To: Competition and Markets Authority (CMA)

Competition in passenger rail services in Great Britain

First of all, a lot of thanks to Competition and Markets Authority (CMA) organising this important consultation.

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This opinion does not contain:
- any business secrets
- any trade secrets
- any confidential information.

This opinion is public.

Competition and Markets Authority (CMA) can add the PDF file of this opinion to a relevant web page.

Annex 1 holds information about disclaimers and copyright.

Best Regards,

Jukka S. Rannila
citizen of Finland
signed electronically

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General: about the web pages

Here we can note the following web pages:

- Competition and Markets Authority (CMA)
  https://www.gov.uk/government/organisations/competition-and-markets-authority

- Consultation: Competition in passenger rail services in Great Britain

- Office of Rail and Road (ORR)
  http://orr.gov.uk

- Transport Focus
  http://www.transportfocus.org.uk

Some personal opinions in Finnish

On 2014 I published a self-publication in Finnish. One chapter (SL 58) is about privatisation and nationalisation; then I assess especially privatisation and nationalisation of rail transport.

SL 58: Yleisesti: Yksityistäminen vai kansallistaminen?

The framework for assessing privatisation and nationalisation

I have constructed the following table for assessing privatisation and nationalisation

<table>
<thead>
<tr>
<th>TECHNICAL INNOVATION</th>
<th>Access</th>
<th>Usage</th>
<th>Maintenance</th>
<th>Defects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ownership</td>
<td>???</td>
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<tr>
<td>Membership</td>
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<tr>
<td>Agreement</td>
<td>???</td>
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Connections between different technical innovations (systems approach)

In reality we have several connections between between different technical innovations. In reality we have to use several technical innovations in our daily life. Therefore we could take a systems view when assessing different technical innovations

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We can note that in this case there can be two systems (S1 ↔ S2) which are somehow connected. On the other hand two systems (S1 ↔ S2) can have different connections to other systems (A-F and 1-6).

Problems with conceptualisations in English?

Based on the Finnish opinion (Rannila 2014) we have note that the Finnish terms have different meanings in English. Here we can note following Wikipedia articles.

- Track (rail transport) (on a railway or railroad)
  https://en.wikipedia.org/wiki/Track_(rail_transport)
- Road
  https://en.wikipedia.org/wiki/Road

The Finnish case: seasons in Finland

Seasons in Finland
http://en.ilmatieteenlaitos.fi/seasons-in-finland

Here we can note that there are serious challenges in Finland for rail transport; for example there can be several snowstorms during a year. All this means that we have to be well prepared to severe weather changes in Finland.

The missing part from the consultation documents?

I tried to find the term “weather” from the consultation documents: summary (29 pages); discussion document for consultation (163 pages); appendices (16 pages).

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There is a document called “Reacting to extreme weather on the railways” published by Transport Focus.

Here we can note the search page from the web page provided by the Office of Rail and Road (ORR):

Search: Office of Rail and Road
http://orr.gov.uk/search

The term “weather” gives (on 14 October) us three results:

Service disruption
http://orr.gov.uk/info-for-passengers/service-disruption

Regulator tells rail industry to learn lessons now

Regulator concerned about the resilience of Britain’s railways

100 % / Different possibilities for defects / Tracks

Here we can note that there can a track to one direction. When there is a defect in a track there will be a 100% breakdown – not 0-100%.

![one direction - defects]

There can be two tracks and both have different directions.

![two directions - defects in one direction]

There can be a 100 % breakdown in the other track – not 0-100 %.

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Then there can be a 100 % breakdown in both tracks.

![two directions - defects in two directions](image1)

Then there can a two-directional track. There can be a 100 % breakdown in one two-directional track – not 0-100 %.

![two-directional - defects](image2)

**Hard infrastructure / Soft infrastructure**

- Hard infrastructure
- Soft infrastructure

Here we can note that there is hard infrastructure and soft infrastructure.

Soft infrastructure refers to all the institutions which are required to maintain some hard infrastructure. Hard infrastructure tern refers to transportation infrastructure, energy infrastructure, water management infrastructure, communications infrastructure, etc. technical infrastructure.

This consultation is mostly about soft infrastructure. We have to note that different (social) institutions can not bypass very tedious technical details in different technical solutions. Especially with different defects there has to be well-trained technical personnel to solve different defects.

**Access, usage, maintenance, defects (correction)**

Now we can fill previously mentioned table with different actors mentioned on the consultation documents.

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This consultation is mostly about access and usage of rail transport network. In defects and maintenance columns there are many actors since the ownership of tracks and ownership of trains is divided to several owners. In average usage passengers can travel by train without problems.

There will be problems when there is some maintenance work and correction of defects. In both cases there can be a 100% breakdown for some tracks.

The problem will be the communication overload when there are some breakdowns; here we can calculate some chains of communication.

