

ONLINE

A solution to suit all parties



Photo courtesy of Martin Loader

VTG has signed a long term contract with Somerset-based Mendip Rail Ltd (MRL) to take over its fleet of 263 aggregate wagons. The acquisition, encompassing 57 boxes and 206 hoppers, brings to almost 320, the number of wagons supplied by VTG to Mendip Rail, all of which it is responsible for as the Entity in Charge of Maintenance (ECM).

Mendip Rail is a joint venture company operated by Aggregate Industries (AI) and Hanson Aggregates.

VTG concluded its deal with MRL at the beginning of the year and will work with

sub-contractor Axiom Rail to maintain the whole fleet in dedicated facilities at Merehead and Whatley. Mendip Rail uses the wagons mainly to move construction materials from quarries into distribution depots in the London area for onward distribution to construction sites in and around the capital and the wider South East region.

The innovative new agreement between the two companies is designed to provide MRL with the rail capacity it needs, when it needs it, providing maximum possible levels of flexibility, reliability and fleet availability.

Ian Shaw, VTG's Sales and Marketing Director expressed his satisfaction at the conclusion of the agreement. "Once again," he added, "we have been able to work with our customer to develop a bespoke solution that suits all parties. We fully understand our role and responsibilities as both wagon owner and ECM, and have used our experience to develop VTG specific procedures and ways of doing things. By adopting the 'VTG way' our customer will benefit from improved fleet performance which better fulfils the needs of his business."

20 years of moving "mountains"

Mendip Rail Limited was created in 1993 as an innovative joint venture between Foster Yeoman, now Aggregate Industries, and ARC (Hanson Aggregates), allowing them to pool resources and achieve economies of scale in delivering aggregates by rail from their neighbouring production locations in the South West of England. It was originally conceived as a self-

contained, private rail operator, with its own locomotives (the ground breaking Class 59), wagons and maintenance workshops. Today it operates a fleet of 8 locomotives – with train crew and extra locos, when needed, provided by DB Schenker – and a fleet of over 400 freight wagons at its disposal. The company runs aggregates trains from Aggregate Industries' Torr Works quarry

and Hanson's Whatley quarry in Somerset's Mendip Hills, to London and South-East England.

In addition to its Somerset based wagons, VTG provides MRL with a fleet of specially designed hopper wagons to transport sea-dredged sand from Hanson's wharf in Dagenham to other London locations.

News from the group

Revenue rises

VTG expanded its business in all three operational divisions in the first quarter of 2013. Group revenue increased by 5.3 percent compared to the first quarter of 2012, from EUR 191.8 million to EUR 202.1 million. There was also an upward trend in EBITDA, which reached EUR 45.0 million, an increase of 9.5 percent on the same period of the previous year (EUR 41.1 million). Operating cash flow increased by EUR 9.2 million to EUR 44.2 million.

“We had a very pleasing start to the new year, with our market position remaining solid”, says Dr. Heiko Fischer, CEO of VTG Aktiengesellschaft. He adds: “After a year of consolidation, in 2013, we are concentrating on pushing ahead with our strategy of growth. In the Railcar Division, we will also be investing in new rolling stock this year and making high-quality innovative technology available to our customers.”

VTG and Kuehne + Nagel to merge rail logistics

VTG and leading global logistics company Kuehne + Nagel are planning a merger of parts of their rail logistics activities with VTG as majority shareholder. Both parties signed a letter of intent in April this year

The merger is an expansion of the 20-year partnership between VTG and Kuehne + Nagel within the scope of their joint company Transpetrol. The joint venture would expand the present rail logistics activities of the partners, continuing the growth strategy of VTG Rail Logistics and allows Kuehne +

Nagel to offer an extended product range. The goal is to strengthen the market position in the European rail logistics business. The deal also expands the logistics solutions offered in the Industrial, Agricultural and Petrochemical Goods product segments. The joint coverage area ranges all over Europe into Russia and Turkey.

The final contracts are subject to the approval of the relevant corporate bodies and antitrust authorities. Their decision is due in the second half of 2013.

