

ROCK AND ROLLING



Rock Rail chief executive officer **Mark Swindell** talks to Partnerships Bulletin about adventures in Europe, Australia and Cornwall and growing the business in a post-PPP world

What two words would you use to sum up what Rock Rail is?

A: My two words to describe Rock Rail are ‘Rail Entrepreneurs’ for several reasons. Firstly it recognises that we are a new type of rolling stock and rail infrastructure asset management and originations business which delivers a new style of passenger focused partner for governments, manufacturers and operators. It also attributes to us our focus on delivering better value; challenging views on short versus long term value for money and realising the benefits of institutional private finance to manage and take long term risks in an ever changing environment. Lastly It captures a sense of our commitment to adopt new technologies and to the sustainability of rail transportation, in order to transform rail passenger experiences in the most efficient and value for money way.

With 2021 expected to be the European Year of Rail, what would you like to see the European Union and Member States focus on to facilitate investment in rail infrastructure?

A: The EU’s European Year of Rail is set to promote rail as a sustainable, innovative and safe mode of transport, highlighting the huge benefits for people, the economy and climate. All really great stuff to increase rail’s attractiveness and drive more people to using it.

Much has undoubtedly been achieved in these areas, but there’s still more that can be done. Across Europe including the UK, we still see too many pollutant diesel units and energy inefficient, age-expired trains running on, in many cases, old and outdated networks.

More investment is needed in new rolling stock, infrastructure and digital technologies to continue what’s been started and make rail a truly passenger focussed industry, delivering what passengers should be expecting of us. This is at a time when across Europe, the calls on the public purse in the light of coronavirus have been colossal.

What I’d like to see from the EU and member states is a real consideration of how to achieve and best fund the passenger focussed industry we all want.

The Fourth Railway Package has started the journey of creating a more competitive rail market across Europe to help drive better value into train procurement and operation. I’d like to see member states continuing to embrace this process, providing clear and transparent procurement processes and considering alternative train procurement models that can drive new investment and value into the rail industry and free up funding for other needs.

In other markets, we’ve seen how long-term direct institutional investment, which puts environmental, social and governance principles at its heart, has been a game changer for the rail industry. It has driven down the costs of train procurement and leasing and will see thousands of state-of-the-art, greener rolling stock vehicles coming to the network, helping transform passenger journeys.

As an alternative to state and ultimately tax-payer funding, Rock’s model also frees the state from the responsibilities and risks that come with train ownership. Rock assumes these and its specialist rail asset managers are focused on ensuring its fleets meet the needs of passengers and rail partners for the long term.

What has attracted Rock Rail to expand into Germany, and Australia?

A: Rock Rail is focused on providing innovative procurement solutions that deliver better passenger experiences, better value for the public sector and support more sustainable rail travel. It is interested in markets where it can deliver these along with an attractive investment proposition to its institutional investor partners.

Germany is the largest rolling stock market in Europe and has a well-established regional railway market along with significant demand for new and greener rolling stock. Historically the regions have needed to use financing guarantees or made direct investment from state budgets to support train procurements.

Rock Rail’s institutional funder backed model represents a genuine long-term funding alternative to this approach. It offers significant benefits in terms of flexible, low cost leasing that does not tie up public funds for the life of the trains, removes ownership risks from the regions or state and leaves development of regional transport strategy free from restrictions that can come with fleet ownership.

Germany is also leading Europe in the introduction of low-emission green technology such as battery and hydrogen trains. Rock is already exploring greener technology alternatives for trains and we are keen to support the German railway industry in achieving more sustainable rail travel.

In Australia the sheer scale of urbanisation around major cities such as Brisbane, Melbourne and Sydney, is driving significant demand and the need for funding of infrastructure upgrades



and high capacity commuter rail fleets. To date the rail market has been largely publicly funded, owned and operated, with most major passenger rolling stock procurements occurring as Public Private Partnerships (PPPs) or directly from a global supplier.

Here again Rock's alternative approach offers the opportunity to meet this demand and drive better value across the industry for local operators, procurement authorities and passengers.

What would you consider the key takeaways for other markets to learn from Germany and Australia?

A: While there is a real opportunity to reinvigorate the rail sector through the introduction of new institutional investment, the procurement solution must be uniquely tailored to match the specific needs of each individual market. A one size fits all just isn't appropriate.

Also the importance of a sector experienced and well-connected rolling stock provider, driving a collaborative procurement approach between local procurement authorities, train operators and manufactures to realise the best outcomes, cannot be underestimated whatever the market.

Looking at the longer term, the need for specialist input doesn't stop once a fleet is accepted into service. Any procurement solution needs to recognise the dynamic nature of rolling stock assets. Rolling stock needs to be actively managed throughout its life and respond to future changes in technology, regulatory and operating environment, which will often vary by market. Rock Rail's experienced asset management team does just that as well as providing funding mechanisms for mid-life

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upgrades. Our experience in Germany shows that both our railway industry and financial sector experience and expertise is valued and vital in building confidence amongst rail partners.

Do you view your business as a post-PPP business?

A: Yes, very much post-PPP. PPP was a model that most people in Rock are very familiar with and understand. We have deconstructed it and developed a completely new approach that builds on the good bits and addresses the not so good, plus much more. But we do not do PPP, we don't bid it, we don't promote it. So we are a post-PPP business without question.

What is the outlook in France for international infrastructure investors?

A: Market deregulation in France is at a much earlier stage than either the UK or Germany, however it represents a market with considerable potential.

France is one of the world's great railway nations and has a history of innovation and leading-edge technical development. We are seeing the positive impact of implementation of the Fourth Railway Package and Macron's wide-ranging railway reforms in the development by the French authorities of long-term regional transport strategies which offer considerable potential for international infrastructure investors. We are also experiencing a good level of positive engagement with Rock Rail and the benefits of Rock's funding approach.

In common with Germany, France sees investment in and the development of the railway network, at both a national and regional level, as an important part of its long-term transport and environmental strategies. The potential customer base in France is made up from a network of informed buyers with significant national finance and transport sector expertise and which is increasingly open to new and innovative ideas. We therefore regard France as a market which offers real opportunity.

What was the last major sporting or cultural event you attended, and what did you think of the performance?

A: Last summer, I was lucky to both attend and participate in the annual Padstow to Rock Swim, maybe not a major event for some but a major event for the local Cornish community after which Rock Rail is named. Rock Rail sponsors the event and with that comes the opportunity to take to the water with 100's of other swimmers in a one-mile open water swim. All I can say is that while I made it across the estuary, mine would not be the performance to focus on. That said the whole event raises around £80,000 for Marie Curie each year – a truly impressive performance.

A question we ask all of our '30-minute interviews': if you could pass any law tomorrow, what would it be and why?

A: If I were able to pass a law, it would be to ban closed mindedness. I am a firm believer that to deliver significant change for the better, we need to keep an open mind and embrace new opportunities, approaches and viewpoints; continuously challenging ourselves to think creatively and 'outside of the box'. **PB**