

Rolling Stock leasing - market study

Questions for Train Operating Companies

Product Characteristics

- (a) Please identify the factors that influence your choice of rolling stock. To what extent, if any, do the following act as a constraint to your choice of rolling stock?
- **Route Compatibility Considerations**
The extent of electrification in the area of your operation, the type of electrical system and/or other technical factors.
 - **Operational Considerations**
The type of service you wish to operate for example high capacity commuter services or inter city services designed for high-speed long distance travel.
 - **Economic Considerations**
The extent to which operating costs and revenue earning potential vary between different types of rolling stock, and any consideration you give to the cost of a change of rolling stock - for example obtaining new spares and retraining staff.
- (b) Based on the above considerations, Table 1 below sets out a segmentation of rolling stock. It has been suggested that the classes of rolling stock within each segment are not interchangeable with those of other segments. Please comment on:
- (i) the suggested segmentation;
 - (ii) the particular classes of rolling stock within each segment; and
 - (iii) whether this accounts with your understanding and experience. Please identify any areas where your views materially differ.

Table 1 – Rolling Stock Market Segments

Type of Service	Speed Requirement	Route Power	Type of Rolling Stock Meeting Requirements	Class of Rolling Stock Meeting Requirements
Branch line/inner suburban	75 mph	None	Diesel 75 mph	142, 143, 144, 150, 153, 155, 156, 165,
			Diesel 90/100 mph	158, 159, 165/1,166, 168, 170, 171, 175, 185.
Branch line/inner suburban	75 mph	25kV AC	25kV AC 75 mph	314, 315, 320
			25 kV AC 90/100 mph	317,318,321,322, 323, 333,334, 357, 360

			Dual Voltage 75 mph	313
			Dual Voltage 100 mph	319, 350, 365, 375/6,377/2
Branch line/inner suburban	75 mph	750V DC	750V DC 75 mph	455, 456, 465, 466, 507, 508
			750V DC 90/100 mph	375, 376, 377, 442, 444, 450, 458, 460
			Dual Voltage 75 mph	313
			Dual Voltage 100 mph	319, 350, 365
Branch line/inner suburban	75 mph	Dual Voltage	Dual Voltage 75mph	313
			Dual Voltage 100 mph	319, 350, 365, 375/6,377/2
Inter-regional/outer - suburban	90/100 mph	None	Diesel 90/100 mph	158, 159, 165/1, 166, 168, 170, 171, 175, 185
			Diesel 125 mph	180, 220, 221, 222, HST, Mk3 coaches
Inter-regional/outer - suburban	90/100 mph	25kV AC	25kV AC 90/100 mph	317, 318, 321, 322, 323, 333, 334, 357, 360, Mk1/Mk2
			25kV AC 125 mph	373, 390, IC225 Mk3 coaches
			Dual Voltage 100 mph	319, 350, 365
Inter-regional/outer - suburban	90/100 mph	750V DC	750V DC 90/100	375, 376,377, 442, 444, 450, 458, 460
			Dual Voltage 100 mph	319, 350, 365, 375/6 377/2
Inter-regional/outer - suburban	90/100 mph	Dual Voltage	Dual Voltage 100 mph	319, 350, 365, 375/6 377/2
Inter-city	125 mph	None	Diesel 125 mph	180, 220, 221, 222, HST, Mk3 coaches
Inter-city	125 mph	25kV AC	25 kV AC 125 mph	373,390, IC225,Mk3 coaches

(c) Are there any other factors that influence your choice of rolling stock?

- (d) To what extent is it possible to lease rolling stock which has been used or was intended to be used outside the UK? Please provide examples of any rolling stock which you or the companies that lease stock to you have leased from a supplier located outside the UK.
- (e) How prescriptive are the current round of franchise specifications in relation to rolling stock requirements? Do you consider there to be a move towards more detailed specification over the last five years? Please provide examples.

Choice from competing ROSCOs

- (f) To what extent do you consider that a franchisee's choice of rolling stock and lessor is restricted by the franchising process itself, i.e. the fact that at the time of any franchise renewal, a significant proportion of the stock that could theoretically be used to supply that franchise is committed to serving other franchises? Please provide a commentary on your own experience.
- (g) To what extent do you agree with the premise that in practice there is little alternative existing rolling stock available to a franchise bidder such that, absent a requirement to upgrade the fleet by the purchase of new stock, the bidder has little option but to agree terms to continue with the incumbent fleet?
- (h) At the time of agreeing rolling stock leases, to what extent have you been able to trade off alternative bids from more than one ROSCO? Please distinguish between leases for MOLA rolling stock and new rolling stock.
- (i) When submitting a bid for a new franchise, do you consider as viable a proposal to use alternative (existing) rolling stock instead of the incumbent fleet? Please provide details of any bid you have submitted based on a proposal to use alternative rolling stock, please include in your response whether this proposal was successful.
- (j) Please provide details of any other TOC that you are aware of, winning a franchise on the basis of a proposal using alternative existing rolling stock to the incumbent fleet?
- (k) Please provide details of any instances of which you have switched rolling stock between franchises either:
 - (i) at the franchise replacement stage; or
 - (ii) during the course of a franchiseIn your response, please set out an assessment of why the switching was possible and your view on why it happened
- (l) To what extent do you consider that there is a tight balance between supply and demand for rolling stock; please distinguish as appropriate between the overall position and the position in respect of specific types of rolling stock.