Railcar Division – many new wagons enter service

Railcar Division revenue rose by 6.4 percent, from EUR 77.9 million in the first quarter of 2012 to EUR 83.0 million. The trend in EBITDA was also positive, increasing by 12.6 percent from EUR 38.7 million to EUR 43.5 million. The EBITDA margin related to revenue increased compared with the same period of 2012, from 49.6 percent to 52.5 percent. These good results were due mainly to the completion of orders for newly built wagons in 2012 and price adjustments in the Railcar Division.

The level of capacity utilisation in the fleet of more than 54,400 wagons declined slightly in the first quarter. Having stood at 90.6 percent on 31 March 2012 and at 90.4 percent at the end of 2012, the level fell to 89.9 percent. Capacity utilisation thus still remains at a high level but is being affected

by the decline in demand typically seen at the end of winter as well as by the general economic situation. Furthermore VTG actively took the decision to take some wagons back from customers who did not want to accept the full extent of necessary price adjustments arising from new and costly maintenance requirements.

As part of VTG's drive for innovation, all chemical tank wagons built at Waggonbau Graaff in Elze are currently being fitted with a new type of bogie. This new feature increases the load capacity of the wagon, meaning that the existing tank capacity can be better utilised, or, if required, the size of tank itself can be enlarged. This measure increases cost efficiency and makes rail transports even more environmentally friendly.

Tank Container Logistics – new services

In the first three months of the financial year, revenue in Tank Container Logistics amounted to EUR 39.5 million, a 2.3 percent increase on the first quarter of 2012 (EUR 38.6 million). EBITDA shrank by 6.4 percent compared with the first quarter of 2012, standing at EUR 2.9 million (Q1 2012: EUR 3.1 million). The EBITDA margin on gross profit shrank to 44.4 percent (Q1 2012: 48.5 percent).

In the first quarter of 2013, the division continued to operate in a highly competitive environment. So Tank Container Logistics took on only carefully selected orders and curbed expansion of transport volume. These measures were taken to systematically eliminate no-load transports in its international flows of transport and so increase profitability. The division thus continued with its strategy of achieving further growth by concentrating on a select group of customers in specific product areas. This strategy is underpinned by carefully targeted investment in appropriate technical features and equipment, enabling the division to meet in particular the requirements of those customers who demand a higher level of service than that provided with purely standard transports. In this regard, the division has decided to add to the range of services it offers to customers the future option of overland transports within China using its own equipment.

Russian growth

Business in Russia, integrated into the VTG Group in 2012, is now being strengthened with 150 new mineral oil wagons built in Russia. All of these wagons are already on hire. The Russian fleet has now 1,000 wagons.

VTG at *transport logistic 2013*

VTG Ag showed its comprehensive logistics services on four different fronts at *transport logistic 2013*, the international trade show for logistics, mobility, IT, and supply chain management, held in Munich in June.

VTG leads quest to reward rail freight excellence

VTG Rail UK is once again spearheading the search for and recognition of achievement in freight as it enters its sixth year of sponsoring the Railfreight Excellence category at the Rail Business Awards (RBA).

VTG has sponsored the category since its introduction to the RBA in 2008 and, according to Ian Shaw, Sales and Marketing Director at VTG, involvement is as logical now as it was then.

"Our approach to business is that we strive to constantly improve our products and services, and to be ahead of our customers' thoughts and demands. We do that by anticipating their needs and by monitoring market trends," he said. "We believe this approach helps us achieve the standard of excellence expected of VTG, so being involved with an award that encourages a similar approach to the Railfreight Industry generally is a good match for us."

Ian added: "Overall, the outlook for Railfreight is still very bright even in these economically challenging times. These difficult business conditions can encourage



companies to work smarter. We think our Ecofret container wagon is a perfect example of this, one that is changing the economics of the Intermodal market. Innovative thinking has led us to develop a wagon that will be the most cost efficient of its type for many years to come."

It's also the approach RBA judges look for. Ian points out: "Key words in the RBA

Freight Excellence category criteria include innovation, flexibility, investment, revenue growth and job creation.

"I'm pleased and proud to say that VTG, as an organisation operating on a global scale, can tick all those boxes and is delighted to play a part in encouraging others to do so too through our sponsorship of the Rail Business Awards."