(a) 10 000 customers ↔ 10 train operators ↔ 10 track owners
(b) 10 000 customers ↔ 10 train operators ↔ 1 track owner
(c) 10 000 customers ↔ 1 train operator ↔ 1 track owner
(d) 10 000 customers ↔ 1 train operator and track owner (only one community)

Then we can calculate different numbers for these communication chains:

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The number of communication connections (networks) between different communities will be higher when there are more communities. More communication connections (networks) will result in more possibilities for different communication problems.

According to my understanding we have (c) one train operator and one track owner in Finland.

There have been a lot of discussions about privatisation of different parts of the Finnish rail transport system.

Then there are different actors when there is an emergency situation. I tried to find the term “emergency” from the consultation documents: summary (29 pages); discussion document for
consultation (163 pages); appendices (16 pages). (Perhaps I used a wrong term)

Depending on the emergency situation there can be a lot of different actors. It can be noted that the whole rail transport system can have problems in an emergency situation – e.g. in Finland we can have severe snowstorms during the winter season. Regardless of all preparatory efforts before snowstorms there are serious problems for the Finnish rail transport system during snowstorms.

**Back to the systems approach?**

There can some central systems (CS) which can then have connections to other systems. It can be also noted that there are also data/information connections between different systems – e.g data formats (FA, FB, FC, FD). In reality there will be some complex (information) systems networks and rail transport systems are just one part of these complex (information) systems networks.

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Here we can note that different human communities can be divided to different subcommunities. In some cases we can note explicit separation of human communities.

Here we can note that there is not one way for organising human communities: there are always some mismatches between the hierarchy and functions in a human community. This means that human communities are facing some changes all the time.

Naturally we can note that there can different relations between human communities. Depending on the selected viewpoint we can differentiate hierarchy and/or enlarging relations between different human communities.

Then we can note that different human communities can be differentiated based on different

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relations of ownership, membership and agreements.

Therefore there are different changes in cooperation modes (ownership, membership and agreements) all the time, for example different companies can be divided or merged depending on the specific situation.

What this means for rail transport? / Competition issues?

All this means that there will be different changes in cooperation modes (ownership, membership and agreements) all the time in different stakeholder communities. Therefore there will be changes all the time when different stakeholder communities have their own internal functions related to the rail transport system(s).

This means that there are always unique situations when different communities are organised according to some competition principles.

Need for very technical consultation?

On the consultation documents there are four options presented for efficient competition.

- Option 1 – existing market structure, but significantly increased open access operations
- Option 2 – two franchisees for each franchise
- Option 3 – more overlapping franchises
- Option 4 – licensing multiple operators, subject to conditions (including public service obligations)

Based on previously discussed issues I have to conclude that there should be very technical consultation – i.e. about hard infrastructure. The document published by Transport Focus could be a starting point (“Reacting to extreme weather on the railways”).
The basic hard technical facts!

According to my analysis there is a clear difference between rail transport and road transport:

- tracks (rail transport) can have 100% breakdowns
- 100% breakdown means no possibility for passing by
- roads can have (0% - 100%) different breakdowns – passing by can be very easy.

My analysis is that we try to enforce similar procedures for rail transport and road transport. The hard technical fact of 100% breakdowns in rail transport is not well discussed.

Lessons for the Finnish context?

In Finland we have a small population (on 1 January 2015: 5,471,753 citizens) dispersed over a wide area. Therefore commercial rail transport in Finland would face the problem of low number of passengers in different locations. Could it be feasible to have commercial operations in the Finnish rail transport system?

Also severe weather conditions in Finland means serious challenges for having a functional rail transport operations all the time. In reality during every winter there are some breakdowns (100%) on some locations. When we add here complex communication networks in several layers there can be serious problems in defect and/or emergency situation.

Based on this opinion I have to conclude that commercially organised rail transport in Finland could be very difficult to organise.

Lessons for the British context? / 0% ↔ 100%

I fully understand that nationalisation of rail transport could be impossible in the British context.

The problem of difference between rail transport and rail transport should be assessed carefully – 100% breakdowns in rail transport and possible 0% - 100% breakdowns in other areas.

I propose more technically oriented consultation for assessing the hard technical facts of the rail transport in the British context. Especially defect and emergency situation should be assessed carefully. This consultation was mostly about soft issues of the rail transport in the British context.

Hard technical facts should be visible in different documents when assessing possibilities for privatisation and nationalisation (monopolies also). Absence of technical facts is the main weakness in this consultation.

Previous consultations

On the following web page are my (75 opinions on 15 October 2015) reasoned opinions to different issues: http://www.jukkarannila.fi/lausunnot.html
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1 Based on the Finnish three-party system there is a phenomenon called extreme-centre in Finland. The 2011 parliamentary elections in Finland challenged the three-party system, since three “old” parties were not traditionally as the three largest parties. On 2015 this “new” party is part of the current Finnish Government. We all must be interested about this new development in Finland.

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