

## THE POTENTIAL FOR INCREASED ON-RAIL COMPETITION

I welcome this review into on-rail competition. Open access arrangements to enable new entrants to join the railway industry and provide services in competition with franchise holders were very much part of the privatisation process introduced in the 1990s. However, conditions surrounding the provision of services have changed considerably since those days and the arrangements put into place then have not entirely worked in the way the authors – perhaps naively – anticipated. It is therefore timely for those arrangements to be examined.

Competition of course is not just set by price. The report tends to emphasize that too much. Competition is also provided or influenced through:

- Quality of service – on-board as well as when services are disrupted
- Quality of performance – reliability and punctuality
- Quality of speed – journey times
- Quality of information – on-board as well as prior to travel
- Quality of comfort and convenience – frequency and on-board ambiance

The railway companies that existed in pre-1914 days offer testimony to that as many places were served by a number of different companies not all of whom could, or were able to, compete on speed alone. They offered other attributes as compensation or inducement.

Competition is also affected by:

- Level of capacity on offer – it is easier offering different levels of service when the route in question is 4-tracked rather than 2
- Different journey speeds
- The variety of destinations required to be accessed
- The obligation to meet other policy objectives e.g. on reducing carbon emissions, on congestion and overcrowding and on meeting development planning needs.

Obviously the pre-1914 conditions no longer apply. Transport circumstances now are vastly different and therefore the completely private sector service arrangements that governed travel then cannot be re-introduced. Nor for one moment am I suggesting that they should.

Effective competition, therefore, has to be set to reflect modern conditions and the framework that surrounds them. A critical element in this concerns Network Rail's finances. As one of the diagrams points out Network Rail is dependent for its revenue on a number of particular income streams of which the most important and largest element is the grant received from Government (i.e. the taxpayer). The Government is on record as wanting its contribution to be reduced as part of its programme to rebalance public finances. This can only mean that either Network Rail costs will have to be cut or other revenues increased or more likely a combination of both. This is likely to have a marked consequence upon access charges.

Regardless of the history behind access charges, the current arrangement is unfair and should not continue. Franchised rail passenger companies pay both a fixed charge as well as a variable charge whilst open access companies only pay a variable charge. Now that Network Rail has completed many of its Route Utilisation Studies, it should be possible to allocate charges more precisely, based upon the frequency and circumstances of use, to whichever rail operator wanted to use a route in question. This would provide a better determination of costs attributable to the needs of infrastructure and maintenance and would be more closely allied to the charges governing highway use. In short any rail operating company would pay an

element of fixed and variable charge depending on level of usage. This would produce a more level playing field.

The capacity of a route is also a determining and limiting factor. It would seem wrong to penalise a franchise holder from operating an agreed schedule of services in order to accommodate a new entrant especially if the new entrant was intending to operate shorter trains at lower speeds than those prevailing, say 100 mph as against 125 mph, and if the existing operator could use an extra train path to satisfy a known demand to the obvious benefit of the travelling public. In addition it would seem perverse on a route that has been electrified to allow an additional service, provided by a different operator to the one franchised for that route, to be non-electrically provided and thereby adding to maintenance costs and increasing carbon emissions. This would not appear to be helping the wider transport policy agenda. (Such comments apply specifically to passenger services. It is acknowledged that certain train paths on inter-city routes should be allocated or made available for freight train purposes.)

However, the Route Utilisation Studies open the door to further competition but at the franchise awarding stage. Given that the Studies identify how many trains can operate along a particular route within particular timeframes (and I recognise that the figures can be changed to reflect different permutations of different types of services provided), it should be possible to envisage competition between operating companies on how many train paths they would want and what type of services they would envisage occupying them. Decisions about the allocation would be based upon the financial efficiency and effectiveness in meeting laid down criteria for the performance and service provision of the route in question.

This might mean that for certain routes the current franchise arrangements would have to be broken down into definable pieces. As the report quotes the East Coast main line let me use that route as illustration.

- A franchise for fast inter-city services between London, Leeds, York, Newcastle, Edinburgh and any other destination that could be based entirely on electrified provision of services
- A franchise for fast inter-city services that served other destinations like Aberdeen, Inverness, Lincoln, Hull and Sunderland and any other destination beyond the electrified network that an operating company put forward and which would be provided (currently) by some form of bi-mode or diesel provision of operations
- A franchise for fast inter-city services connecting Northern and Scottish cities and beyond and which would be provided (currently) by some form of bi-mode or diesel provision of operations
- A franchise for commuter and connecting services into cities and towns served by or in the vicinity of the East Coast route, provided by a mixture of diesel or electric operations
- At the London end of the route a franchise for electric commuter services to Hertford, Welwyn Garden City, Letchworth, Cambridge and Peterborough
- Again at the London end of the route a franchise for fast electric commuter services to Cambridge and Kings Lynn.

This break-down reflects the particular background of the East Coast route – it is a mixture of inter-city, commuter and regional services with all the problems associated with that mix of traffic. Competition therefore exists between different types of service for train paths and by

implication the priority one attaches to particular types of service. It is also an electrified railway and as such the service provision should be based on it. The report's Options 2 and 4 seem to ignore that fact. Indeed greater recognition of the East Coast's ability to provide electrified services should be a critical factor in allocating future train paths.

The East Coast route, however, is not typical of the railway network. Most routes are invariably the monopoly of one particular operator. Although the report cites examples of where routes or places experience competition, it is fairly limited in scope and could be extended enormously. Take the example of the route between Portsmouth, Southampton to Bristol and Cardiff. This offers a well used inter-regional service at basically hourly intervals and is frequently subject to overcrowding. The service is dominated by one particular operator – currently First Great Western – but it could be augmented to allow other operators who already operate over parts of the route if they were allowed to extend their provision and thereby provide competition on service quality and performance. This would allow for competing train operating companies. For this to work fairly would, however, require a more flexible set of franchise arrangements than now. This might be possible given that the current Government is looking into how franchising could be changed for the future not only in the length of franchise but also within its specification. Certainly it would be difficult to do within the existing franchise arrangements as it would affect premium or subsidy payments agreed with the existing franchise holder.

Another area that might lend itself to competition is the provision of services on branch lines or where community rail partnerships are in place to reflect local circumstances. Again this would have to be reflected in the franchise specification.

Changes to competition rules would be worthwhile if it allows the rail passenger and the taxpayer to benefit. In this it is not just a case of gaining better financial returns but also enhancing the ability of the railway network to mitigate outstanding economic, environmental and social problems where it can. Substantial changes seem unrealistic unless the conditions governing franchise arrangements or track access charges are changed. Whatever changes are considered, however, must not, however, penalise the ability of passengers to use concessionary rail tickets like Senior Railcards and/or permit the inter-availability of tickets between operators. The travelling public appreciate the network benefits that the railway system in the UK bestows and it would not wish to see that jeopardised no matter how many operators are providing the services. The railway network has enjoyed a renaissance in the number of passengers using train services of late and it is important from a wider transport policy standpoint that continues. Competition, therefore, must be the servant not the master of the travelling public.

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