

Mr Steven Oakley Response to Discussion Paper

Introduction

I am a commuter travelling regularly between Bristol Parkway – London Paddington, and have read the *Competition in passenger rail services in Great Britain* Response discussion paper with great interest. I have no affiliations to any aspect of the rail network or its franchisees, and so my only interest in contributing to this discussion is to improve mine and my fellow commuter's experience of travelling by train.

From the traveller's perspective, it often feels that there is a distinct lack of competition on the rail network, particularly in comparison to other methods of travel. The body responsible for awarding the franchise to an operator may feel that they are operating a competitive process for the awarding of a line every seven to fourteen years, however as far the customer is concerned they often have no choice in their service provider.

For example, a customer travelling between Bristol Parkway to London Paddington has no practical choice over which franchisee to travel with – they are forced to purchase a ticket for a First Great Western service. This certainly does not feel like a competitive environment for the traveller.

The implementation of Option 2 of the discussion paper would lessen this problem through the offering of additional services from a different provider and would, as noted in the discussion paper, begin to make the competitive nature of the rail network more consistent with other transportation industries, such as the airlines. However, whilst this would be an improvement, I believe that the rail network can go further and become truly innovative in how the issue of competition is addressed.

Rather than offering competition through multiple providers operating services between stations on different routes, I believe that the potential for multiple service providers operating on the **same** line should at the very least be considered. Following is a single commuter's view of how this could be achieved.

Overview

In this proposed rail model, multiple rail companies would operate carriages on the same physical train. The responsibility of running the train lies with a separate entity (hereto referred to as the Train Operator), as is the responsibility to operate in a timely fashion. The rail companies would compete on price and the quality of service of their company carriages. This allows a premium rail company the opportunity to charge a higher price than a 'budget' operator for the same journey, therefore providing the traveller with a genuine choice of whom to travel with.

The Train Operator

The Train Operator may be either a public or private entity, and could operate on a not-for-profit or not-for-profit basis - it could, for example, be an extension of National Rail.

The Train Operator would be responsible for determining the entire network timetable, and ensuring that all routes, including the routes currently deemed as unprofitable, are provided with an adequate service.

Allocation of Carriages

The allocation of carriages to rail companies would be carried out under the following system:

The Train Operator, being responsible for ensuring all routes are provided with an adequate service, determines the number of carriages required for a particular route. In the example illustrated below, the Train Operator has decided that eight carriages are required.

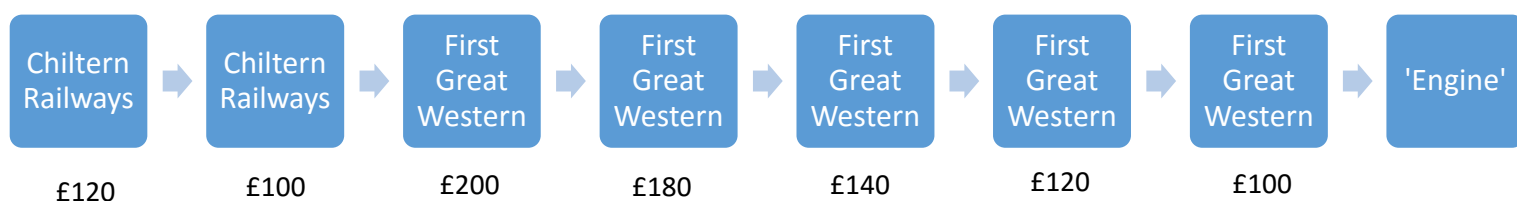


Each rail company now has the opportunity to bid for one or more carriages on each service, with prices determined by the amount of competition present for carriages for each service. A service with a high demand will therefore naturally command a higher price-per-carriage for carriage companies than a less busy route.

In order to further improve this competitive process, and ensure that a single rail company does not force smaller operators out of a service by being prepared to take control of every carriage on a service, a tiered carriage price would be introduced. This could be implemented as follows:

Every rail company pays the same rate for the first carriage on a particular service. If only one company has expressed an interest in operating on this service, this company may continue to be granted carriages at the same per-carriage rate. If however one or more other companies also wish to bid for carriages on the service, then the Train Operator can introduce 'multi-carriage premiums', whereby the per-carriage rate increases for each subsequent carriage for the same operator. This system increases the opportunities for smaller companies to compete with larger ones.

This model is illustrated in the figure below, with nominal figures indicating the per-carriage price paid by each operator to the Train Operator.



The Train Operator would have the flexibility to adjust per-carriage prices (and multi-carriage premiums) on a route-by-route basis, ensuring that less-popular routes are still attractive to potential operators through lower prices. The Train Operator would ultimately be responsible for acting as the 'operator of last resort', in a similar fashion to how National Rail is currently.

Maintenance Responsibilities

As stated previously, the Train Operator is ultimately responsible for the timely operation of services. On occasions when a service is delayed or cancelled as a result of the Train Operator, all companies with carriages on that service will be entitled to compensation, with the amount due dependant on the number of carriages each company operates. Additionally, any required customer compensation would also be provided by the Train Operator.

In occasions when a service is delayed by the actions of a company operating a carriage on a train (for example, a lack of adequate carriage maintenance delaying an entire service), it is the company operating the faulty carriage's responsibility to pay compensation to both the Train Operator, and all other train companies on that service. In these instances, the allocation of compensation to each company could be handled centrally by the Train Operator. This shared responsibility ensures that every company contributing to the overall service has incentives to ensure they maintain and operate their parts of the train correctly.

Summary

In this new competitive environment, the customer is now vastly more likely to be presented with a real choice of company and service level for journeys. The market would dictate the prices passengers are willing to pay for differing levels of service, with low-cost operators able to offer 'standing-room-only' carriages, whilst other companies can offer a higher-level of service on the same carriage for a price premium. Standard and First Class carriages can coexist with this model, with services also benefitting from the additional choices offered by the presence of this multi-company competitive model.

The responsibility of running an adequate on-time service would be placed to a greater extent with the Train Operator, such as National Rail. Alongside the benefits previously outlined, it could also encourage new companies to enter the market through less-prohibitive entry criteria, once the physical running of the train is removed as a requirement.

This proposed rail network business model is clearly a radical departure from the status quo, and would require a monumental shift in thinking from a number of service providers. However, the outcome would be a truly competitive market, with rail companies now provided with real incentives to increase the quality of service they provide.

Additional Comments

- The Train Operator may wish to make its minimum-carriage decision based on the number of passengers rather than then number of carriages, as the passengers served by each carriage can vary.
- Each train company operating on a particular service would have the option to employ ticket inspectors, at their discretion. If a train company deems it financially unviable to employ an inspector on a particular route, it would not stop other company from doing so, for their own carriages. In practise, this could lead to increased collaboration between companies, with the possibility of competing companies 'sharing' ticket inspectors over multiple routes.