

Written evidence submitted by Angel Trains Ltd (IRP0079)

1 Overview

- 1.1 Angel Trains welcomes the Transport Select Committee's inquiry into the Integrated Rail Plan (IRP). We are grateful for the opportunity to contribute to the Committee's work on the IRP and its impact on rail connectivity, capacity and the economy.
- 1.2 Angel Trains is a leading UK Rolling Stock Owning Company. We own and maintain 4,274 passenger vehicles, and have a further 605 on order, which we lease to 20 train operators. Based in London and Derby, we employ 135 professional, technical, and administrative staff, graduates, and apprentices.
- 1.3 We play an integral role in the UK's rail industry, acting as a bridge between the operational railway and pension funds and infrastructure investors, by attracting and securing the necessary finance to procure, refurbish and enhance UK passenger rolling stock. Over the past 25 years, we have invested over £5 billion in new rolling stock and refurbishment programmes – supporting thousands of skilled jobs in the UK rail supply chain, enhancing connectivity, and tangibly transforming the passenger experience.
- 1.4 As Chair of the Sustainable Rail Executive, we are working with colleagues in industry and government to fast-track solutions to decarbonise the railways. Alongside our leading R&D pipeline, we are investing in Scotland's first hydrogen train and the UK's first conversion of a diesel train to a low-emission, self-charging battery hybrid which is being designed in Sheffield and built in Derby.
- 1.5 Angel Trains takes a long-term strategic view of the rail sector given the 30-year lifecycle of the trains we buy. In the short-term, passenger numbers have naturally been severely impacted by necessary Covid-19 restrictions, and it is likely that the profile of patronage will shift as travel constraints ease. However, the underlying demand for improved connectivity remains, and the industry must be nimble in meeting these needs. There is a clear opportunity for rail to help underpin a green and regionally balanced economic recovery from the pandemic, and the IRP provides a platform for this.

- 1.6 We have focussed our comments on the specific role of rolling stock in the IRP – how the sector can support the levelling up agenda, deliver value for money for taxpayers, and opportunities for innovation to support the railway’s transition to net zero.

2 The role of rolling stock in levelling up

- 2.1 Rail infrastructure has a significant role to play in delivering the government’s levelling up agenda – driving economic growth across the UK, supporting high-skill, high-wage jobs across every region and nation of the UK, fostering placemaking and acting as a catalyst for regeneration across our towns and cities.
- 2.2 As one of the largest investors in UK rail, the tens of millions of pounds on upgrades and maintenance of vehicles that we spend every year is undertaken by leading businesses of all sizes in the UK-based rail supply chain - from Loram (Derby) and Alstom (Widnes) to Wabtec (Doncaster). This also includes Hitachi Rail (Newton Aycliffe), who we recently placed a £61 million order with for new ‘Paragon’ rolling stock for Hull Trains.
- 2.3 The pace of investment has not been slowed by the pandemic. Instead, we have actively supported UK manufacturers and, in some instances, brought projects forward. We invested £300 million with our valued suppliers in 2020, and a further circa £340 million in 2021 – including digitalising over 100 Sprinter Class vehicles for Northern customers, undertaking the largest ever UK train refurbishment of the West Coast Pendolino fleet with Alstom Transport Technology Centre in Widnes, and upgrading the Class 350/51 with the West Midlands Railway Depot. We are continuing to support the post-pandemic economic recovery by investing in rolling stock and encouraging passengers back onto a better, greener railway.
- 2.4 As the government pushes forward its future blueprint for rail, including the flagship IRP project, it is vital that the new industry structure under Great British Railways encourages continued private sector investment in rail infrastructure delivery. An ideal model for the private sector would see the government setting its desired policy outcomes, whilst

offering flexibility for the sector to innovate and deliver the most appropriate technology solutions for all parts of the rail network. Based on our experience of working with the international investor community, we believe that there is significant appetite and opportunity to invest in, and finance, either new or existing rail infrastructure, including depots, stations and signalling.

- 2.5 We are pleased that the IRP is providing a certain and consistent pipeline of projects through to the 2040s, worth £96 billion. This certainty encourages the principles of levelling up by allowing the private sector and rail industry to forward plan and create high-skill, high-wage jobs across the UK. Increased investment through a consistent pipeline serves to drive innovation, improve customer experience, and promote a modal shift of passenger travel and freight.

