



Office of Rail Regulation - ROSCO market study – a note by London TravelWatch

1st September 2006

Introduction

1. In connection with its market study into passenger rolling stock leasing markets, the Office of Rail Regulation (ORR) has asked London TravelWatch if it has any specific examples of consumer detriment related to the provision of rolling stock. In particular ORR has asked for information about occasions where train operators have reduced the number of carriages due to cost and if this has led to overcrowding on key commuter routes. They have also asked about any detriment in terms of a fall in journey quality due to rolling stock not being updated or kept in a reasonable state, and the extent to which this has been reflected in appeals received by London TravelWatch from passengers.

2. Although there are various interesting rolling stock issues in the Inter-City sector, this paper focuses on the London area commuter TOCs as it is here that overcrowding and internal condition issues have been most marked.

Background

3. As the current rolling stock position for London area TOCs is heavily influenced by the history of rolling stock procurement over the last 25 years, the issues put to London TravelWatch by ORR have to be considered in the light of the following background.

4. Following an efficiency investigation by the Monopolies Commission, from around 1980 BR was mandated by government to reduce its rolling stock in its then London and South-East sector¹ to the minimum needed to carry the then current traffic levels. This meant that old stock could be withdrawn without being replaced, as newer stock was cascaded to replace it. To achieve this many peak trains had to be shortened.

5. From around 1990, when much of this "newer" stock fell due for withdrawal (broadly all the slam-door Mark 1 stock except for middle and longer distance units on the Southern Region and on the Fenchurch St. – Southend line), government again specified that costs be minimised by limiting the orders for new stock to what was essential for the traffic levels of the time.

6. There was one case of a new order being enlarged to cater for traffic growth – the Networkers (class 465 / 466) for the South Eastern section of the Southern. This was accompanied by a programme of platform extensions and other investment (e.g. longer sidings) to allow the maximum length of Kent suburban trains to be increased from 10 cars to 12. However this programme was halted after most of the

¹ Subsequently renamed Network South-East.

platform extensions and other investment had been completed, and the growth element of the Networker order was cancelled.

7. The consequence of government policy in the 1980s and early 1990s is that the legacy BR fleets inherited by the London area TOCs was pared to the bone. There was therefore no leeway for the traffic increases which have occurred since the late 1990s.

8. To complete the background to this matter, new stock orders by the privatised London area TOCs have been largely limited to like-for-like replacement for the remaining slam-door Mark 1s. However all three Southern TOCs ordered more new stock than was strictly necessary for Mk 1 replacement, and this has created some capacity for traffic growth. In the case of South Eastern the actual beneficiary of this has been 'one', as a result of a cascade between TOCs, and in the case of Southern another cascade (by sub-lease) has provided a limited but insufficient benefit to Thameslink.

9. Finally, Chiltern – aided by the fact that it operates diesels on which train lengths can be varied in single car increments – has a franchise commitment to order small batches of new stock on a rolling basis as traffic levels rise.

10. In the light of this background information, this paper now turns to the specific questions put to London TravelWatch by ORR.

Overcrowding caused by lack of rolling stock

11. London TravelWatch cannot recall any cases in the London area where the cost of rolling stock has led a TOC to reduce the number of carriages on peak services with the result of trains being overcrowded.

12. This is distinct from cases where a train has been shortened in order to release stock either to lengthen another and busier train, or to enable an additional train to be operated.

13. The general problem in London is that increasing traffic has placed extreme pressure on the rolling stock available. The policies imposed on British Rail meant that the London TOCs started life with no margin above their initial mid-1990s traffic levels, and with the exceptions described above their franchise agreements have not been funded by government to increase their allocations. This has resulted in widespread overcrowding.

14. In some cases (where track capacity exists) this could be ameliorated if additional stock was available. However such extra stock (which to modern safety and amenity specifications now costs well over £1m per car ex-factory) would only operate for one loaded trip in each weekday peak, and would thus not earn sufficient revenue to make it profitable for TOCs / ROSCOs to place orders. To do so would therefore depend on government subsidy, and in most instances this has not been forthcoming. Responsibility for this situation cannot be laid at the door of the ROSCOs.