- (m) Please provide details of any classes of rolling stock that are in high demand and short supply and why.
- (n) Are you aware of any ROSCOs holding significant rolling stock “off-lease”, (i.e. uncommitted). If so, please provide details and explain to what extent this surplus stock affects the dynamics of competition as regards the supply of rolling stock for particular franchises to particular bidders.
- (o) Please provide details for each of your franchises of incumbent stock which you leased on acquisition of the franchise i.e. stock which had been leased by the previous franchisee.
- (p) Where you have replaced an incumbent franchisee, please identify the proportion of your predecessor’s rolling stock that you decided not to take on. Please provide the reason for any non-transfer of rolling stock.
- (q) Please identify any major fleet changes in your current franchise (over the last 2 years).
- (r) By franchise, please provide a breakdown, by reference to the segmentation in table 1 above, of which ROSCO currently supplies your rolling stock requirements.
- (s) Please identify what rolling stock modifications are necessary when transferring stock from one franchise to another (i.e. as an alternative to continuing with the incumbent fleet). Please give an indication of the cost involved and the time it takes to complete any necessary modification.
- (t) Please provide details of any instances where you have considered procuring incumbent rolling stock from a ROSCO on a short-term lease as an interim measure prior to sourcing new build rolling stock. Did you discuss this proposal with the ROSCO and what was the outcome of your discussions?

Barriers to entry

- (u) Please comment on the extent to which there has historically been entry into rolling stock leasing, i.e. whether firms other than the incumbents have been able to gain a significant foothold in the market. Do you expect entry to occur in the future? Please give reasons.
- (v) To what extent do you consider self-supply of rolling stock finance? If not, please explain why you have not considered this option. Is self-supply likely to be a feasible option for you in the future?
- (w) If you have considered self-supply, Please explain the proposal under consideration, what was the outcome? Please explain the reasons for this decision.
- (x) Are you aware of any “speculative” (ie uncommitted) purchase of rolling stock, either new or second hand, by ROSCOs. Please provide your view on what factors might induce speculative purchase and provide

your view of whether and to what extent such factors exist in the rolling stock leasing markets currently.

- (y) What in your view would a new entrant need by way of expertise, knowledge and competence to enter the rolling stock leasing market? Are you aware of any other barriers to entry by new players?
- (z) Please identify any companies who you believe meet those requirements (as referred to in question 'y' above) and provide your view on why entry has not occurred from those sources. Why do you think none of those companies have in practice entered the rolling stock leasing market?

Alternative methods of procurement

- (aa) When submitting a bid for a new franchise, do you consider new build as a viable option where the provision of new rolling stock is not a condition of the new franchise? Please provide examples of bids where you have submitted new build proposals and indicate whether such bids were successful.
- (bb) Are you aware of any other TOC winning a franchise bid on the basis of a new build proposal (except where this was a mandatory condition of the new franchise)? If so, please provide details.
- (cc) Please provide details of any alternative options available to you for procuring existing or new rolling stock other than through leases from ROSCOs. Please distinguish between arrangements for new and existing stock.
- (dd) Please explain why you think such methods are not used more often.

Supply of Rolling Stock

- (ee) Please comment on the degree to which rolling stock is purchased of a 'bespoke' nature (i.e. rolling stock which is limited in terms of where it can be used on the network and for its use) and whether this trend is likely to continue in the future. Please provide your view on the extent to which bespoke rolling stock is and will remain an indispensable feature of the rolling stock market and the reasons for this (i.e. for reasons of network capability and/or service requirements etc.)
- (ff) What is the average lead -time for introducing new rolling stock to operational use on the UK network. Do you expect this to increase/decrease in the foreseeable future and approximately by how long?

Maintenance

- (gg) Please provide your own experience of whether ROSCOs offer both 'wet' and 'dry' leases (i.e. have you been offered leases with or without maintenance services). Please provide details.

- (hh) Please provide your experience of the extent to which ROSCOs are willing to provide both types of lease and whether there are difference in approach to particular classes of rolling stock.
- (ii) Is it your preference to purchase rolling stock leasing and maintenance as a bundled service or sold separately? Please provide the benefits/disbenefits to you of either model.
- (jj) Please provide examples, if relevant, of where you have accepted rolling stock leasing and maintenance as a bundled service where this has not been your preference and the reasons for this.
- (kk) Please provide examples, if relevant, of where you have procured maintenance services from elsewhere, please explain what those arrangements comprise and your reasons for doing this.
- (ll) To what extent does access to heavy maintenance depots affect your preference as regards choice of 'wet' or 'dry' rolling stock lease arrangement?

Price Patterns

- (mm) Do you see any pattern in terms of differences between rental prices for certain types of rolling stock, e.g. between the supply of MOLA rolling stock and new rolling stock, or between particular classes of rolling stock.
- (nn) Please comment on your experience of prices for MOLA rentals over time, for example, in what direction do prices generally move on renegotiation of MOLAs at renewal?

General

- (oo) Please comment on what you believe to be the key benefits/disbenefits to you of your current rolling stock leasing arrangements