3 Value for money for UK taxpayers

- 3.1 As the government continues to build back better, and with considerable pressures on public spending, the private sector offers a deep pool of private capital, which remains off the government's balance sheet, equalling a genuine risk transfer from the public to the private sector in the form of residual value and procurement risk. As the government considers its approach towards the procurement of rolling stock for the projects encompassed within the IRP, it is vital that continued private sector investment is aided by government policy, and ROSCOs can play a meaningful and proper part in the rail sector.
- 3.2 Delivering value for money for UK taxpayers is emphasised throughout the IRP. Rolling stock makes up 14.9% of the total cost of running the UK railways.¹ This is significantly less than the 30% which it cost at the time of privatisation. The ROSCO model has halved industry costs by creating competition in the supply chain and procuring standardised fleets. Through leasing costs, the sector offers significant technical expertise and valued asset management of train fleets, investing in innovative technologies and services that have a direct benefit to the passengers who use their vehicles – ensuring effective specification, procurement, and delivery to create value for taxpayers.

- 3.3 Our ability – as a ROSCO and private entity – to secure finance against a diversified portfolio of assets gives a significant degree of choice in determining the best sources of finance and has enabled the most cost-effective rolling stock solutions. As a result of the certainty provided by the IRP, there are clear opportunities to drive further efficiencies and customer enhancements, ensuring continued value for passengers and taxpayers.
- 3.4 As the IRP takes shape and capacity is increased, taxpayer costs can be reduced if care is taken to ensure new rolling stock is not over-specified. Common families of fleets improve reliability for passengers and reduce operational costs across the network. By giving ROSCOs a consistent role throughout the duration of projects in the IRP, we can offer train operators high-quality refurbished trains to increase line capacity and enhance the passenger experience at a lower cost, helping to align with the social and economic connectivity provided by the IRP. All refurbishment work is undertaken by the UK-based rail supply chain.
- 3.5 We welcome the IRP's efforts to end 'boom or bust' investments in the rail industry and agree with the notion that ensuring schemes are properly developed to provide a sustainable pipeline for the rail supply chain can increase the efficiency of delivery, therefore keeping costs low. The government could go further by continuing their industry-wide efforts to end the 'stop-start' nature of rolling stock procurement processes, which a previous sector review suggested added approximately 20% to costs.

4 Opportunities for low carbon innovation

- 4.1 We fully support government's plans to decarbonise UK transport, encourage modal shift, and reach net zero by 2050. Rail has an integral part to play in this transition, and the rolling stock investment decisions we make now will directly impact the rail industry's ability to meet the 2050 net zero target and 2040 target to phase out diesel-only trains.

- 4.2 We greatly welcome the IRP's focus on electric services for passengers across the North of England – the project aims to complete the electrification of around 180 route miles and more than 75% of Britain's main trunk routes. The IRP provides clarity on the government's approach to electrification in these regions, and this enables Angel Trains, and others, to target investment in the green technologies that can help decarbonise those neighbouring routes either awaiting electrification or where electrification is not recommended. These could be delivered as discrete investments today, but in the knowledge that the trains and infrastructure would integrate seamlessly with the mainline routes when electrification was delivered.
- 4.3 To build on the electrification commitments in the IRP, we support Network Rail's Traction Decarbonisation Network Strategy's (TDNS) core recommendation to electrify a further 11,000 km of the network to achieve the government's decarbonisation targets – creating a national backbone of electrification.
- 4.4 Whilst the industry largely welcomes the pipeline of investments that form the IRP, to further encourage net zero innovation on all parts of the network – particularly for emerging technologies like hydrogen and battery – ROSCOs need to move ahead and initiate orders for production runs of these trains. This ensures ROSCOs and manufacturers can more efficiently productionise net zero technology solutions for rolling stock. Transitional technologies include retrofitting existing diesel rolling stock with battery capabilities, which can be upgraded as battery technology advances. This includes our collaborative trial with Hitachi Rail and TransPennine Express to retrofit intercity trains with battery technology, helping to cut fuel usage and reduce carbon emissions by 20% or more.

5 Summary

- 5.1 Angel Trains welcomes the commitments and pipeline of projects proposed in the Integrated Rail Plan. We believe rolling stock plays a key part in the levelling up agenda by providing high-skilled jobs, connecting places and people, and regenerating towns and cities across the UK. Private investment in rail – including through ROSCOs – works best when

the government sets the direction of policy, and the private sector is given the freedom to innovate and deliver. We are ready to invest and are keen to drive forward the decarbonisation agenda through electrification, battery, and hydrogen technology to make a greener railway and to encourage modal shift.

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Endnotes

^{1 1} National Audit Office, A financial overview of the rail system in England, 2021. Available at: <https://www.nao.org.uk/wp-content/uploads/2021/04/A-financial-overview-of-the-rail-system-in-England.pdf>