

# WEST YORKSHIRE PASSENGER TRANSPORT AUTHORITY

Appointed Members

DATE: 9 JUNE 2006

AGENDA ITEM NO: 4

## SUBJECT: RAIL ROLLING STOCK

### Report of the Passenger Transport Executive

#### 1. MATTER FOR CONSIDERATION

- 1.1. Rail rolling stock issues, including an update on the scheme for additional capacity on peak services in West Yorkshire. Approval is sought for expenditure on infrastructure enhancements, a consequential service change and on the refurbishment of Metro's Class 321 units.

#### 2. INFORMATION

##### Additional Rolling Stock

- 2.1. The development of a scheme for 12 additional carriages to relieve overcrowding on services in West Yorkshire has been considered on a number of occasions.
- 2.2. Funding for the scheme is being provided by a combination of a grant from Yorkshire Forward (£8.7m), additional revenue from new passengers (c.£2.2m) and a fares increase (c.£8.8m). Members approved a relaxation of the regulatory cap (which limits the annual fares rises the train operator can implement) from RPI+1 to an expected RPI+3 until the end of the Northern franchise in 2013.
- 2.3. The details of contractual arrangements are set out below in paragraphs 2.4 to 2.6.

##### Contractual Arrangements

- 2.4. A 'fixed price' arrangement with Northern was not a realistic option in view of the risks associated with the scheme. Metro has now concluded the contractual negotiations with Northern. A key objective (both for Metro and Yorkshire Forward) was to ensure that Northern cannot make an 'excess' profit (above a reasonable rate of return for their risk in participating in the scheme) from the arrangement (for example if passenger revenue turns out to be much higher than predicted).

- 2.5. Metro has therefore negotiated a 'cap and collar' mechanism whereby risk and reward will be shared with Northern Rail. The business case includes an expected income for each year of the project. If actual income is above this level, Northern will be entitled to keep the first 10% of additional revenue (in order to incentivise good performance). Above 10%, all additional project revenue will be available to Metro to be taken in the form of one of the following:
- Cash (i.e. a revenue sum);
  - Passenger benefits;
  - A lower fares increase the following year.
- 2.6. Conversely, if revenue is below the expected level (for example if overall passenger numbers do not increase in line with expectations), Northern will cover (at their risk) the cost of the shortfall up to 10%. After the first 10%, Metro will have the option of:
- Making up the shortfall with a cash payment;
  - Allowing a higher fares increase to cover the shortfall (the default position);
  - Taking other mitigating action (e.g. agreeing a re-deployment of the rolling stock).

#### Rolling Stock Stabling

- 2.7. A key issue is the need to ensure that there is adequate capacity to stable the additional rolling stock overnight. Neville Hill depot (where most of the rolling stock operating in West Yorkshire) is currently operating close to capacity.
- 2.8. A strategy has been developed to stable some rolling stock at the site of a former depot at Holbeck in Leeds and some at Bradford Forster Square, with additional security measures. The stabling of some of the overall fleet at these two locations will free up capacity to accommodate the additional trains procured as part of this project. The use of Holbeck depot requires investment in new infrastructure and facilities, and will provide benefits for the rolling stock fleet across West Yorkshire.
- 2.9. Northern would be prepared to fund the cost of the infrastructure works at Holbeck, provided they had the opportunity to earn additional revenue by setting the 'cap' below which they retain any additional revenue at 25% rather than the 10% described above. The 'collar' below which Metro would make up the shortfall would remain at 10%.

