

SPECIAL REPORT

Economic Bulletin



June 2005

Railway cost driver analysis

Franklin + Andrews has developed a unique set of indices to reflect both cost and tender price movement of railway construction.

Analysis and discussion with leading specialists within the sector established a need for the indices. The indices are offered as an alternative to the existing use of the Retail Price Index (RPI) to inflate and deflate project budgets. A regular review and updating of the indices with forecasts for future cost and tender movements will be published on a half yearly basis.

Cost components

The following were established as being typical of cost significant components of major railway projects:

- Signalling
- Telecommunications
- Electrification
- Permanent way
- Stations and civil engineering

Through use of weighting existing public domain indices for

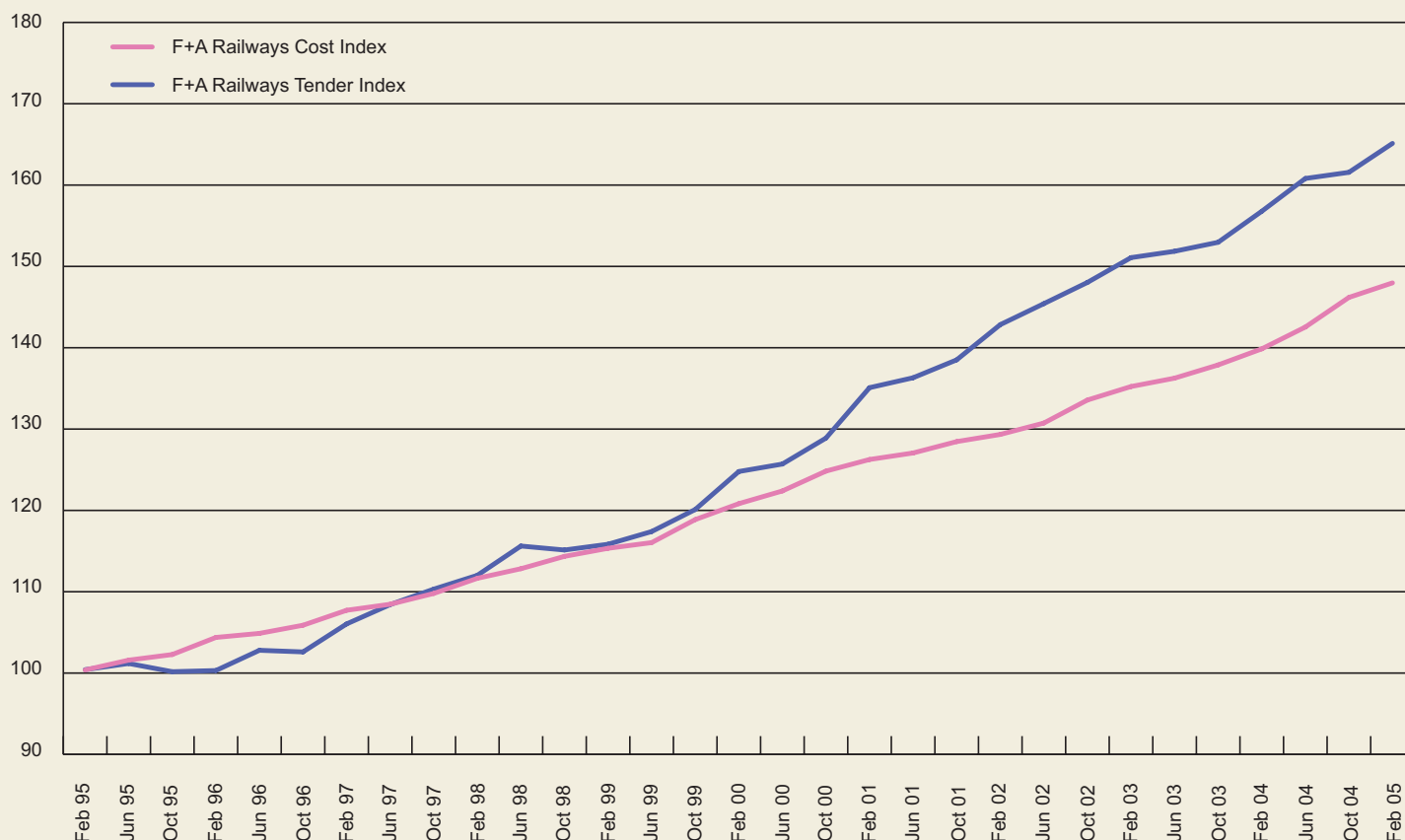
historical movements and linear regression techniques for predictions, cost indices have been created for each of the five components from a base year of 1995. These indices have been weighted to replicate a typical major infrastructure project in order to generate a Railway Project Cost Index.