Andrew Jenkins retired from VTG on the 28 February this year, having spent a third of a century working in the rail industry – but it's a career that didn't look likely during his university years.

His degree course took him along a very different path – agricultural biochemistry at Nottingham University to be precise. He soon felt though, that this wasn't the right path for him and turned instead to engineering which he said "was more his line." Biochemistry's loss was engineering's and, ultimately, VTG's gain – and change became a feature of his career.

Andrew's working life began with an apprenticeship with the Dowty Group working on jet engines and later mining equipment. But then, in January 1980 the railway beck-

"Hands-on" Andrew hands over

oned and Andrew, who says he preferred a "hands-on" approach to desk work, joined Wagon Repairs Ltd as a rail engineer.

Andrew's knowledge continued to grow and following many secondments in the company he was promoted to Stoke works and spent much of this stage of his career developing new processes and efficient working methods.

Andrew married teacher Judy following a transfer to the company's works in Gloucester, his home town, and when that depot eventually closed he moved to the West Midlands where he used his experience to good effect, developing new company standards and maintenance specifications including the, now commonly used, PPM and VIBT processes.

In 1996 Andrew joined the fleet division in Bourneville, running the general office. Following the closure of that location Andrew's nomadic career took him to Worcester where he was asked to take charge of the office's IT systems in addition to his Fleet Control duties. Now part of CAIB, its Australian owners, Brambles, wanted to convert its European division to finance and procurement system SAP. Andrew was asked to explain the UK

business model and regulations to the developers.

Keeping the change theme going the project altered significantly when VTG purchased Brambles European Rail Division and the UK company relocated to its current Birmingham offices. This was a busy time for Andrew as the existing IT support had to integrate with the VTG systems.

"The past five years have all been about the introduction of a live database monitoring the status of every wagon in the fleet," says Andrew. "This became the ACMS we all know and love!"

"My latter years at VTG were taken up with maintaining database inputs to enable fleet availability reporting, and chasing the maintainers to ensure repairs were completed as quickly as possible... not a 5 minute job, as I am sure my ex-colleagues would agree!"

"I enjoyed my time, nearly a third of a century, in the railway industry. I've made many friends in the repair shops of CAIB and VTG all of whom I remember with gratitude for their support and friendship."

Everyone at VTG wishes Andrew all the very best for a long, healthy and happy retirement.

New VTG scheme avoids need to insure against wagon damage

VTG, in addition to its market leading service levels and product range, can now provide customers with additional peace of mind for less than £1 per wagon per day.

Under its optional Wagon Damage Waiver Insurance scheme VTG will, for a typical surcharge of 85p on the daily rental of each wagon, waive both, the lessee's liability for loss or damage to the wagon and their obligation to insure against loss or damage.

Without the protection now provided by VTG's waiver scheme the lessee would, under the Wagon Hire Agreement, be:

- liable for all damage repair costs or, in the event of the wagon being beyond economical repair, liable to pay Total Loss compensation.
- The lessee would also be required to keep all wagons insured at their market replacement value at all times during the hire period.

VTG Rail UK Managing Director Rob Brook said: "Keeping track of market replacement values is both complicated and time consuming. Lessees can easily find themselves either under or over insured, both equally undesirable positions."

"The cost of obtaining insurance," he added, "is very likely to be significant. Insurers are usually more risk averse when covering non-core elements of a client's business and consequently tend to hike-up premiums."



Ecofret clocking up success



Following the success of Freightliner's new fleet of twin Ecofret wagons - they have now run some 2.7million miles - the original triple platform set has been undergoing customer trials, clocking up nearly 100,000 miles in the process. Reaction from train operators and the wider intermodal community is positive, so despite the adverse economic situation VTG is confident that more Ecofret wagons will be entering service in the near future.

VTG would be happy to discuss Ecofret trials with any rail freight company who have yet to experience its benefits.

ECM - a way out...

Wagon fleet owners might also consider allowing VTG to relieve them of the responsibilities imposed on them by ECM (Entity in Charge of Maintenance) regulations recently introduced under EU legislation. The Railway and Other Guided Systems (ROGS) regulations passed into UK law on 26 August 2011, when it became a legal requirement for rail vehicle owners to have an Entity in Charge of Maintenance. With that, it became a criminal offence for wagon keepers not to have an ECM appointed for every wagon on the network and for that ECM not to have a maintenance regime for that wagon. As from 31 May 2013, any ECM for Freight Vehicles listed in the National Vehicle Register (NVR) must, under the same statutory regulations, be certified by an appropriate certification body.

