

Cumbria County Council Response to Open Access Operators on the Rail Network 30/11/11

In the rail privatisation legislation there was always provision for open access operators to compete with franchised TOCs at no risk to the public purse and indeed some examples have been introduced – principally on the East Coast Main Line where Grand Central and Hull Trains remain active, albeit having been taken over by major transport groups who also operate franchises on the railway elsewhere. Wrexham & Shropshire Railways also attempted to operate an open access operation between Wrexham, Shrewsbury and London. This failed and was withdrawn at two days notice.

Cumbria as a county does not at present have any “Open Access” operators serving the county. However an approach has been made by Alliance Rail raising the possibility that a service from Carlisle to London via Workington, Whitehaven and Barrow could be operated on a three times per day each way basis. This is considered in this paper as a case study.

Cumbrian Coastal Railway (Carlisle – Lancaster via Barrow) as a Test Case

- On the basis of current arrangements Alliance (on their own figures) could take 30% of all passenger revenue.

Given the progress that Cumbria County Council have made in conjunction with the franchised operators involved over the past five years with further development in hand we are reluctant to see the revenue derived from the franchise diluted which could result in a minimal bid against the Invitation to Tender at refranchising to price in the losses due to an Open Access operation.

The particular characteristics of regional lines such as the Cumbrian Coast, with limited earning potential are costly for all concerned. Any dilution of the value of the franchised service would result in pressure for the franchisee to minimise the franchise commitment and to reduce exposure to any effect of an “Open Access” operator – should the open access operator encounter changed trading conditions they can simply cease to supply the service – the franchise operator having resourced the service on the minimal spec would inevitably take time to find resources and modify the franchise commitment to produce the service that is actually required or not attempt to do so.

How do we balance the strategic importance of “Open Access” versus national and local macro economic priorities? Service delivery should be achieved at point of overall greatest benefit – ie, not simply on the desire for open competition on the railway.

- Alliance demonstrated a lack of knowledge in not being aware of Cumbrian Coast limitations – single track and restricted opening hours.

This lack of local knowledge did not reveal much preparation. Alliance have a very seductive product to sell in the shape of new trains / through service to London – but little real commitment to West Cumbria – jobs and investment in local economy seemed to be minimal

- Faster trains on lengthy regional railways are extremely rapacious in terms of paths and disruption to existing local services. The Cumbrian Coast has single track stretches and many stops – a “fast” train, off pattern would adversely affect the timetable developed with the franchised operator reducing overall capacity.
- Macroeconomic arguments need to be taken into account when changing a service pattern – UK national and specifically Cumbria would place a higher priority on delivering the Nuclear New Build Programme with a strong emphasis on supporting developments at Sellafield. This is the strong focus for the next twenty years in West Cumbria. The on going development of the rail service is an extremely high priority for Cumbria County Council to support this programme.
- Open Access operators can withdraw services at two days notice (Wrexham and Shropshire) – the withdrawal of this service had little local impact in Wrexham and Shrewsbury (fast frequent services to Chester and Birmingham to link in to the inter city rail network) compared to the effect withdrawal of three trains per day each way would have in West Cumbria if the open access service has supplanted some of the local service.
- Franchised operators have worked with local stakeholders to adjust and improve services where possible within existing resources – this work remains on going with respect to further development of commuting to Sellafield. In addition to this the nuclear programme will require greater exploitation of the freight paths currently available.
- The Open Access operator is not primarily interested in making a profit on the Cumbrian Coast – IT IS interested in competing on the West Coast where there is more lucrative business to be competed for and a possible advantage to WCML passengers (including Cumbrians) in terms of price. It should be noted that a through booking from Carlisle would be likely to add benefit in terms of price over the WCML franchised operator but the penalty would be the at least three hours spent getting to Lancaster which would be highly uncompetitive. Ironically the benefits of competition would apply south of Lancaster (ie, outside Cumbria) where journey time would be competitive. A wider competition benefit would be to exert downward pressure on franchise fares which would benefit all users.

Competition with the West Coast Main Line franchise is probably desirable to encourage fare competition as Hull Trains and Grand Central have done on the East Coast – although realistically competition should also apply to Manchester and Birmingham as destinations as well as the “premium market” to London.

- Any open access operator on the route should be expected to materially improve asset conditions in Partnership with local authorities and clients – a partnered programme of upgrades is taking place with TOCs and Network Rail,
- An open access operator could conflict with productivity gains - for example an idea currently being examined to run a clock face hourly timetable between Whitehaven and Carlisle – using two trainsets and two crews – with the intention of increasing service with reduced expenditure by improving rail asset productivity.
- Competition in a railway sense never existed in local markets the pre grouping railway companies effectively exercised railway monopolies – intercity route competition on duplicated routes – Eg the Manchester – London market was ultimately served by three distinct companies / Birmingham – London was served by three. Technically Birmingham – London is served by three at present but despite differentiated offers all three companies run full trains in the peak – ability to choose can be compromised by lack of capacity.

True competition remains elusive and no “Open Access” operator remains in independent hands – all currently being subsidiaries of large transport companies. The W&S narrative shows that the assets used for this service were promptly absorbed into the parent operation to run a more lucrative service between Birmingham and London within the Chiltern franchise.

- Open Access operators should have to compete on an open book basis – if the objective is competition on core routes and the marginal extension routes simply provided as “ballast” to get access to core routes the local consequences should be assessed and mitigated – where they provide a necessary service this should be priced in to the agreement.
- Track Access Charges favour Open Access operators at present – if running trains on relatively remote lines with very high engineering overheads cannot recover more value for the passenger and the taxpayer perhaps this should be re – assessed.
- The “Not primarily abstractive” test should remain – the phenomenon of an ORCATS raid should be recognised as reducing the value of that part of a franchise to a TOC. Most – if not all – regional railways require subsidy to exist – squeezing the gap between costs and revenue is the objective of every report written about the railway over the last century.

Growth is giving rail the opportunity to escape from this straitjacket. Is the best value delivered via improving the performance of the franchise or an open access operator?

- It should be noted that the government is currently pursuing a policy of devolving more control of local railway services to transport authorities and this is likely to influence service patterns and development in the future.

Cumbria County Council recognises the questions raised by the ORR consultation document and accepts that with McNulty and other pressures. Driving down of costs on the railway is a central issue.

In the field of service provision, where competition can deliver customer benefits without detriment to existing and planned use of the railway at lower cost it may be pursued. The case study above provides evidence the net overall outcome has to be judged in terms of benefit to passengers, freight and maximising the value of the railway to the taxpayer with a complex range of arguments assessed,