

SHERBORNE TRANSPORT ACTION GROUP
Linking Sherborne and surrounding villages
Supported by Dorset County Council and Sherborne Town Council
A Member of TravelWatch Southwest

CONSULTATION ON RAILWAY COMPETITION

The Sherborne Transport Action Group (STAG) aims to improve transport provision for the people of Sherborne and the surrounding villages, particularly to help those without access to a car and to encourage car owners to use other modes.

STAG welcomes all who have an interest in its objects. Members may include representatives of town and parish councils, transport-related organisations, transport-providers and other interested members of the community.

This document was approved by the committee on email circulation

1. Context

1.1 We commend the CMA for a comprehensive and authoritative study and report. However, we find this consultation a rather strange exercise. The paper begins by acknowledging that present arrangements are broadly successful, that passenger satisfaction is increasing, and that passenger numbers have increased massively under the present regime. Why, then, should there be any pressure to alter a successful arrangement ?

1.2 The reason appears to be that the Competition and Markets Authority has a statutory duty to promote competition; ie there is an ideological drive. We submit that competition is not always the right answer. There are some circumstances in which greater efficiency, and hence better service, will be achieved by good central control. Competition is not an absolute 'right' in all circumstances.

2. Is competition feasible on railways ?

2.1 It is evident that the geometry of a linear railway track introduces constraints which do not exist in manufacturing or retail or other walks of life. Two examples may be cited from the early days of railways:

The Stockton & Darlington Railway began with open access, on the precedent of the canals; but it was very soon realised that there had to be a central control to ensure that, for example, horse-drawn trucks did not impede locomotive-hauled trains.

The fast line south of Croydon was built because express passenger trains of the London, Brighton & South Coast Railway were being held up by goods trains from the South Eastern Railway joining this line at Redhill.

The same constraints in the use of a linear railway still exist today.

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2.2 The paper acknowledges the complications of trains having different speeds and stopping patterns, and the desire of passengers to take the next train, regardless of who may be running it. Ticketing arrangements are already complicated enough without adding the further factor of validity for different operators. An individual operator cannot be allowed to insert his own pattern without control.

3. Do the railways have competition ?

3.1 The railways already live with a substantial degree of competition.

- * The operating franchises are won in open competition. There has been at least one example, on the East Coast Main Line, when the keenness of competition has led a tenderer to over-reach itself (perhaps because of competition from OAOs).
- * There is competition between adjacent franchises, though admittedly in limited geographical bands. The paper cites three different routes to Birmingham; there are two routes to Scotland; and there are two routes to Exeter (one faster, the other cheaper).
- * Railways must compete not only with the private car, but with a high quality coach network and, for longer distances, with airlines.

We question whether it is necessary to strain at the gnat to enforce on-rail competition.

4. What is 'The Market' ?

4.1 The railway system incorporates a number of different sectors, with radically different character:

- a) There are intensely congested commuter services, particularly into London but also into other major cities. Here the dominating need is to run the system so as to provide the maximum number of seats or, for shorter distance, standing room. This must trump any other 'efficiencies'.
- b) The intercity services will be viewed primarily in terms of journey time and destinations served. Comfort and on-board facilities will also be important on these longer journeys. There will always be conflict between overall speed and number of intermediate stops. As with the two East Coast OAOs, there may be gaps to be exploited.
- c) The main regional routes have some of the inter-city characteristics, but with much more emphasis on the importance of connections, and probably more marginal finances.
- d) There are branch lines and minor regional lines which are unlikely to be self funding and are those defined as Public Service Obligations (PSOs). Some of these, included in franchise obligations, are covered by cross-subsidy. Others are funded in part by local authorities. All form part of a network and many of their passengers will feed into main lines.

Debates on railway policy commonly focus on the first two categories. The fourth involves relatively tiny sums, but is of high importance to the communities concerned. We would wish to see this category firmly protected in the overall scheme.

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4.2 The market being addressed by Government is that of the overall infrastructure; arguably the only proper one for a national rail system. Currently Government addresses this by regionalising the country and seeking franchise bids which include Key Performance Indicators covering all relevant aspects of the rail system. This has the effect of requiring that bidders calculate the overall costs. Inter-city point-to-point services, which may reasonably be expected to be best suited to producing larger margins, are priced into the mix. Even that approach, as can be seen in current rail planning exercises, creates visible anomalies at the boundaries between franchise regions, especially where vital rural rail services are concerned.

5. Network considerations

5.1 It follows from 4.1 above that we wholly welcome the consideration introduced in paragraph 6.42 of regarding the railways as a network, with planned connections at key interchange stations. But such connections, including those with local buses, are already inflexible: it is difficult to programme connections at one point when constraints exist elsewhere on the routes concerned. The problem is compounded when more than one operator is involved. As noted above, efficiency of a network is more likely to be achieved where there is central control.

6. Is there capacity for Open Access Operators (OAOs) ?

6.1 The railways in London and other great cities are already highly congested. In the southwest arc, both Waterloo and Paddington are full with their approaches, at least as far as Woking and Reading respectively, running at capacity (ref the recent Wessex and Western Route Studies). The West Coast Main Line is full - otherwise there would be no case for HS2. The Cross Country, supposedly a fast long-distance service from Southwest to Northeast, is already very slow through the Midlands because of congestion and conflict with other routes.