VTG Rail UK Ltd was accredited with full ECM status for Freight Wagons and duly issued with Certificate reference UK/31/0012/0001 on 3 October 2012, the

first certificate to be awarded by the Office of the Rail Regulator (ORR). As such VTG is now independently responsible for the safe maintenance of all of its own wagons, as well as any that are managed by it on behalf of its customers. It also reinforces VTG's longstanding ability to work with existing private wagon owners who do wish to continue to operate an independent fleet of rail freight vehicles but either do not have the means, or the desire, to become an ECM. In this respect, VTG is able to offer a range of proven solutions including ECM management and wagon management packages, or sale and leaseback agreements, tailored to the particular requirements of the customer's business.

If you have any questions or concerns about the impact of the ECM regulations, or would like to discuss how VTG may be able to assist in relation to your own wagon fleet, please don't hesitate to contact us.

Biomass update

Wagon fleet growth continues



Long standing VTG customer GB Railfreight recently took on 69 hopper wagons converted for dedicated biomass use.

GBRF, the only rail freight operator contracted to transport biomass from UK ports to power stations, is now running 115 wagons, out of a total 152 coal hoppers on lease from VTG, converted from coal to biomass use. Each converted wagon carries on average around 55 tonnes of biomass.

The first wagons to be modified are cur-

rently in use on two dedicated GBRf biomass trains delivering the fuel twice daily to Drax power station in Yorkshire from the ports of Tyne (Newcastle) and Portbury (Bristol).

The latest conversions, carried out by WH Davis at their Shirebrook works, will enable the fulfilment of a second biomass flow from Liverpool Docks to electricity generator E.ON's power station at Ironbridge in Shropshire.

Rob Brook, VTG Rail UK's Managing Director, said: "I'm delighted that VTG, together with GBRf, is taking the lead in transporting this low carbon fuel. Biomass is a new-to-rail traffic which, as we seek to reduce carbon emissions, is predicted to increase significantly."

Conversion of the vehicles involves the fitting of top doors to keep the product dry. Other modifications allow the wagons to operate automatically with magnetically operated sensors opening the top and bottom doors during loading and discharge respectively.

Comment

VTG MD Rob Brook has welcomed the ORR's announcement, as part of the Draft Determination of the Periodic Review 2013, that biomass will not be subject to a new freight specific charge in control period 5.

Brook believes such charges could have had a damaging effect on this new-to-rail business. Calling for a joined up approach to access charging for energy generating traffic, he said: "The announcement hopefully reflects that government is beginning to understand the effect access charges could have on power station conversion projects to allow the burning of biomass, and on plans that organisations such as VTG might have to buy new, purpose designed, biomass wagons."

"It would have been damaging to, in effect, punitively tax this fledgling traffic and we very much hope that this decision will remain in place, not just for CP5, but for the long term in order to instil the confidence required in the industry to allow such investments to take place."

What is biomass?

Biomass is biological material derived from living, or recently living organisms. In the context of biomass for energy this is often used to mean plant based material, but biomass can equally apply to both animal and vegetable derived material.

The carbon used to construct biomass is absorbed from the atmosphere as carbon dioxide (CO₂) by plant life, using energy from the sun. Plants may subsequently be eaten by animals and thus converted into animal biomass. However the primary absorption is performed by plants. If plant material is not eaten it is generally either broken down by micro-organisms or burned.

If broken down it releases the carbon back to the atmosphere, mainly as either carbon dioxide (CO₂) or methane (CH₄), depending upon the conditions and processes involved.

If burned the carbon is returned to the atmosphere as CO₂.

These processes have happened for as long as there have been plants on Earth and is part of what is known as the carbon cycle.

Why use biomass?

Biomass is a renewable, low carbon fuel that is already widely available throughout the UK. Its production and use also brings additional environmental and social benefits. Correctly managed, biomass is a sustainable fuel that can deliver a significant reduction

in net carbon emissions when compared with fossil fuels.

