

An operator's view from Arriva

How does regulation influence asset renewal and investment in rolling-stock?









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Arriva: key statistics

- 54,500 employees
 - 1.5 billion+ passenger journeys
 - Significant presence in 14 countries
 - Revenue €3.8billion
 - 15 years in Europe
 - 19,500 buses
 - 760 trains
 - 169 trams
 - 375 non-emergency ambulances/cars
 - 15 water buses
-and still growing.



Our parent company: Deutsche Bahn

DB divisions		
 BAHN		<p>Leading provider in the European passenger transport market</p> <ul style="list-style-type: none">• Regional, urban and long distance passenger transport• 10 million passenger journeys a day
 NETZE		<p>Operates the biggest rail network in Europe, managing 5,700 train stations and 64,000 km of track</p>
 SCHENKER		<p>One of the world's leading providers of transportation and logistics services</p>

- Arriva became part of the Deutsche Bahn group in 2010
- Founded in 1994, it operates in more than 130 countries worldwide and employs 295,000 people
- **Arriva is responsible for the growth and development of all Deutsche Bahn's regional passenger transport outside of Germany.**

A wide range of operations

Our scale and expertise mean that we can operate a range of transport modes across our business, in a variety of markets.



Trams 

- joint ventures
- contracts
- station management
- under/overground
- maintenance



Coaches 

- contracted services
- private coach hire
- tour services
- inter-urban



Waterbuses 

- canal/harbour buses
- contracted services



Buses 

- local, commercial services
- contracted services
- demand response
- sightseeing tours
- airport – landside/airside
- school services
- tendered services



Trains and light rail 

- rural, commuter lines
- long distance mainlines
- station management
- under/overground
- contracts
- maintenance

Arriva rail activities



- 3 concessions (17% of market)
- 43 trains
- 8.8m train-km p.a.
- 7.5m passengers p.a.



- 5 franchises (14% of market)
- 403 trains, 80m train-km
- 230m passengers p.a.
- Management 400 stations



- 99 trains over 5 concessions
- 8.7m train-km (6 % of total)
- 14m passengers p.a.
- Management of 47 stations



- 18 trains, 2.2m train-km p.a.
- 126 tramways, 8.3m tram-km
- 75m passengers p.a.



- 5 concessions
- 165 trains + 37 tramways
- 20+m train-km p.a.



- In Poland- 22 trains, 2.5m train-km p.a.
- In Czech Republic 4 trains

Rolling stock provision

- Requirement for rolling stock determined by client body and setout in the tender documents
- There are a number of different models for the provision and ownership of rolling stock:
 - the rolling stock is a concession asset owned by the client body and then leased to the operator
 - the operator is obliged to takeover existing fleet at an agreed value
 - the operator provides the rolling stock (on or off balance sheet)
 - rolling stock is leased from a ROSCO
- Arriva has experience in all of these approaches.
- Solutions for rolling stock relevant to size and length of contract and mobilisation period

Some key considerations (1)

- Rolling stock procurement is one of the key dynamics determining the timeline for delivering a concession.
- What can the concession and client's finances sustain in terms of new or second-hand rolling stock.
- Appropriate refurbishment of second-hand vehicles will often be the most cost effective solution.
- Investment in new rolling stock will typically require a contract period of 12-15 years.



Some key considerations (2)

- Value for money can be further enhanced if the client body commits to either “buying-back” the trains at the end of the concession or requiring the next concession-holder to take-on the assets book value based on a predetermined formula.
- “Standardisation” of rolling stock will mean that rolling stock can be cascaded.
- Ability to enhance travel experience.



Sweden – concession assets



- Responsibility for local rail services devolved to (CPTAs) in 1988.
- Tendering widespread for both regional and subsidised inter-regional routes
- Market entry barriers very low as CPTAs own the regional trains (some pooled in Transito)- there is also a state-owned ROSCO.
- Train maintenance may be procured from former SJ maintenance division or private companies.
- Some client-bodies rent a suitable depot building or include heavy maintenance in leasing charges.
- Trains are typically wider than can be accommodated elsewhere in mainland Europe.



Arriva operates 5 concession; deploys 165 trainsets and delivers over 20m train kms per year

The Netherlands- operator provided



- Trial tenders started in 1999.
- Noordned (Arriva/NS jv) took over branch-lines (and feeder bus routes) in Friesland and Groningen.
- Initially rolling stock leased from NS but now operators provide their own.
- Re-tendered in 2004/5 and Arriva awarded 15 year concession offering:
 - 30% increase in train km
 - Renewal of entire 43 train fleet
 - Other significant investments and service improvements
 - Subsidy reduced by almost 50%.
- Arriva has won a further 4 concessions providing diesel and electric services on another 6 lines in other regions.
- A further 48 new trainsets acquired.



Arriva Nederlands operates 5 rail passenger concessions; deploys 99 trains and delivers some 9m train kms per year

United Kingdom- ROSCO



- British Rail privatised 1994 to 1997 into 25 train operating companies.
- Creation of infrastructure manager (Railtrack) and ROSCOs
- Existing train fleets were allocated to three leasing Companies (ROSCOs) which were then privatised.
- Majority of rolling stock leased.
- Robust regulation covering all aspects of industry relationships but considerable commercial freedom
- Innovation, growing patronage and customer focus have resulted in 45% of fleet renewed since 2000.



Arriva Trains UK operates 8 rail passenger businesses, deploys some 403 trainsets and 6,700 staff and covers some 80m train kms per year.



Rolling stock maintenance

- It is desirable that train maintenance is included in the tender of the operations.
- Start-up costs (particularly construction of a maintenance depot) are significant and will be reflected in the tender prices.
- Best-value is achieved by transferring the existing depots to the franchise.
- Where the facilities are provided by the incumbent operator these need to be provided on a transparent and equitable basis.
- For longer duration contracts Arriva is prepared to invest in building new facilities



Opening of markets

- Regulation may be needed in respect of markets opening with a “big bang”.
- French market:
 - SNCF sole operator.
 - Regional rolling stock paid for by Regions but ownership vested in SNCF.
 - Some step-in rights.
 - Need for ROSCO or gifting of rolling stock to Regions.
 - If not very limited change for ? years



Thankyou for your attention



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