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COMPETITION IN PASSENGER RAIL SERVICES IN GREAT BRITAIN

Response by SEStran; South East Scotland Transport Partnership

First of all, I would like to thank James Lambert and Sheila Scope for taking the time to come and speak to the SEStran Rail Forum on this issue. Their presence was very much appreciated.

As you may be aware, SEStran is the Statutory Strategic Transport Planning Authority for the following eight Councils:- City of Edinburgh, Clackmannanshire, East Lothian, Falkirk, Fife, Midlothian, Scottish Borders and West Lothian. A total of 6 rail franchises serve the SEStran area, of which 5 are long distance Anglo-Scottish services. Both the East and West Coast franchises (which are both being proposed in your consultation document for being part in 'trials' for increased rail competition) are major operators serving Edinburgh and the SEStran area - so we are clearly a significant stakeholder in this matter.

It is difficult at this stage to comment individually on the four proposed options being put forward.

1. Retaining the existing market structure, but with significant increased open access operations
2. Two franchises for each franchise area/route
3. More overlapping franchises
4. Licensing multiple operators (i.e. replacing the franchise operator(s)), subject to conditions – including public service obligations

It could perhaps be argued that, to a lesser or greater extent, the three first options do not differ radically from the current regime (there are several overlaps between franchises operating in the SEStran area) whereas the 4th option would be quite a departure from current practices.

There are however several areas of concern. A large proportion of services in the SEStran area are loss-making but socially necessary rail services - and these would require to be protected. This can fairly readily be done in a franchise scenario; the franchise could in fact be structured to stimulate growth in the 'subsidised market' but it may be considerably more problematic to encourage improvements to loss-making services in an 'open access' scenario.

We note that the 'trials' would mainly be considered for the high prestigious and highly profitable East and West Coast services (and the Great Western service). There are already several local services in the SEStran area that share the network with these long distance services (e.g. the Edinburgh-Glasgow service via Shotts to the west of Edinburgh and the Edinburgh to North Berwick/Dunbar and the Borders railway to the

east of Edinburgh) and this will further be the case with the introduction of the new Edinburgh – Berwick upon Tweed local service in 2018 with new stations at East Linton and Reston on the East Coast Main Line.

All these services would have to be built into any operational scenario proposed for the East and West Coast and we feel these services would be best safeguarded in a franchise rather than an open access environment.

Ticketing has been a contentious issue in the current franchising world. Whilst the availability of ‘advanced purchased’ tickets may have helped in keeping the cost of rail travel at a lower level than what would otherwise be the case, the complexity of rail ticketing and the frequent lack of inter-availability of tickets between operators do often create a negative picture of rail travel.

With your proposals increasing competition between operators even further, it is difficult to see how these issues could be improved; indeed, we fear there may be a backward step in respect of ticketing and integration – so these issues will require serious consideration.

Another issue is the amount of spare capacity available on the UK rail network, in particular on the East and West Coast Main Lines and on the approaches into the main cities. Greater investment can of course resolve many of these issues but until this has been implemented, we would argue that a franchise regime - rather than an open access regime - would be better suited to these lines.

It should be noted that particularly on the East Coast Main Line, investment has been relatively low over the past few decades, especially when compared with the West Coast Main Line, and although phase one of HS2 investment will be significant, it will not provide any capacity relief on the East Coast, nor on the West Coast north of Birmingham. So there would need to be considerable additional investment on both lines to be able to contemplate a scenario of significant open access operations on these lines.

Rail freight operations are of course dependable on spare freight slots being made available on an already congested network and may therefore be more likely to flourish under the current franchise network rather than an open access scenario.

There is already a complex system in place when it comes to compensation payments when things go wrong. It could be argued that with even more players involved on the same network, these ‘blame and compensation’ issues could only lead to a significant increase in expensive ‘bureaucracy’.

Your discussion paper suggests there is a lack of competition in the market – but this does only take account of the relatively limited rail market. In the overall passenger travel market (and the freight market) there is already a significant level of in-market competition. Over shorter distances, bus, rail and the car are in strong competition. Over medium distances, competition will be between rail, coach and the car - whereas for longer distances, e.g. the London-Scottish market, rail and air will be the main competitors. This ought to have been much more prominently featured in your paper.

It is noted that the starting point of your discussion paper is that the privatisation of the rail industry has been a great success – with passenger growth and increase in

passenger revenues being higher than in most other countries and with the UK also having the safest railway system in Europe.

It could however be argued that the discussion paper lacks balance – in that it takes it for granted that competition is the root cause of increase in patronage and improved safety. It may indeed be difficult to argue against this assumption since the post 1995 statistics are unarguably very impressive – but the paper would be enhanced with a wider discussion in this respect.

It could be argued that up to privatisation in 1995, there was a serious shortfall in investment in rail in the UK. As a local example, it was the case that serious overcrowding on local services from Fife to Edinburgh was deliberately ‘resolved’ by significantly rising the fares in order to suppress demand and at the same time, maintenance on the Forth Bridge was frequently deferred.

It may therefore be the case that, regardless of privatisation or not, the much higher level of investment that has taken place after 1995 would in any case have increased patronage and safety.

It is also the case that the ‘intensity of usage’ of rail in the UK (in terms of rail trips per head of population) was at a very low level in 1995 relative to comparable countries in Europe – so arguably, an increase in investment could only lead to a stronger level of patronage increase relative to other countries.

You will of course be aware that there is an increasing political interest in ‘re-nationalisation’ of rail operations in the UK, presumably with the system being operated by one or more publicly owned operators, following Network Rail being taken into full public ownership. For this reason alone, it would be helpful if the discussion document was widened to include one or more scenarios of greater public ownership and control of the running of the railways in the UK.

It can be argued that this would go against the ethos of the several EU rail policies (the latest being the ‘4th rail package’) – but it would appear that many other major European Countries are continuing with strong state-controlled and state-owned railways so why could this also not be valid for the UK?

Finally, a scenario that also ought to be considered as an option is the status quo, i.e. current level of franchising.

I trust this response will be of assistance and we would of course be happy to discuss the issue in more detail as relevant.

Kind regards,

Alex Macaulay
Partnership Director