

Joe Quill  
Office of Rail Regulation  
1 Kemble Street  
London  
WC2B 4AN

Our Ref PS/DD/ 565756  
Your Ref  
Telephone (0121) 214 7106  
Email [petersargant@centro.org.uk](mailto:petersargant@centro.org.uk)  
Date 2<sup>nd</sup> December 2011

Dear Mr Quill,

### **Consultation on Potential for Increased On-Rail Competition**

Centro welcomes the opportunity to respond to the ORR's consultation on the potential for on-rail competition.

Like other PTEs, local rail services around the West Midlands are heavily subsidised, and currently specified by the DfT. However Centro is keen that the current devolution policy being considered by Government is followed through, and therefore this would give Centro a considerable interest in ensuring that maximum value to the taxpayer is achieved in any new local franchising arrangement. Under a new WM franchise, Centro may also take the revenue risk, giving Centro an even more direct commercial interest in the impact of on-rail competition.

Given the non-commercial nature of the local rail services in the West Midlands, it is highly unlikely that any open-access operator would provide additional services which would compete with these; however there is the possibility that there could be indirect competition on various flows, and also competition between the franchised operators on certain flows.

Currently on the route between Wolverhampton, Birmingham and Coventry there are four different operators, and changes to the services or fares provided by any one operator can have significant revenue implications for the others. For example, Virgin Trains has introduced fares which undercut the all-operator fare on its services. This means that on significant local flows such as Coventry to Birmingham and Wolverhampton to Birmingham there exists competition and these flows would form a considerable part of any new West Midlands local rail franchise. Any significant uncertainty over them is likely to have an impact on the franchise risks and be factored into bids.

The congested nature of the WM rail network means that the potential for new services to operate is limited, however, even a relatively infrequent open-access operation could result in undesirable impacts on local services (for example through the loss of regular interval patterns) and it is important that these impacts are also understood fully as part of any appraisal process.

However, Centro recognises that on-rail competition can produce benefits, and the current three-operator split of the Birmingham – London market has produced a good overall service offer for the customer. There could also be some other market opportunities (e.g. Walsall – London) which an open access operator might be able to exploit. Centro fully supports the ending of Moderation of Competition protection, which on the West Coast has led to some very undesirable passenger outcomes (e.g. by preventing Chiltern diverting to Birmingham New Street during engineering blocks, forcing passengers on to buses)

However, Centro would be concerned if on-rail competition for a particular market key flow (e.g. Birmingham to London), resulted in an over-provision of service which therefore reduced the capacity available for local services. Also competition is likely to increase the pressure for faster journey times on key flows, which again could be achieved at the expense of local station calls. Further on-rail competition could therefore further polarise the demands being placed on a congested rail network, and this would therefore need managing effectively.

In summary, Centro is therefore concerned that further on-rail competition could have some negative impacts on local rail service provision, but recognises that for certain longer distance flows there could be benefits from new markets being opened up and a better service offer being provided to the customer.

Yours Sincerely



Peter Sargent

**Head of Rail Development**