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Hitachi secures largest UK train order

By Mark Odell and Jim Pickard

The government on Wednesday confirmed the largest and most ambitious train procurement programme undertaken in the UK after a delay of more than three years.

The programme includes the building of a new assembly plant in the north-east creating more than 700 jobs.

The deal, known as the InterCity Express programme, is worth £4.5bn and will see 92 trains built for the Great Western and east coast main lines.

Agility Trains, a consortium led by [Hitachi](#), has split the order into two parts and has secured financing for the first £2.4bn tranche of 330 carriages. These will go into service on the Great Western line from 2017.

The second tranche of almost 270 carriages is expected to be financed next year and is set to enter service on the east coast main line from 2018.

The government was pushing to announce the deal before the start of the Olympics in an effort to get some positive news amid the economic gloom.

The order is a key part of the government's industrial strategy for the north-east of England as it will trigger plans by Hitachi to build the £70m assembly plant in Newton Aycliffe, County Durham, employing 730 workers.

North-east celebrates

Confirmation of the Hitachi investment was greeted with delight in north-east England, writes Chris Tighe.

In addition to the plant's 700 jobs, it will support thousands of supply chain posts – estimates vary from 6,000 to almost 9,000.

“This is potentially for County

“A new train factory is fantastic news for Britain and will be welcomed by everyone who wants to see a thriving UK manufacturing sector,” said Justine Greening, the transport secretary.

The total order of just under 600 carriages is a large reduction from the original programme for as many as 1,400 when Agility Trains was first given preferred bidder status in February 2009 as part of a £7.5bn deal.

Since then the programme has suffered a number of

Durham and the Tees Valley what Nissan [car manufacturing at Sunderland] is for Tyne and Wear,” said Phil Wilson, Labour MP for the local Sedgefield constituency.

Mr Wilson said the fact Hitachi was establishing a research and development facility at the Newton Aycliffe site underlined that this was “not just assembly but manufacturing”.

Once built, the new rolling stock will enter the rail system via the same rail link, running alongside the site, on which railway pioneer George Stephenson assembled his Locomotion No 1 steam engine in 1825.

Kevin Rowan, regional TUC secretary, said ministers “should look closely at what we’ve achieved here and appreciate the value in investing in under-developed regions to create economic growth and decent jobs for the future”.

setbacks. It came close to cancellation after a damning review in mid-2010. Last year the government cut the size of the project.

It suffered further delays as the financial crisis made banks ultra-cautious about providing financing for the trains and the three depots. Agility has secured financing with a core group of lenders, including HSBC, Lloyds TSB, Mizuho and Bank of Tokyo Mitsubishi. PwC is lead financial adviser to the government.

The complicated deal will see the government in effect lease the trains from Agility over a 27-year period.

Train operators have long been sceptical of the programme which was first conceived in 2005 to replace the 1970s-era Intercity 125 trains.

Most of the trains were intended to run under electric wires and then switch to a diesel engine on non-electrified routes. While this controversial “bi-mode” design has been retained – no other country has tried anything similar – a larger proportion of the carriages will run on electrified routes after the government’s stepping up of plans to put wires over more of the rail network.

Ministers hope the promise of jobs will deflect any public backlash against the deal. Last year the government triggered a political storm after awarding a contract for trains for Thameslink services to a [Siemens](#) factory in Germany ahead of a bid from Canada’s [Bombardier](#), which owns the UK’s only train-making plant.

Hitachi plans to ship most of the main components from its Japanese factories, with the plant in County Durham assembling the trains.

European procurement rules prevent Hitachi discriminating in favour of a UK supplier. The Javelin is the only other Hitachi-built train running in the UK on domestic services and operates between Kent and London using the high-speed rail line to the Channel tunnel. It has 40 per cent European content by value.

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