15. Despite of (or perhaps because of) the overall shortage of stock, there have been several moves of stock, either permanent or temporary, to meet a particular situation. Examples include:

Temporary

317s from WAGN to Thameslink for overcrowding (longer trains)

317s (for a second time) from WAGN to Thameslink for Thameslink blockade

322s from ScotRail to 'one' for Ipswich tunnel blockade

357s from c2c to 'one' to release 321s from 'one' to Silverlink for additional services pending delivery of new 350s

Permanent

319s from Connex to Thameslink for overcrowding (longer trains)

508s from store to Silverlink for overcrowding (additional services)

365s from Connex to WAGN to release 317s from WAGN to 'one' for overcrowding (additional services)

2-car 170s from SWT to First Trans Pennine in exchange for 3-car 158s for overcrowding (longer trains) – to commence shortly

16. Compared with the days of a unified British Rail, arranging these cascades has been a slow and complex process. In some cases it needed the strong leadership of the SRA to bring the relevant parties together and to drive matters forward. However at no time, either in discussions with London TravelWatch, in correspondence or in railway press articles, has it been credibly suggested that a ROSCO has impeded the process.

The current Thameslink problem

17. In contrast to these successful stock movements, there is the current case of First Capital Connect's need for additional stock to lengthen Thameslink trains to deal with serious overcrowding. London TravelWatch has been warning about this problem for a long time, and made it a high profile issue with both the DfT and the short-listed bidders during the re-franchising process in 2005. The matter is complex, but it is not insoluble and is now urgent. Indeed we believe it is scandalous that it has not yet even been partially solved.

18. The situation is that 85 class 319 dual voltage units were built by British Rail for Thameslink. However in light of lower demand projections than first forecast, and in accordance with government policy, 20 units were diverted direct from the builders to South Central. These were inherited by Connex, and in response to increased Thameslink traffic they sub-leased 7 units to the latter. The remaining 13 passed to Southern as successors to Connex.

19. For the Thameslink blockade the delivery of new units to Southern enabled them to loan their 13 319s to Thameslink. There appears to have been some hope that this could become permanent, but in fact Southern's own increasing traffic meant that they needed them back.

20. During the Thameslink refranchising the DfT stance² was that the entire 85 class 319s would be needed but the bidders should take it that these would be made available – i.e. that the DfT would arrange the necessary transfer from Southern. However when the franchise was awarded it became apparent that this was not the case and that the responsibility to secure the necessary units – or find an alternative solution – rested with First Capital Connect.

21. It would be in First Capital Connect's (and passengers') best interests to solve the overcrowding by securing the 13 319s. This would give them a homogeneous fleet and thus keep maintenance and staff training simple and provide total operational flexibility.

22. Nobody disputes that Southern cannot now release these units without finding replacements. The only suitable units seem to be the 458s recently placed off-lease by South West Trains. There are some issues as to whether and how Southern could use these units, but it is difficult to believe that these are insoluble.

23. However it seems possible that at this key point in time there is a ROSCO issue. As a commercial organisation the owners of the 458s have to weigh the advantage of immediately entering into a lease with Southern which could only run for the three remaining years of their franchise, against waiting for the possibility that the successful bidder for the South West franchise may wish to take them on a

² As per their published summary of the franchise specification.

much longer lease. Whether this is a real issue or merely a figment of London TravelWatch's imagination, and if it is real whether it is a matter on which the ROSCO can be criticised, must be for ORR to judge.

24. Where the ROSCOs collectively may be open to criticism is for showing a lack of lateral thinking. There is no dispute that an alternative to transferring Southern's dual voltage 319s to Thameslink is to secure some AC units instead. The most suitable are 317s, which could be operated on diagrams which restrict them to the Bedford – Moorgate section, as occurred in the early years of privatisation when such units were loaned by WAGN.

25. 317s are now operated by First Capital Connect themselves on Great Northern, and by 'one' on West Anglia. As with Southern, there is no dispute that these could not be spared from their present use without replacement. Finding 13 replacement AC units from the existing fleets is probably impossible. However anything would be better than nothing and an obvious source is the 5 class 322s on First ScotRail. These have operated on both Great Northern and West Anglia before.

