Written evidence from Angel Trains Ltd

Introduction

Angel Trains welcomes the opportunity to give evidence to the Infrastructure and Capital Investment Committee’s inquiry into the next rail passenger franchise (Rail 2014). This is a brief document detailing some background on Angel Trains and our role as a Rolling Stock Operating Company (ROSCO).

About Angel Trains

Angel Trains own, lease and maintain trains for Train Operating Companies (TOCs) throughout the UK. Since 1994 we have invested over £3 billion in the UK economy through the purchase of rolling stock, and the refurbishment of existing trains. We are the largest ROSCO in the UK: owning over 4,500 trains and carriages. That amounts to 37% of the trains currently leased for operation on the UK rail network, including ScotRail.

We are an asset manager, the conduit between investors and the operational railway. Angel Trains shoulder the burdens associated with raising the necessary capital, negotiating with manufacturers, and managing the fleet as franchises change hands.

Maintenance of our assets is particularly important to us. Through our team of expert engineers based at our offices in London and Derby, we manage and maintain vehicles for TOCs.

Maintenance in these terms means regular engineering checks, upgrading equipment such as mechanical parts and electronic system checks. (It does not generally extend to aspects such as upholstery and carpeting which remains the responsibility of the train operator.)

Angel Trains was established in 1994 as one of the first firms set up in response to the privatisation of British Rail. We have a focused approach, concentrating only on the British market and rail industry asset management.

Attracting private sector investment to the UK Rail industry

The single biggest investments made by Angel Trains include £977 million on new tilting trains for Virgin Railways West Coast Mainline route connecting Glasgow to Birmingham, Manchester and London. We have also invested £700 million in new passenger trains for the South West Train route into London run by Perth based, Stagecoach Group.

We have also recently awarded a £500,000 contract to Wabtec Rail (formerly Brush Barclay) in Kilmarnock. The contract comprises the refurbishment of five Class 180 high speed trains for use on the First Great Western rail line.

Long-term perspective

By virtue of the length of their franchises TOCs are focused on the short to mid-term. Rolling stock, however, has a life-cycle of up to 40 years.

Angel Trains therefore has an interest in the long-term outlook for the rail sector, given our significant investments. As such we like to talk to a wide range of stakeholders including Transport Scotland, DIT, ATOC, and politicians in Edinburgh, Westminster, and Cardiff.

Improving value for money
It would be more efficient, and would drive down the cost of delivery, if the UK could move towards greater commonality of rolling stock, reducing the variety of trains from the current 56 to something closer up to 6.

At a time of spending cuts, it is particularly important that the sector should seek to minimise the burden to taxpayers, and we are keen to use our expertise to assist in that process. The McNulty Review made a number of recommendations for improving efficiency in the rail network and set out a blueprint for the sector over the coming decades. The Report is broadly regarded by the industry as having made sensible and helpful points.

Angel Trains supports its findings, and is working with the DfT, Rail Delivery Group, ATOC and Train Operators to establish what strategic partnership between the DfT and ROSCOs, as recommended by Sir Roy, might involve.

Scotland’s rail passenger franchise

As an informed buyer and asset manager of rolling stock, we see a number of opportunities for Transport Scotland to reduce costs associated to rolling stock using all or some of the following approaches.

*Developing continued service operation options for existing fleets*
With believe that it is possible to provide lower cost rolling stock solutions through continued service operation of existing fleets. This will require some additional investment to ensure compliance with accessibility legislation. We think this approach will provide a real benefit in reducing costs, particularly for those routes that demand a higher level of subsidy. We note that continued service operation of existing fleets was a key recommendation in the recent McNulty Review.

*Adopting fleet standardisation for future fleets*
We fully recognise that each and every train operator wishes to customise their rolling stock to reflect local operating and marketing requirements. However, a move towards adopting standard European and UK designs could reduce costs for the railway throughout Scotland, England and Wales. By taking this approach, Transport Scotland will avoid customisation costs associated with developing a bespoke product. In addition to the potential savings in capital costs, procuring common platform trains can also bring about a range of benefits relating to the reliability and operating cost of the train. For example, maintenance of the Siemens Desiro fleet by the manufacturer has led to efficiency savings (achieved through areas such as optimised spares pools, supply chain management and cross fleet maintenance optimisation) being realised whilst maintaining and enhancing reliability.

*Developing a rolling stock procurement strategy to provide a clear and steady order pipeline*
We agree with the recommendations set out in McNulty Review that a procurement approach that provides suppliers with better visibility on forward requirements and less volatile production flows should help reduce costs. Through a more consistent order flow, the start-up costs that are incurred with a stopstart approach to procurement should be avoided providing a lowering in capital costs. We believe that we, as a ROSCO, can help achieve this by identifying and bringing together various TOCs’ requirements and consolidate orders.

In addition, a steady order flow should continue to allow the core suppliers to the UK market the opportunity to continually develop and improve their products reducing maintenance and reliability costs, as demonstrated by the Siemens Desiro and Bombardier Electrostar designs.

*Procuring rolling stock on a whole life cost basis*
We have, for a period of time now, considered whole life costs in our rolling stock procurement and upgrades and hence we continue to support industry efforts to procure rolling stock on a whole life cost basis. In taking such an approach, items such as maintenance, energy, & staff operating costs need to be considered, in addition to infrastructure costs such as variable track access costs.

*Improving the environmental case for rail*
Environmental sustainability is important to everyone working in the UK rail industry. We are proud that our Pendolino trains have reduced the number of people flying between London and Manchester. We invest in our trains to make them last longer, rather than scrapping and procuring new vehicles. We are helping to make existing diesel trains more fuel efficient, have developed improvements in regenerative braking, introduced driver advisory systems, and invested in new energy metering systems.

We also assess our suppliers on their environmental policies and how they manage environmental issues.