



After the Investigation – prospects for rolling stock manufacture and procurement

CILT

19 November 2008

Jeremy Candfield

Director General

Railway Industry Association

Railway Industry Association



“A Vision for the Future of Rail: Overcoming the Challenges”

For rolling stock, the Vision for the Future is substantially already with us:

- some 5,000 new mainline passenger vehicles from an (almost) standing start
- youngest major fleet
- problems in some areas, but hugely successful achievement for all concerned



Challenges

But the future does hold challenges:

- Demand
- Skills
- Specifications
- Planning
- Financing

Not addressing:

- the current competitions



Challenge: Demand

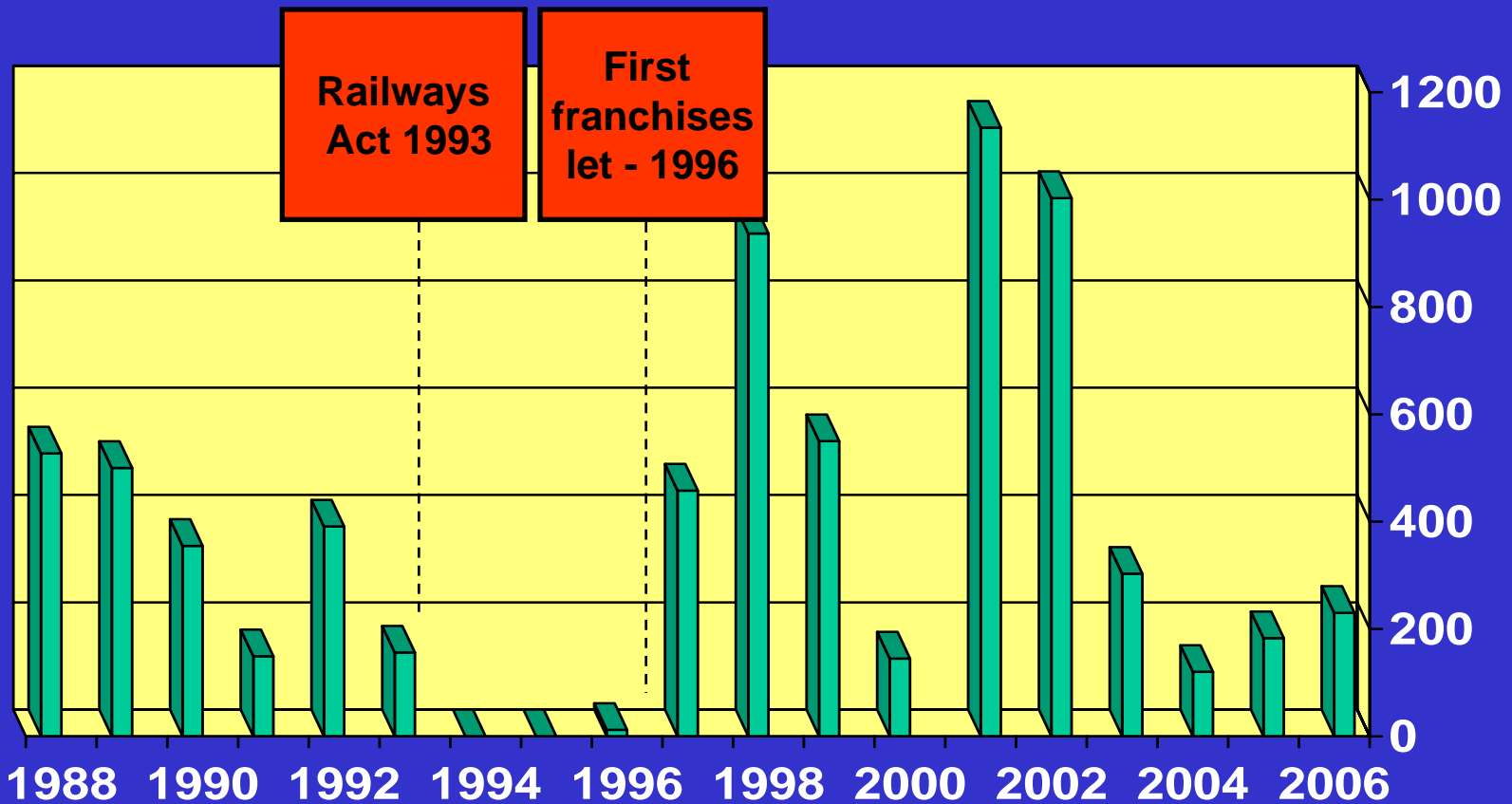
Complete the Review – and subsequent actions

