



Industry Forum

Business Excellence Through Inspired People

November 2012

The new climate for Railway investment in Great Britain

The debate about the growth prospects of the UK economy often focuses on the role of infrastructure investment, especially road and rail investment. The potential of the rail sector has been recognised by the European Community's in its ambitious plan for investment this decade in R&D, Horizon 2020. The European rail sector has emerged as one where Europe has genuine global strengths, ahead of major global competitors, where it can win an increasing share of world trade.

The climate for rail investment in the UK has been influenced by a major study by a team led by Sir Roy McNulty – the Rail Value for Money Study. The final study report, Realising the Potential of GB Rail, was published in May 2011. It included a rigorous benchmarking exercise comparing the rail performance of this country with other similar European countries. McNulty concluded that GB rail suffered from a 30% efficiency gap compared with the best performance in Europe. The report set out a number of recommendations to remove the whole efficiency gap by 2018/2019.

The McNulty recommendations are very wide ranging and cover leadership, clarity of objectives, devolved decision-making, structures and interfaces and regulations. In terms of increasing efficiency the report stressed the importance of improved supply chain management, programme and project management and asset management. The role of innovation, standards and safety is also covered as are various aspects of HR such as training and management development.

In July 2012, the Department of Transport published The High Level Output Specification (HLOS) which sets out information for the Office of Rail Regulation and for the rail industry about what the Secretary of State wants to be achieved during railway Control Period 5 (April 2014 – March 2019).

The HLOS announced rail investment in excess of £9bn by the end of the Control Period, of which about £5.2bn involves projects already underway and the remainder being for new projects. The strategy is built around four priorities. The first of these is the creation of the “Electric Spine”, a high capacity passenger and freight electric corridor running from the South Coast through Oxford, Bedford and via the Midland Main Line to the East Midlands and South Yorkshire, with a link from Oxford to the West Midlands and the North-West.

The second strategic priority is to increase capacity and accelerate journey times between key cities, investing



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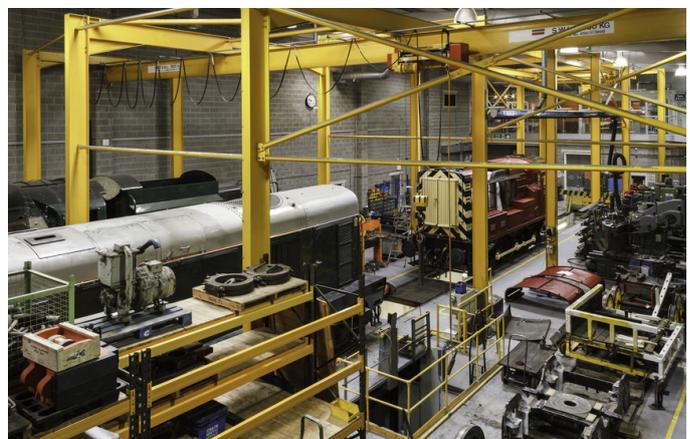
in faster trains (Intercity Express Programme) and route improvements. Major new investment is focussed on the Great Western, East Coast and Midland Main Lines. The third strategic priority is better commuter travel into major urban areas, helping people to access a wider range of jobs. A significant investment project is the electrification of the Welsh 'Valleys' lines to support the long-term economic renewal of the Welsh economy. There is also investment to support economic growth in the North East, Yorkshire, North West, Midlands, West, and London and the South East. By boosting rail capacity and capability in West and South Yorkshire, enhancing North-Eastern connectivity and completing the Northern Hub, this investment is expected to unlock major economic benefits in the

economies of the northern cities and conurbations. The fourth strategic priority is to improve railway links to major ports and airports.

Following the McNulty recommendations the Secretary of State for Transport has set a High Level Output Specification in terms of a limited number of quantified metrics and non-quantified requirements, covering Safety, Reliability, Capacity and Environment plus a high level specification of certain major projects and other investments which the railway sector is to deliver in the Control Period.

Hitachi has committed to build a new purpose-built factory in Newton Aycliffe to manufacture the trains for the Intercity Express Programme. Building will start in 2013 for opening in 2015. Trains will enter operations from 2017. This project will create 730 jobs with Hitachi and many times that number in the supply chain. In addition Hitachi has announced that it will build its new European R&D centre at the same location. They are also building new maintenance depots at Bristol, Swansea, London and Doncaster.

Atkins, Bechtel, Carillion, CH2M Hill, Parsons Brinckerhoff, Siemens and the Railway Industry Association have come together to form the High Speed Rail Industry Leaders Group. This is intended to be a centre of excellence in rail engineering, operations, funding and regulation. The immediate priorities for this group include assessing the supply chain to identify skills and resource shortages and other constraints. It will also benchmark UK expertise against international experience. It will establish best practice in terms of cost management and operational management, showcase UK expertise and identify skills development avenues.





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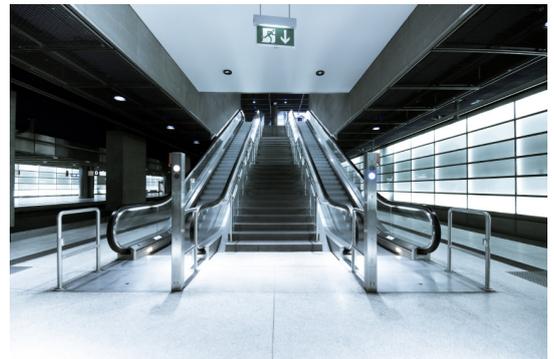
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BS11000 is proving to be an important standard for the modern GB rail industry as it tackles the efficiency gap. In May 2012 Atkins' UK rail division is one of the first in the industry to achieve BS11000 accreditation, which provides a framework for collaborative business relationships. The accreditation will require Atkins' rail business to apply best practice principles to its current ways of working to get the very best out of its business relationships. Douglas McCormick, managing director of Atkins' UK rail division, said: "I am delighted that we have achieved BS11000 accreditation. While collaboration has always been around, it has become all the more important to the rail industry following the McNulty Rail Value for Money Study.

Atkins' BS11000 submission was based primarily on current re-signalling projects in the North of England and the Midlands, particularly the Northampton Silver Re-signalling scheme. Northampton, is being delivered in partnership with Network Rail, has been greatly helped by the collaborative approach that has been taken. From the outset, the combined Network Rail/Atkins project team held joint workshops to establish a 'Collaboration Charter' outlining project behaviours, interactions and how the project would be run. The team is also co-located on site which has led to the quick resolution of many issues so far and has meant that the project's June 2012 commissioning has been kept on track.

The new atmosphere in the industry can also be seen in the recent award by Crossrail and TfL of a £190m contract for 100 escalators. This contract requires a 60% improvement in reliability in a deal which will see Otis maintain the escalators for 30 years. The installation of the new escalators for the tube network is scheduled to start in early 2013, with work commencing from 2014 at the Crossrail stations. According to TfL, each of the 428 escalators across the London Underground network operate intensively for 20 hours a day and need to be built to last.



In addition, under a £45m deal, Kone will install 54 incline lifts on the TfL network, including 49 at Crossrail stations and five at Bank, Greenford and Hammersmith Tube stations. Kone beat Otis, Fujitec, Stannah and Schindler to win the contract for the installation of the lifts.

Industry Forum has in-depth experience of supply chain management, high specification asset management, standards development and certification and the use of high level performance indicators in operational improvement. We are actively evaluating how best to bring our capabilities to support the improved performance that is being sought across the GB rail industry.

Author: Iain Cameron, SMMT Industry Forum



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