

GMCA Delegated Decision

Date: 14.01.2022

Subject: **Purchase of Expired Rail Wagons for Waste Transport**

Report of: David Taylor, Executive Director, GMCA Waste and Resources

Purpose of Report

The report sets out proposals for a lifecycle replacement programme for rail wagons over the next five years to be implemented and the resulting capital and revenue requirements be built into the Waste budget. Ten wagons will be ordered each year for the next four years (commencing 2022/23) and nine in the fifth year.

Recommendations:

The Chief Executive is requested to:





Approve the 5 year lifecycle replacement plan and capital investment in replacement rail wagons.







Contact Officers

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Equalities Impact, Carbon and Sustainability Assessment:

Impacts Questionnaire		
Impact Indicator	Result	Justification/Mitigation
Equality and Inclusion		
Health	G	Removing HGVs from road network and replacing with rail
Resilience and Adaptation	G	Removing HGVs from road network and replacing with rail Removing HGVs from road network and replacing with rail
Housing		
Economy		
Mobility and Connectivity	N/A	Removing HGVs from road network and replacing with rail Purchase of rail wagons
Carbon, Nature and Environment	N/A	Transport of waste by rail instead of HGV
Consumption and Production	N/A	Enables GM to continue to divert significant quantities of waste away from landfill for beneficial energy recovery
Contribution to achieving the GM Carbon Neutral 2038 target		Removal of c. 600 tonnes of waste from the road for every train journey made. IN the region of 400ktpa of waste is transported by rail every year and purchase of rail wagons will enable that to continue
Further Assessment(s):	Carbon Assessment	
 Positive impacts overall, whether long or short term.	 Mix of positive and negative impacts. Trade-offs to consider.	 Mostly negative, with at least one positive aspect. Trade-offs to consider.
		 Negative impacts overall.

Carbon Assessment		
Overall Score		
Buildings	Result	Justification/Mitigation
New Build residential	N/A	
Residential building(s) renovation/maintenance	N/A	
New Build Commercial/Industrial	N/A	
Transport		
Active travel and public transport	TBC	
Roads, Parking and Vehicle Access	TBC	
Access to amenities	TBC	
Vehicle procurement		
Land Use		
Land use	TBC	
No associated carbon impacts expected.	 High standard in terms of practice and awareness on carbon.	 Mostly best practice with a good level of awareness on carbon.
		 Partially meets best practice/ awareness, significant room to improve.
		 Not best practice and/ or insufficient awareness of carbon impacts.

Risk Management

Considered in the body of the report

Legal Considerations

Considered in the body of the report

Financial Consequences – Revenue

Considered in the body of the report

Financial Consequences – Capital

Considered in the body of the report

Number of attachments to the report:

N/A

Comments/recommendations from Overview & Scrutiny Committee

Background Papers

Contract Update report to Waste and Recycling Committee 21st April 2021

Contract Update report to Waste and Recycling Committee 13th July 2021

Tracking/ Process

Does this report relate to a major strategic decision, as set out in the GMCA Constitution

Yes

Exemption from call in

Are there any aspects in this report which means it should be considered to be exempt from call in by the relevant Scrutiny Committee on the grounds of urgency?

No

GM Transport Committee

N/A

Overview and Scrutiny Committee

1. Introduction/Background

- 1.1 GMCA entered into two contracts for waste management with Suez Recycling and Recovery UK (Suez) commencing in June 2019. These are the Waste and Resource Management Services (WRMS) contract and the Household Waste Recycling Centre Management Services (HWRCMS) contract, both of which have an initial seven year term and an optional three year extension. The WRMS contract includes the operation of four sites with rail heads from which c. 400ktpa of unrecyclable waste is transported to an energy from waste (EfW) facility in Runcorn for processing to generate electricity and steam which is used in the adjacent chlorine manufacturing plant. The waste is transported to the EfW facility via a contract with Freightliner who provide the trains and maintain the rail wagons which are owned by GMCA.
- 1.2 GMCA owns 49 rail wagons manufactured between 1981 and 1986 and these would have an expected life of around 30 years. Continued preventive maintenance has extended that life, however many of the wagons are now in need of replacement or major repair. Based on the most recent full inspection, 10 are considered “expired” and beyond repair, 23 are out of service with defects and 16 of the wagons are currently in service. In the short term, Freightliner has proactively inspected the fleet and identified a number of wagons that could have defects rectified thereby extending their lifespan for a further three to five years. The cost of doing this is estimated at £350,000 which can be covered from existing revenue budgets.
- 1.3 It is apparent through the condition survey that the oldest and first batch of ten wagons are beyond economical repair with a batch of 30 considered to be currently in acceptable condition (subject to defect rectification referred to in paragraph 1.2 above) and the remaining 9 in good condition. The 30 acceptable condition wagons and the 9 in good condition will all reach their expiry in the next five years based on their age

and condition. This means that options for continued wagon provision now need to be considered.

2. Options for Wagon Provision

- 2.1 The rail wagons are vital for keeping a very large quantity of non-recyclable waste off the road network and are needed to at least 2034 (the end date of the contract for the treatment of waste at the Viridor energy from waste facility in Runcorn).
- 2.2 It is clear that over the next five years, the remaining wagons will require replacement and there are effectively two longer term options to manage this:
 1. Hire rail wagons as and when the need arises; or
 2. Put in place a capital replacement programme to fund replacements in batches.
- 2.3 Suez are currently hiring a number of wagons from Freightliner on behalf of GMCA to cover the loss of the first ten 'expired' wagons. Wagons are in relatively short supply and cost £500 per week each to hire. Ultimately if we hired all 49 wagons this would result in a revenue cost of £1.3m per annum which would have to be passed back through the levy to the districts. There is also the risk that 49 wagons may not be available in the longer term to fulfil our requirements. Therefore, leasing is not considered suitable in the longer term.
- 2.4 With long term hire discounted the remaining alternative is to procure replacement wagons over a phased five-year period reflecting anticipated life expectancy. The opportunity would be taken to replace the existing twin bogie sets (where two single wagons are combined) with single bogie sets to provide flexibility in the fleet. The cost of such a wagon is estimated at £132,000 each (with a 20% contingency).
- 2.5 The proposed programme is to order 10 wagons each year for the next four years (commencing 2022/23) and nine in the fifth year – a total of £1.32m annually until year five (£1.188m). The scrap value of the replaced wagons (they weigh around 50 tonnes each) will be offset against any costs. The capital and revenue implications of replacing wagons in tranches over a five year period has been built in to the Waste and Resources medium term financial plan with the initial 10 wagons built into the 2022/23 budget.

3. Recommendation and Conclusion

- 3.1 The rail wagons used to transfer waste from the GMCA's rail-enabled mechanical treatment facilities to the Runcorn EfW facility are vital assets. They contribute to the

service's overall carbon reduction initiatives and eliminate many thousands of road movements.

- 3.2 The capital purchase of wagons is a sound investment providing both fleet resilience and value for money compared to the longer-term hire of wagons. The anticipated life span of a wagon is at least 30 years and it is likely that they will be in service for that duration given contractual commitments to deliver waste by rail to the Runcorn EfW to 2034 with an option to extend for a further 15 years.
- 3.3 The Chief Executive is recommended to approve the proposed capital replacement programme.