The HLOS Build -

- Much talk of whether it's 1,300 (DfT), c.1,500 (ORR), c.1,100 (R. Ford et al)
- No doubt important, but from supply perspective not the central issue
- The central issues are **continuity** and **consistency** of the requirement



Passenger rolling stock orders placed



For BR/TOCs. Excludes LUL/Light Rail



Continuity and Consistency

Breed:

- Economy
- Reliability
- Management of obsolescence
- A much stronger supply chain
- A skilled labour force
- Design evolution, and innovation.

Discontinuous and inconsistent demand, however, does the converse.

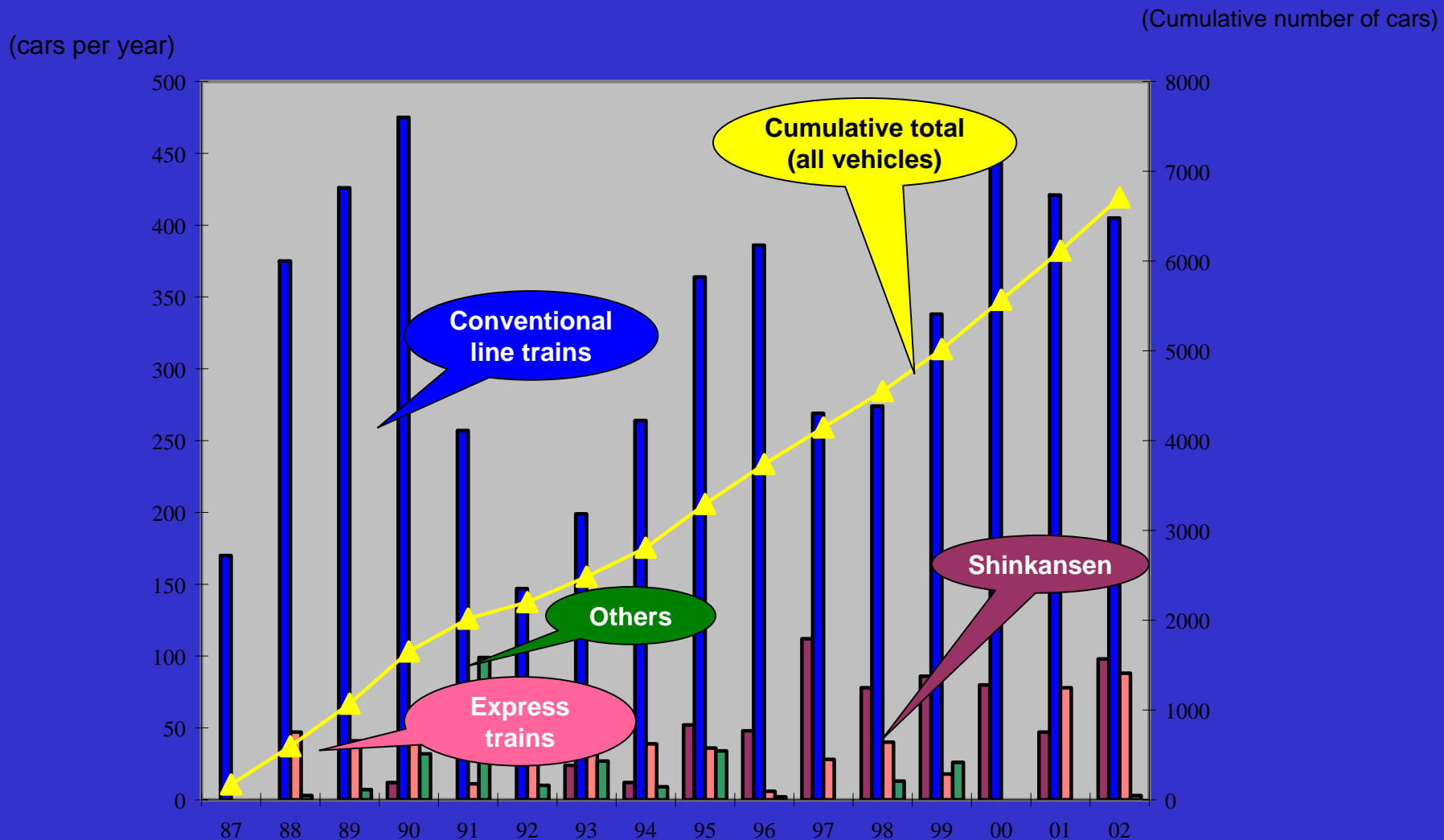


And Now:

- After several years of orders at modest levels, now facing at least five major calls for CP4/5 period:
 - HLOS
 - IEP
 - Piccadilly Line
 - Thameslink
 - Crossrail
- Say 4,000 – 5,500 vehicles



JR East Rolling Stock Orders



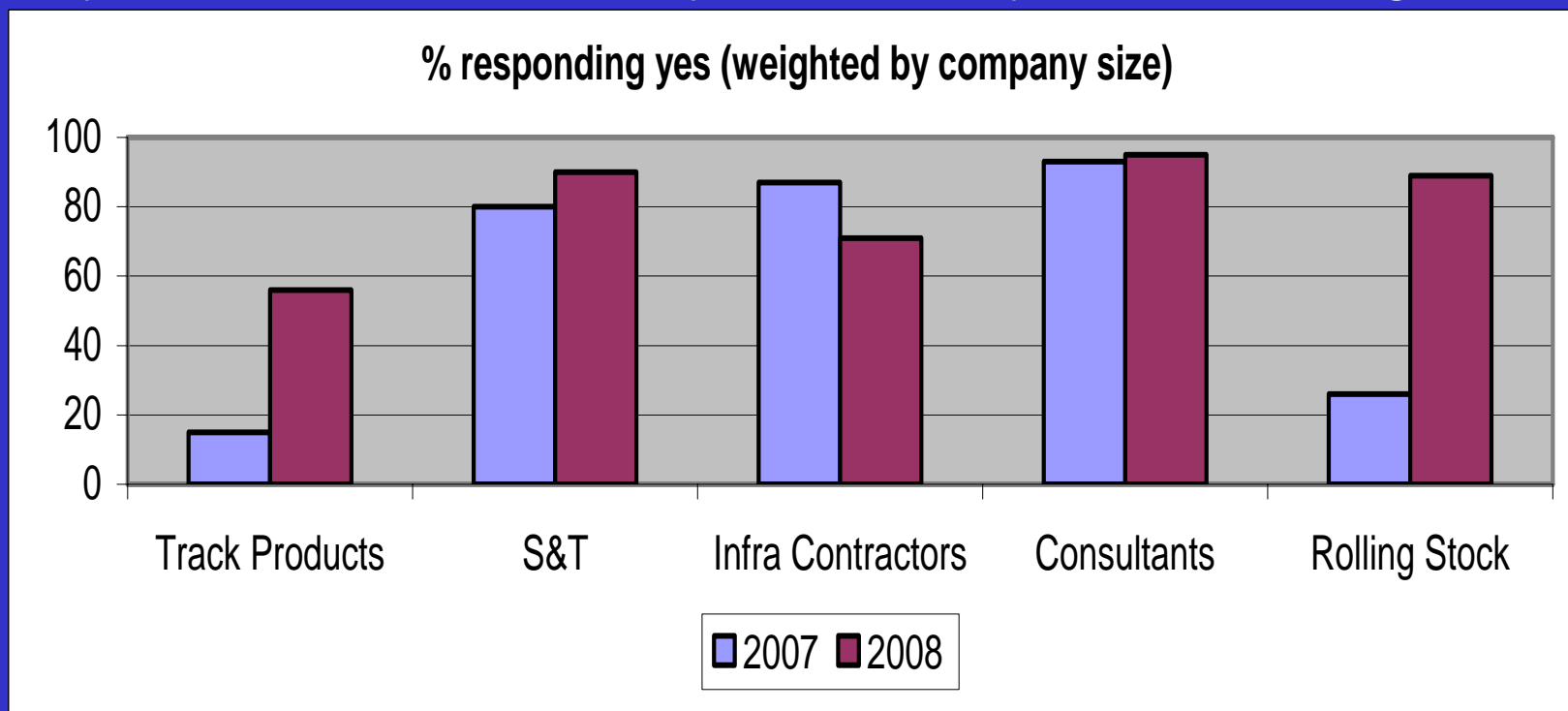
Rolling Stock Orders

- A very welcome challenge
- But perhaps not the most efficient one, after years of few orders
- Production capability substantial, but issues on skills