26. The key is to find replacements for the 322s in Scotland³ – but this too has been done before in the shape of Class 90 locomotives and Mk III coaches redundant from the West Coast Main Line (WCML). It is true that some of these have since found new use on 'one's Norwich services, but this fleet is small compared with the former WCML fleet so we would be surprised if this is a problem. This may be an instance where cost – the original issue which prompted the ORR enquiry – is a factor. We know that locomotives and coaches are more expensive to lease than electric multiple units, but we do not know whether the differential is justified.

27. Again, this question of ROSCO culpability must be a matter for ORR to determine, as London TravelWatch has no information on the detail of how the industry has been handling this matter. At the end of the day, all we know is that Thameslink trains are overcrowded, that various solutions are or should be on the table, and that the industry has failed to deal with it. What we can say is that based on the track record of the SRA in taking the lead to solve previous rolling stock movements, we believe that if this had arisen before their abolition they would have taken a much stronger line than the DfT appears to have taken so far.

Rolling stock upkeep

28. There have been several cases since privatisation where trains have not been maintained in a reasonable internal condition. Typically the shortcomings have centred around the general cleanliness of seats, floors and wall coverings and (where provided) toilets, failure to repair wear and tear of fixtures and fittings, failure to remove graffiti and failure to repair or replace vandalised windows.

29. Examples of such cases are as follows:

c2c (when under Prism ownership). Class 310 / 312 inherited from BR in poor condition was allowed to deteriorate further until replaced by new trains. This contrasted with similar stock owned by First Great Eastern which was kept in reasonable condition until withdrawal.

Connex. Allowed its Mk 1 stock to deteriorate pending introduction of new trains – a situation made worse by delays in commissioning the new stock, thus requiring the old stock to remain in service longer than planned. This contrasted with South West Trains who spent substantial sums on internal repairs and new seating moquette for Mk 1 stock, despite knowing that much of it only had 2 – 3 years further service. After withdrawal, some of these units were transferred to South Eastern (successor to Connex) to replace the worst of their old stock pending delivery of the final tranche of new trains.

³ Class 322 comprises 5 AC electric units. They were built by British Rail for Network South-East (Stansted Express). On privatisation they passed to WAGN, but have since led a wandering existence, being variously operated by North Western, WAGN again, ScotRail (North Berwick line), 'one' and now ScotRail (North Berwick) again.

Connex. Allowed its Networkers to become very scruffy and failed to deal with badly vandalised windows. It also failed to clean its newly delivered Class 375s very well and these quickly looked dowdy. Rectified by South Eastern with an initial clean-up of all trains, followed by a refurbishment programme (still in progress) for the Networkers.

Thames Trains. Undertook a modest but effective refurbishment of all its trains, but failed to maintain them in a satisfactory condition thereafter. When the franchise was transferred to First Great Western Link the new company quickly rectified matters, at an unbudgeted cost stated to be £1m.

WAGN (when owned by Prism). Allowed all stock to become scruffy. Gradually rectified after National Express took over the franchise.

Silverlink Class 313 and 150 units on Silverlink Metro have generally become scruffy. This contrasts markedly with Class 321 on Silverlink County which are maintained to a very high standard.

Thameslink. Refurbished part of its fleet early in the franchise, but allowed all units to become scruffy thereafter. Commenced a clean-up programme towards the end of the franchise, and claimed that they would continue with it even after it was announced that they were not short-listed for the new franchise. The results were not very impressive, and First Capital Connect embarked on a new programme as soon as they took over.

30. The issue of poor internal condition of trains has never been a significant item in London TravelWatch's mailbag of appeals from passengers, probably because it is something which comes lower on their priority list than the many other shortcomings of the rail industry in the recent past.

31. Nevertheless it is a matter which London TravelWatch has taken up with the operators whenever appropriate. It is fair to say that whatever their response – sometimes positive, sometimes not – they all accepted that it was a matter for which they were responsible and they never sought to pass the blame onto the ROSCOs.