As a number of the cost components are subject to market forces, a series of tender indices have also been included. These tender indices have been weighted to produce a Railways Project Tender Index.

Cost Indices													
	Apr-04	May-04	Jun-04	Jul-04	Aug-04	Sep-04	Oct-04	Nov-04	Dec-04	Jan-05	Feb-05	Mar-05	Apr-05
Management and design Index	144.3	144.9	144.2	144.6	145.0	145.4	145.9	146.3	146.7	147.1	147.5	148.0	148.4
Property	133.0	133.3	133.7	134.0	134.4	134.7	135.0	135.4	135.7	136.1	136.5	136.9	137.3
RPI	127.2	127.7	127.9	127.9	128.4	128.8	129.2	129.7	130.1	130.5	130.8	131.0	131.2
Signalling	142.5	143.3	143.6	143.9	144.5	144.8	148.1	148.2	148.1	147.9	148.5	149.0	149.5
Telecoms	142.9	143.7	144.0	144.1	144.9	145.2	146.5	146.6	147.1	147.6	148.2	148.8	149.4
Electrification	142.9	143.7	144.0	144.1	144.9	145.2	146.5	146.6	147.1	147.6	148.1	148.6	149.1
Permanent way	145.3	143.7	146.9	152.4	153.3	153.5	154.2	155.3	155.8	156.3	156.8	157.4	158.0
Stations and civils	141.3	142.6	143.7	147.8	148.7	148.8	149.6	151.5	152.4	153.4	154.0	154.6	155.2
F+A Railways Cost Index	142.9	143.7	144.0	144.1	144.9	145.2	146.5	146.6	147.1	147.6	148.1	148.6	149.1

Tender Indices													
	Apr-04	May-04	Jun-04	Jul-04	Aug-04	Sep-04	Oct-04	Nov-04	Dec-04	Jan-05	Feb-05	Mar-05	Apr-05
Signalling	162.9	166.5	164.5	165.6	160.7	161.4	165.0	166.2	166.9	166.4	167.2	167.9	168.7
Telecoms	163.3	166.9	165.0	165.8	161.1	162.0	163.2	164.5	165.8	166.1	167.0	167.8	168.7
Electrification	163.3	166.9	165.0	165.8	161.1	162.0	163.2	164.5	165.8	166.1	166.9	167.6	168.4
Permanent way	166.1	170.4	168.3	175.4	170.5	171.2	171.8	174.1	175.5	175.8	176.6	177.5	178.3
Stations and civils	161.4	165.7	164.5	170.0	165.3	166.0	166.7	169.9	171.8	172.8	173.5	174.3	175.1
F+A Railways Tender Index	159.1	162.4	160.8	163.8	159.4	160.1	161.6	163.1	164.2	164.4	165.1	165.9	166.6

Railway cost driver analysis



Cost indices annual inflation							
	2002	2003	2004	2005	2006	2007	2008
Signalling	4.27%	3.81%	5.08%	4.12%	3.88%	3.82%	3.83%
Telecoms	3.11%	4.15%	5.44%	4.91%	4.33%	4.11%	4.22%
Electrification	3.11%	4.15%	5.44%	4.12%	3.53%	3.46%	4.35%
Permanent way	6.81%	4.58%	8.48%	4.33%	3.54%	3.21%	3.59%
Stations and civils	7.01%	4.14%	10.59%	4.81%	2.94%	3.13%	3.45%
Typical railways project annual cost inflation	4.21%	3.75%	5.82%	4.10%	3.46%	3.48%	3.83%

Tender indices annual inflation							
	2002	2003	2004	2005	2006	2007	2008
Signalling	6.81%	3.87%	4.84%	4.99%	3.97%	4.70%	4.79%
Telecoms	5.62%	4.21%	5.20%	6.05%	5.45%	5.57%	5.93%
Electrification	5.62%	4.21%	5.20%	5.38%	3.92%	4.43%	4.80%
Permanent way	9.41%	4.65%	8.22%	5.42%	3.65%	4.20%	5.88%
Stations and civils	9.61%	4.20%	10.34%	5.85%	3.74%	4.12%	4.78%
Typical railways project annual tender inflation	6.61%	3.97%	6.08%	5.16%	3.92%	4.39%	4.99%

Franklin + Andrews Sea Containers House 20 Upper Ground London SE1 9LZ United Kingdom T: +44 (0) 20 7633 9966 F: +44 (0) 20 7928 2471	Contact Michelle Swales Marketing & Communications Director E: michelle.swales@franklinandrews.com W: www.franklinandrews.com	UK offices			Overseas offices	
		Aberdeen	Edinburgh	Manchester	China	Norway
		Birmingham	Exeter	Norwich	Hong Kong	Poland
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