

**The Competition and Markets Authority (CMA) Competition & Markets Authority (CMA) document ‘Competition in passenger rail services in Great Britain – a discussion document for consultation.’**

**(Consultation published on 17th July 2015, Closing date of consultation 16th October 2015)**

the CMA seeks to examine:

- i)* whether it would be desirable to increase the degree of competition in the market for passenger rail services in Great Britain – that is to stimulate competition between the operators of passenger rail services, also called ‘on-rail’ competition. and,
- ii)* whether it would actually be feasible to increase the degree of competition. Such competition would be achieved through one of three mechanisms:
  - A) **Overlapping franchises:** where two or more franchisees operate on the same route, and therefore compete against each other for passengers on that route;

- B) **Parallel franchises:** where two or more franchisees operate services between the same city pairs, although on different routes, and so compete for passengers travelling between those cities. An example is travel between London and Birmingham, which is served by franchisees on the West Coast main line and on a different route by Chiltern Railways.
- C) **‘Open access operators’ (OAOs):** these are operators of passenger services whose right to operate is derived not from a franchise awarded by the government, but from applying to, and being authorised by, ORR to have access to the network on certain routes for a specified time. There are currently just two OAOs, Grand Central (owned by Arriva UK, which is itself a subsidiary of the German national rail operator Deutsche Bahn, and which operates certain franchises) and First Hull Trains (a subsidiary of FirstGroup which also has franchise operations in Great Britain). These operate a small number of services on specified routes in competition to the franchisee on the East Coast main line. Together they represent less than 1% of passenger miles. In the past, there had been other OAOs, and applications have recently been made to ORR for more substantial passenger services on intercity routes. CMA suggests that in view of constraints on other routes that enhanced ‘open access’ operation would be restricted to:
- i) The West Coast Main Line;
  - ii) The Midland Main Line;
  - iii) The East Coast Main Line, and
  - iv) The Great Western Main Line.

iii) The CMA document does demonstrate an awareness of the need not to adversely affect the operational and commercial stability of the industry as it is currently structured in terms of a) operational integrity, b) investment in development of the network, c) maintenance of those services on the network that are supported for socio-economic reasons), d) the operational and financial interests of the franchises, e) the financial interests of the UK government in maintaining premium payments from the franchises.

1) We are responding to this consultation primarily in the interests of safeguarding the continuing access of mid Wales rail services to neighbouring major urban areas (principally the West Midlands conurbation), and maintaining their connectivity to important multi-modal transport hubs such as Birmingham New Street and Birmingham International Airport. We are anxious to ensure that CMA understands the importance of continuing to develop inter-regional rail services, and providing capacity on the Network for them, for the economies of regions like ours. We have concerns that an expansion of Open Access Operators on the West Coast Main Line ahead of the opening of all of HS2 will use scarce capacity needed for our services.

## 2) **Proposed responses:**

5a) We feel that the competition options that the CMA outlines (and that we sense the CMA advocates), particularly those of ‘overlapping franchises’ and ‘open access operators,’ are to some extent generated by a classic economics agenda that does not

reflect the reality of passenger experience on the 'day to day' rail industry. We believe that widespread 'on-rail competition' is in general not in the interests of passengers and would only exacerbate the very real confusion that many passengers have about ticket period validities and which services and operators they are permitted to use. We know from our own observations in the West Midlands that competition by 'overlapping franchises,' in this case Virgin West Coast, Cross Country and London Midland with their ranges of 'own operator' tickets, is the cause of distress to many members of the travelling public who really do not understand the distinction between operators, and the cause of conflict between the public and railway staff.

**5b)** With regard to 'open access operators.' We agree that they have been successful on a number of 'niche routes' on which franchise operators have not chosen to provide either any services or regular services. We acknowledge that some 'OA' operators achieve high passenger satisfaction scores but for the most part this is against a background of a limited range of services. Like ATOC we are concerned that 'OA' operators do not pay the full cost of their operations or of development costs, we are also concerned about the issue of revenue abstraction from franchised operators who are obliged to offer a wide range of services at frequent intervals. We are also doubtful that the current mechanism to deal with revenue abstraction is adequate. In general we are concerned that a widespread expansion of open access operations would be destabilising the Network both operationally and financially.

**5c)** We would draw CMAs attention to the outcomes contained in the current Office for Rail and Roads consultation 'System operation – a consultation on making better use of the railway network' and ask them to consider if the concept of increased 'on-rail' competition is not partly or wholly inimical to some or all of these outcomes.

**5d)** Over the last 10 years the British rail network has seen a 60% growth in passenger journeys and 10% in freight. The growth expected on the mid Wales Cambrian lines from Aberystwyth and Pwllheli to Birmingham International is forecast to be 21% by 2023 and 78% by 2043. Consequently Cambrian services will already be competing against rail growth in adjacent areas. For example the West Midlands Integrated Transport Authority (WMITA) is currently consulting on its Strategic Transport Plan prompted by the UK Government's rail devolution plans for the English regions. WMITA is planning to increase urban services in and around Wolverhampton, Birmingham and Coventry. It is very possible that some of these will utilise rail path capacity currently used by Cambrian services to access Birmingham International, or even potentially Birmingham New Street. Consequently the Wales & Borders franchise would be competing for capacity against the other operators currently use these lines. In view of this we hope that CMA will understand our anxiety that proposals for further 'on-rail' completion will deprive mid Wales of the connectivity it badly needs to develop our fragile regional economy.

**5e)** To elaborate on paragraph 5e above. We are already concerned that under certain interpretations of outcomes b) 'Choosing the right investment,' c) 'Making the right trade-offs' and e) 'The right services use the Network' in the Office for Rail and Roads consultation 'System operation – a consultation on making better use of the railway network' the needs of the Wales & Borders franchise operator will be considered to be marginal in relation to the growth strategies of other operators. It is essential for the



economic and social development of the mid Wales region that Cambrian and Heart of Wales (Swansea / Llanelli – Shrewsbury – Crewe) lines services are not disadvantaged in favour of the high volume operators Virgin West Coast Trains, Arriva Cross Country, London Midland, or any open access operators which may operate between and into the main West Coast Main Line centres of population. Welsh services through to the West Midlands and Greater Manchester must not be prevented from achieving growth over the coming years through ‘trading-off.’ Failure to ensure growth would have gravely deleterious effects on the economic development of our region which is always struggling because of its relative remoteness, deep rurality and poor transport infrastructure. Conversely, such an outcome would also impact adversely on people in the English conurbations who rely on good connectivity to destinations west of Shrewsbury for social and recreational reasons. We would like to emphasise to CMA that any positive decision in favour of open access operation may have ramifications far beyond the main lines or the railway industry.

5f) Over the years the mid Wales local authorities have interacted with Network Rail when trying to take forward new projects for infrastructure improvements, such as level crossing replacements, improved line capacity, station enhancements, and inter-modal interchanges. We have felt that NR’s capacity to engage with us has often been constrained and we have concerns that the scenarios contained within your consultation may divert NR attention away from the regional network in favour of providing additional capacity of the West Coast Main Line for purposes of ‘on-rail competition.’

5g) Finally, we are doubtful of Network Rail’s claims that in-cab transmission-based signalling systems such as ERTMS will deliver up to 40% increases in line capacity on some sections on the ‘classic’ railway system as these will always be characterised by the requirements of capacity draining train stopping patterns and, for the foreseeable future, sub-optimal infrastructure, track and station layouts.

**On behalf of the Mid Wales Transportation (TraCC)**  
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