010 at the moment, only 12 years, but it still seems a very long time ago.

Roger