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## Scottish Association for Public Transport

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### Response to “Competition in Passenger Rail Services in Great Britain”

This response to the Competition and Markets Authority (CMA) consultation on open-access competition for rail services focuses on four main issues:

- Capacity
- Revenue abstraction
- Infrastructure investment
- Analogy with Bus Deregulation

Observations on some points in the CMA discussion document (with paragraph references to the CMA summary document):

1. *Solutions to what? (para 15)*: As recognised in the CMA document, “arrangements for GB passenger rail services have broadly yielded successful outcomes”. It is therefore not clear why “solutions” are being sought, particularly as changes based on dogmatic principles may result in unpredictable or undesirable results.
2. *Increased rail use where Open Access Competition has been introduced (para 49)*: Where additional rail services have been introduced (OA or otherwise), it would be surprising if additional usage was not attracted.
3. *Analogies with Air Transport in CMA document (para 46)*: One adverse result of competition for slots at Heathrow has been that domestic flight frequencies to Heathrow have been reduced, with some UK destinations (eg Inverness) losing direct Heathrow links. As the rail network supports socially necessary as well as commercial services, focusing on theoretical benefits of Open Access must not underrate the social and political importance of maintaining non-commercial regional train services which in many cases share track with commercial inter-city train services.
4. *On-rail competition in Europe (para 36)*: On some routes, on-rail competition has led to confusion and questionable benefit to passengers. For instance booking arrangements and tickets for Thalys trains between Cologne and Brussels are not available from the main DB booking office in Cologne which provides information and tickets only for DB trains on the same route.

In considering whether on-rail competition could give any overall benefit, issues of route capacity, revenue abstraction and infrastructure investment are extremely important and need to be given greater detailed consideration.

**Capacity:** Issues of limited route capacity are typified by the East Coast Main Line. Current ECML Open Access bids contain useful initiatives for passengers, including faster 3 hour 43 minute London-Edinburgh journeys by tilting Pendolinos. But approving all the bids for London-Edinburgh paths would freeze out the CrossCountry services from Glasgow and Edinburgh via York to Birmingham and south-west England. There would also be no capacity left for the proposed regional Edinburgh-Berwick trains serving new stations at East Linton and Reston. Reliably maintaining the new half-hourly Edinburgh-Tweedbank frequency could even be problematic.

The situation has arisen partly because the recent ECML re-franchising was over-prescribed by the DfT in terms of train fleet and train service provision. So one of the apparent benefits of Open Access (tilting Pendolinos) could most probably have been obtained through the ECML franchising competition if the franchise specification had been less prescriptive.

**Revenue abstraction:** Open access operators competing with franchised services may increase rail usage on profitable routes, which is a good thing, but they also abstract franchise revenue, and so reduce premium payments to the DfT. As premium payments on profitable routes help to reduce the overall cost to the taxpayer of the whole rail network, revenue abstraction risks precipitating Beeching-style cutbacks to subsidies for regional rail services.

The CMA document suggests this could be avoided by increasing track access charges on profitable intercity routes for both franchised and open access trains, using the excess track access income to maintain unprofitable regional routes. But higher track charges on main lines would also inflate the cost of regional services like Glasgow-Lanark or Edinburgh-North Berwick which use the WCML and ECML.

**The financial case for investment in new or upgraded infrastructure needs predictable returns.**

Uncertainty inherent in a dynamic competitive environment will undermine planning of major projects like HS2. A long term transport strategy with long term financial returns is needed for major rail investment projects like HS2. So while on-rail competition may produce short term gains, essential long term investment could suffer. The government's flagship commitment to infrastructure projects will be undermined if investment funding returns cannot be predicted.

**The effect of deregulated transport competition has already been demonstrated in the bus industry.** One lesson to be learned from bus deregulation is that focusing exclusively on promoting transport competition and cheap fares ignores other much more important objectives like improving quality of service, reducing unnecessary duplication and road congestion in town centres, cutting unhealthy emissions, investing in improved infrastructure, arranging connections between services, introducing a national smart ticketing system, and maintaining socially necessary transport in remote or deprived areas by cross-subsidy from profitable routes. Deregulated local bus use in Scotland, for instance, **has fallen by 12% over the last 5 years**. The least significant fall occurred in the Lothians where municipally-owned Lothian Buses provides the majority of bus services with very limited competition. Over the same period, the ScotRail franchise saw passenger journeys **increase by 28%** over the same period.

**To summarise, we consider that essential future infrastructure investment like HS2, financial support for social rail services through cross-subsidy, and optimum utilisation of track capacity, are likely to be adversely affected by focusing on promoting on-rail competition to the detriment of the other issues.**

**We also suggest that an effective public transport network requires a level of integrated planning that is incompatible with deregulated competition, and that the franchising system, while it can and should be further improved, nevertheless is the most efficient way of achieving competition for the rail market.**