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Derby
DE24 8HG

James Osborn
Executive, Access & Licensing
Office of Rail and Road
25 Cabot Square
London
E14 4QZ

09 November 2020

Dear James

Re: Hitachi Rail Limited - Application for Directions under Section 17 of the Railways Act 1993 – ORR letter of 30 October 2020.

Abellio East Midlands Limited (AEM) hereby presents its response to the request made by ORR in its letter of 30 October 2020. The response here follows the format of the letter of 30 October 2020.

Draft Depot Access Agreement

Fuel point exams including Ad Blu have been detailed separately on Schedule 6 as requested. Schedule 5 has been adjusted to reflect this.

Stabling charges were incorrectly stated as included within Schedule 5 – the statement in Schedule 8 has been corrected.

Access/movement charges have been removed from Schedule 12 but are included now as a separate item under Schedule 5. Whilst AEM notes ORRs point regarding movement/access being included as part of each individual service element AEM provides for this separately. This supports the premise that AEM has to reflect the overall operating and management provision required when offering services to third parties and this is most efficiently provided through a distinct calculated access/movement charge. The access/movement charges are made up of the costs of overhead costs not already assigned to a specific maintenance or presentation activity – for example the stores, operations and tech office costs of the depot. Further detail of the costs within the overhead base assigned to Neville Hill are shown below.

Accompanying Spreadsheets

In response to the following query:

'The overhead costs per vehicle amount to circa 55% of the total unit cost per vehicle. For reasons of transparency, please provide a breakdown of the items that Abellio East Midlands (AEM) has included

in calculating the overheads for both: 1. the Neville Hill depot specifically; and 2. Abellio's wider business support functions centrally overhead.'

Items included under overheads for Neville Hill Depot specifically include:

NL Overheads costs

Stores team costs	Mainly staff costs
Technical office costs	Mainly staff costs
Site services	Staff, building etc.
Site services	Utilities
Site services	Track
Depot lease	Lease
Management staff costs	Mainly staff costs
PACS & quality	Staff & quality systems
Depot Drivers	Staff costs
Driver Managers	Staff costs
NL Operations team	Staff costs

Items included under overheads for AEMs wider business support functions include:

HEAD OFFICE

Support staff cost

- British Transport Police
- ATOC/RSSB Charges
- Rail Regulator Fees
- Other professional & auditor fees
- Contractors Fees
- Telecommunications
- Office Costs
- IT Costs
- Insurance
- Rent & Rates & others
- Office Utilities & Maintenance
- Management Fee
- Depreciation

ENGINEERS

Staff costs

In response to the following query:

'Please also confirm: - what proportion of the total overhead costs (expressed as a percentage of the total overhead costs) for 1) and 2) above, has been apportioned to Hitachi; - whether those overhead costs include any element of profit; and - that this is the methodology for apportioning overhead costs that AEM applies to all of its customers.'

For 1) and 2) above the percentage is 07.9%

AEM confirms that there is no addition of profit margin has been applied to the overheads and that the methodology for apportioning overhead costs that we have applied here would be the same (in principle) to all its customers.

In response to the following query:

'So that we can understand how the Neville Hill depot overhead costs compares to AEM's total overhead costs, please confirm what proportion of AEM's total overhead costs is allocated to Neville Hill.'

AEM has allocated 6.4% of total central overheads to Neville Hill depot.

In response to the following query:

'For the avoidance of doubt, in the 'price analysis by task' spreadsheet where you refer to 'IEP 9 cars bi-mode' and 'IEP 5 cars bi-mode' etc., please confirm if the resulting charges are for all 9 cars/5 cars respectively.'

AEM confirms that the resulting charges are for all 9 cars/5 cars respectively.

AEM includes with this response the appropriate backing spreadsheets for reference.

Yours sincerely

[Redacted]

Commercial Regulatory Access Manager

[Redacted]