- 2.10. Whilst the above approach is a reasonable reflection of the investment Northern would have to make, it would significantly reduce the potential for Metro to earn additional revenue from the project.
- 2.11. An alternative approach has been developed whereby Metro makes a £1.5m capital contribution to the depot facilities at Holbeck and Metro still retains any project revenue above the 10% cap. The difference between the 10% and 25% cap could be worth up to £1.6m for Metro.
- 2.12. The capital cost of the depot facility could be met from Metro's share of the Local Transport Plan (from funding identified for rail schemes). It is planned to phase the funding contribution over 3 years. This would potentially generate a revenue stream for Metro which could be used to fund other priorities, including assisting in resolving the 8 Class 333 trailer cars for which there is no funding available beyond April 2007, as reported to the last meeting of the Rail Working Group. Metro is working on a business case for funding the ongoing cost and a revenue stream from the mechanism described above could assist in closing the gap.
- 2.13. Approval is therefore sought for a £1.5m capital contribution to the cost of providing a new depot facility at Holbeck in Leeds.

#### Minor Amendment to the Service Level Commitment

- 2.14. The stabling of trains at Bradford Forster Square removes the need to operate an early morning service between Leeds and Bradford Forster Square. The first Leeds to Bradford Forster Square train is currently at 06.12 (arriving 06.32). As the stock to form this diagram would be stabled at Bradford Forster Square, Northern is proposing to withdraw this service from December 2006. Passenger counts indicate that only around 10 people use the service (which has 360 seats). There are two alternative services from Leeds to Bradford Interchange at 06.03 and 06.22. For passengers travelling from either Shipley or Frizinghall to Bradford Forster Square, there is an alternative service just 4-6 minutes later.
- 2.15. Withdrawal of the 06.12 from Leeds to Bradford Forster Square requires a change to the Service Level Commitment for this route (which stipulates the time of the first train). The first service between Leeds and Bradford Forster Square will become the 06.49 service (arriving 07.10).

#### Class 321 refurbishment

- 2.16. Metro's fleet of Class 321 vehicles comprises three 4-car units leased from HSBC Rail. Last April, the PTA was informed that the transfer of the lease to HSBC Rail had generated a capital sum for Metro which was to be used to fund passenger benefits.

- 2.17. Metro has worked with HSBC Rail and Northern to develop a package of passenger enhancements to the Class 321 units which will be carried out as part of a major overhaul and refurbishment later this year. The proposed enhancements include the provision of an on-board Passenger Information System, CCTV, and improvements to seating, wheelchair space and cycle storage area. It is expected that the enhancements will be completed in early February 2007. The units will also be re-painted externally, but this is funded by Northern as part of the standard overhaul.
- 2.18. Approval is sought to procure the additional passenger enhancements at an estimated capital cost of £520,000 to be funded from the proceeds of Class 321 transfer.

### **3. FINANCIAL AND LEGAL IMPLICATIONS**

- 3.1. The cost of the additional rolling stock is being met through the £8.7m grant from Yorkshire Forward and additional passenger revenue.
- 3.2. The reward and risk sharing mechanism set out in paragraph 2 provides the opportunity for Metro to earn an additional revenue sum from the project. Conversely Metro may be required to support a shortfall in revenue. The default position is that any shortfall is made up from a higher fares increase, although Metro can agree alternatives including a cash payment to Northern or re-deployment of rolling stock.
- 3.3. The proposed capital contribution to the cost of the new depot facility at Holbeck is £1.5m, to be funded from Metro's share of the Local Transport Plan allocation.
- 3.4. The cost of the Class 321 additional passenger enhancements will be funded from the proceeds of the re-leasing of the rolling stock last year.

### **4. STAFFING IMPLICATIONS**

- 4.1. None.

### **5. EQUAL OPPORTUNITY IMPLICATIONS**

- 5.1. All rolling stock will meet the relevant accessibility regulations.

## 6. **RECOMMENDATIONS**

- 6.1. That the contractual arrangements for risk and reward sharing on the additional rolling stock project are noted.
- 6.2. That a capital contribution of £1.5m towards the cost of a new depot facility at Holbeck is approved.
- 6.3. That the proposed withdrawal of the 06.21 Leeds to Bradford Forster Square is approved and the Service Level Commitment is amended.
- 6.4. That the expenditure of an estimated £520,000 on additional passenger enhancements to the Class 321 units leased by Metro is approved.

Director General  
West Yorkshire Passenger Transport Executive

5 June 2006