6.2 The present consultation paper puts much faith in the increase in capacity expected from such developments as in-cab signalling. But these benefits will be gobbled up merely to ease current overcrowding.

6.3 To allow OAOs to cherry pick premium routes, and thus prevent their revenues from forming part of a whole regional package, would undoubtedly create problems for the continuing viability of rural services, which, even when used near to their capacity, of necessity produce lower overall margins per passenger. Even if such loss of flexibility were to result in reduced fares for the small proportion of overall passengers in the United Kingdom using the competed services, the remaining franchised services would have to be:

a) dealt with by increased fares for passengers on the remaining parts of the regional franchise, or

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- b) given increased subsidy from Government, thus further distorting the workings of an already much constrained market, or
- c) regarded as being of no value to the national fabric.

We would regard any of these consequences as unacceptable.

7. Comparisons

7.1 The paper attempts to draw comparisons with air travel. The paper notes that low-cost air travel has depended heavily on the use of secondary airports. The equivalent for rail would be for OAOs to avoid city centres; yet that is where the commercial attraction lies. The capacity constraints on air travel are not only at start and finish of the journey; the multiplicity of airports and independent users has led to a situation where air congestion is becoming a major problem. We would view the comparison with air transport with considerable caution.

7.2 There are also comparisons with European examples, though the paper acknowledges various fundamental differences: in particular that, in these geographically larger countries (with some exceptions) the capacity constraints are less severe; also that UK is unique in already having a universal pattern of competitively tendered franchises. The comparisons therefore need to be read with caution.

7.3 The paper notes the success of competition in the Freight sector. But freight services largely avoid the most congested areas which form the greatest constraint on competition for passengers.

8. Is there scope for more on-rail competition ?

8.1 We note that the Euston system involves two main operators: Virgin for long-distance and London Midland for outer suburban services. Essentially they are parallel systems, with one using the fast lines and the other the slow lines, though with flexibility between them. A passenger to Birmingham has the choice of the fast or the slow service. A similar distinction could perhaps be made on the Paddington system, with the long-distance services effectively separated from the stopping ones. But the Waterloo system, by contrast, has a much more integrated use of fast and slow lines which would inhibit dual operators.

8.2 Competition may also be developed between franchises if operators are able to develop their systems. We note that in the 1990s South West Trains proposed, under a thirty year franchise, to redouble the whole of the Salisbury-Exeter line, giving scope for much more active competition with the Great Western route. Sadly that option was lost with the post-1997 switch to shorter and more tightly defined franchises. More successfully, Chiltern Railways have been allowed to develop a service out of Marylebone to Birmingham competing with neighbouring franchises.

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8.3 The two existing OAOs would appear to succeed because they provide direct services to major destinations which were otherwise not so served. It is necessary to have both a major unserved destination and track capacity at the opposite terminus. Are there such routes as yet unserved? If there are, then the ability of an OAO to cherry-pick will give it a substantial advantage.

8.4 However, we note that a large proportion of OAO applications have not been successful. This would seem to indicate that real possibilities are not widely available.

8.5 The conclusion seems to be that the market will develop competition without artificial stimulus if there is real scope. This is essentially Option 1 below.

9. Efficiency

9.1 Efficiency cannot be viewed simply in terms of cost. The network is now running vastly more trains than pre-privatisation, and must therefore be regarded as far more efficient. The paper notes that, where overlapping franchises have been merged, there has tended to be an improvement in performance: ie the network runs more efficiently. This must in the longer term result in lower overall costs and therefore a better deal for the passenger, even though there may be short-term adverse effects on ticket prices. One has to ask if the network could accommodate the present number of trains if it had to handle the operational inefficiencies of diverse operators.

10. Conclusions

10.1 We are deeply sceptical about the scope for directly competing services on the same rails, both because of capacity constraints and because of problems of mixing different operating patterns and ticket arrangements.

10.2 We get the impression that this examination of the market is generated by an ideological attraction to competition, with neither a demonstrated need nor any likelihood of significant benefits. Considering the paper as a whole, there is a slight flavour that pointers favouring on-rail competition are accepted, while negative pointers are treated with caution.

10.3 We comment as follows on the options offered in the paper:

Option 1: existing market structure, but significantly increased open access operations:

This is essentially the 'do nothing' option. Let genuine options go forward, but do not press artificially.

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Option 2: two franchisees for each franchise:

This seems to be an entirely artificial proposition with nothing to recommend it except an ideological attachment to 'competition'. We exclude from this option the situation between Virgin and London Midland, where the two franchisees are operating separately but in parallel.

Option 3: more overlapping franchises:

As noted, the SRA took a considered decision that greater system efficiency would be achieved by eliminating overlap of franchises. Given the congested state of the network, we would place a high priority on system efficiency. It would take a compelling case to justify reversing a considered and relatively recent strategic decision.

Option4: licensing multiple operators, subject to conditions (including public service obligations):

This is a logical development from Option 2, but would create an administrative nightmare. 'Efficiencies' which might be developed locally by individual licensees would be dwarfed by the inefficiencies resulting from fragmenting the system.

10.4 The overall conclusion must be that, on a system which is highly congested and stretched to the limit, efficient use of the network must be the primary consideration.

Sherborne Transport Action Group
15 October 2015