Challenge: Skills

The RIA Business Survey in May 2008 asked “Is your business currently affected by skills shortage?”



Skills Challenge - 2

Furthermore, in the Rolling Stock sector skills shortages were identified as the single greatest constraint on output



Responding to the Skills Challenge

- Companies are gearing up
- Taking on labour, though can be difficult to offer permanent employment
- Shortages also materialising in infrastructure sectors
- RIA engaged in numerous collective initiatives, in particular...



Responding to the Skills Challenge - 2

- RIA is taking a central place in promoting the proposed **National Rail Engineering Skills Academy**
- The aim is to identify actual and prospective skills shortages and promote solutions pro-actively
- Originated in NW, now nationwide because that's the problem
- Strong industry-wide support, aiming for industry-led proposal early next year



Challenge: Specifications

- Cross-industry discussions turning attention to what comes after the coming demand peak
- And related concept of a 'family of trains' – DfT Technical Strategy
- Work in progress, and concepts evolving



A Family of Trains - 1

- Currently about 11,000 mainline vehicles
- About 50% built post-privatisation
- IEP, Thameslink and Crossrail, say 2,500 - 4,000 vehicles
- Doesn't leave much for 'family'
- Means approach to procurement crucial



Train Building industry - 1

Is:

- global
- capital intensive
- skills intensive
- highly competitive
- not equipped with surplus design resources



Train Building Industry - 2

- Relies, like aircraft and automotive industries, on continuous production of standard designs that are cost-effective and reliable
- So local customisation for small builds
 - drives up cost
 - presents risks to reliability

especially where access to infrastructure for testing is difficult

- So in future...



A Family of Trains - 2

Seems reasonable to expect that all mainline builds will be one of:

- IEP, Thameslink, Crossrail or close derivative
- Additions to existing fleet of similar vehicles
- Train builders' standard platforms
- Tram-Train, possibly
- Customised, but under framework contracts with defined volumes over time;

Or - **Very** expensive, and unless procurement timescales much extended, with real reliability risk



Challenge: Integrated Planning

- Self evidently, rolling stock supply is part of the system as a whole
- At least three major national programmes developing
 - IEP
 - ERTMS
 - Electrification
- Not to mention Crossrail, Thameslink, Reading, Birmingham...
- GWML!



Integrated Planning

- There are major potential synergies if planned together
- The converse is also true

Yet:



Electrification: Fundamental shift in DfT position

- July 2007 White paper “Some argue for prioritising network-wide electrification today. There are three main reasons for not pursuing this course... in the short term the key question is whether the benefits of such investment over 10-15 years are greater than its costs” (paras 11.27-28)
- 24 Sept 2008 Ruth Kelly: “Labour will develop options for a rolling programme of electrification of our railways – potentially the largest programme of electrification in our history”



Integrated Planning - 2

- Not clear where this leaves “self-powered” IEP
- HSTs run under wires that were procured long after the trains
 - do we really want to **plan** for the perpetuation of such practices?
 - and are they financeable?



Challenge: Finance

- Major mainline builds all envisage use of private finance
- Private finance secured for the West Coast extra cars
- But in current circumstances there are obvious questions about the capacity and willingness of the market
- And in London there are financing gaps too, eg Arbiter's view that Tubelines' period 2 requirement over-stated
- Given the timescales, uncertainty needs closing asap



Conclusions

- Much has been achieved – though at considerable cost
- The challenges in the UK market in the near future are major – and so are the opportunities
- But, like others, the supply industry faces major economic forces: resources, financing, competition
- The more those forces are recognised and understood by those engaged in procurement, the more successful that procurement will be.





Thank You

Railway Industry Association