Correctly managed, biomass is a sustainable fuel that can offer a wide range of benefits:

Biomass is a "carbon lean" fuel producing a fraction of the carbon emissions of fossil fuels.

The use of biomass fuel provides an economic incentive to manage woodland which improves biodiversity.

Many biomass fuels generate lower levels of such atmospheric pollutants as sulphur dioxide, that contributes to 'acid rain'. Modern biomass combustion systems are highly sophisticated, offering combustion efficiency and emission levels comparable with the best fossil fuel boilers. See our facts and figures section for more information.

Biomass residues, co-products and waste not used for energy, or some other application will usually rot. This will generate CO₂ in any case, and may also produce methane (CH₄), a greenhouse gas 21 times more potent than CO₂.

But is it sustainable? Burning biomass releases carbon. How can that be a good thing?

The critical difference between biomass fuels and fossil fuel, is that of fossil and contemporary carbon. Burning fossil fuels results in converting stable carbon sequestered millions of years ago into atmospheric carbon dioxide (when the

global environment has adapted to current levels). Burning biomass fuels however, returns to the atmosphere contemporary carbon recently taken up by the growing plant, and currently being taken up by replacement growth. If wood fuel is sourced from well managed woodlands, then carbon released from the wood during combustion will be removed from the atmosphere as the remaining trees and seedlings photosynthesize.

Source: *The BIOMASS Energy Centre (BEC);* www.biomassenergycentre.org.uk



Maria's "milestone" marathon

Maria Connolly, VTG's Fleet Operations Team Leader, has raised nearly three thousand pounds by doing something she describes as 'an amazing experience'.

Maria completed April's London Marathon, running in support of Action for Children.

"I did it," she said. "I beat my target and raised, with Gift Aid, over £3,000.

Strong willed Maria explained why she decided to make this year's London Marathon her first ever. "I reached a milestone birthday," she said, "and was determined to run the distance during the year."

But it very nearly didn't happen. "I didn't get in through the ballot," she explained, "and charity places were scarce." Fortunately, Action for Children



isn't that I finished. The miracle is that I had the courage to start.' In my case," said Maria "it certainly was a miracle that I finished but I was motivated by my son who ran with me over the last mile."

The very proud owner of a London Marathon 2013 finisher's medal and "just a few" aches and pains is now looking forward to the 2014 event, but before that the Great North Run and the Birmingham Half Marathon beckons.

To sponsor Maria's exploits go to: <http://uk.virginmoneygiving.com/MariaConnolly> and follow the instructions. Pass the link to anyone you think may want to support the charity - and don't forget to Gift Aid. It can add an extra 25 percent to your donation if you are a UK taxpayer.

Havana good time

Our very best wishes go to Joanne Cobby, who is marrying fiancé Rob Jones, in Holguin, Cuba on 20 August.

Modern day Holguin is Cuba's third largest city. It's also the landing place of Christopher Columbus in 1492, when he discovered the island in his unsuccessful quest for the East Indies.

Let's hope Joanne and Rob's personal 'voyage of discovery' has a better sense of direction than Columbus's.

offered the grateful Maria the chance to run.

"I'm so grateful. It was a fantastic day and the atmosphere was electric. People along the route were marvellous, offering drinks and food and at one point even beer!

"My time, though, was a bit rubbish," she said. "My heart said under 6 hours, my head said over 6 hours - my head won by 8 minutes 18 seconds. At least I wasn't beaten by a man dressed as a shark as I was at the Silverstone half marathon - just a Panda, a Tiger and a man in his 70's!!"

Maria added: "There's a quote by John Bingham, the author of a Beginners Guide to the Joy of Running. He said: 'The miracle

A footballing legend wishes VTG all the best!

VTG has received something that would be sure to please football fans from Liverpool, Scunthorpe, Southampton, Newcastle and Hamburg. It's a handwritten message - in German - from Kevin Keegan, who helped Hamburg FC to the German Bundesliga title in 1979.

The former football star inscribed his message at a gala held by the Southern Sporting Club, whose members support charity projects in the UK.

Keegan wished our company, represented at the event by Ian Shaw, Sales and Marketing Director, all the best.

