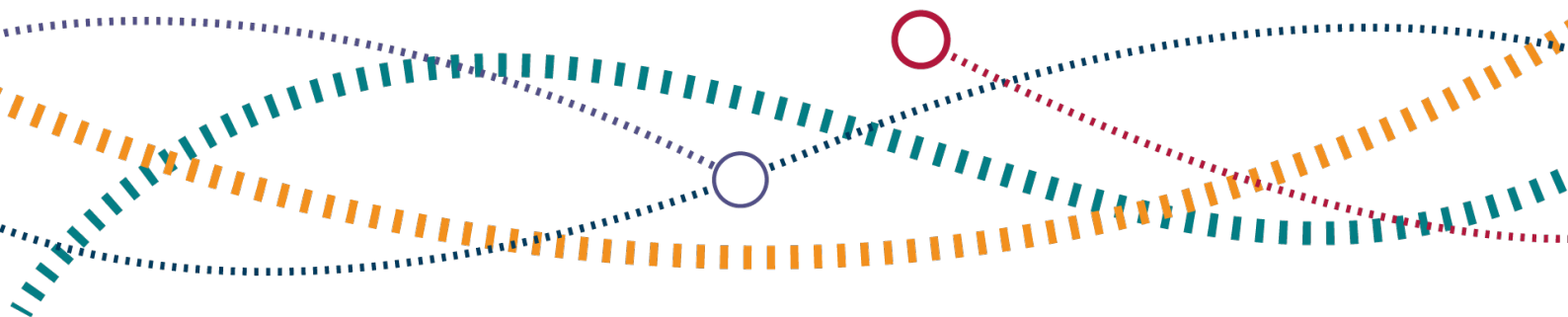




Monitoring the impact of, and response to, open access

2022 Update

28 April 2022



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Introduction

Executive summary

This report provides an update to ORR’s ongoing monitoring of, and its response to, open access passenger services on the Great Britain (GB) rail network. It includes a summary of data relating to open access operators, the results of a stakeholder research exercise and an appendix containing an economic appraisal considering the historic impact of the entry by new operators.

We find that despite the COVID-19 pandemic presenting significant challenges, open access operators see an important role for their services in supporting the re-growth of rail travel. Rail reform has created considerable uncertainty, despite the Williams-Shapps Plan for Rail confirming the continued place for open access operators within a reformed industry structure. We outline the latest developments in open access competition, including the entry of Lumo. Finally, in an appendix to this paper, we present the results of an economic appraisal on open access operator entry, which found that there were net positive economic benefits of open access services in the GB rail market.

The Williams-Shapps Plan for Rail

Rail reform provides important context for our monitoring work. On 20 May 2021, the Government released the [Williams-Shapps Plan for Rail](#) (the White Paper), setting out its proposals for the restructuring of the GB rail industry (rail reform). The White Paper describes itself as initiating “the biggest change to the railways in 25 years” through the establishment of a new public body, Great British Railways (GBR) which will own the infrastructure, receive passenger fare revenue, and plan the rail network.

We have conducted our monitoring activity against this important backdrop of reform. The White Paper outlines that open access operators will be supported by national co-ordination and new safeguards. It highlights that there will also be “the potential for new open access services to be explored in the future where spare capacity exists to make best use of the network and grow new markets for rail.”

The White Paper sets out a vision for the future of the GB rail network, including setting out a new commercial model to provide a permanent replacement to franchising. Whilst the finer details of reform continue to emerge, we report on the perceptions of the reform process held by open access operators.

The COVID-19 pandemic

The pandemic has significantly influenced our approach to the monitoring of open access rail services. It continues to have lasting and profound implications for the GB rail industry. Demand recovery has been uneven, with industry revenue falling short of pre-pandemic levels. Emerging evidence suggests that long distance travel, especially for the purposes of leisure or visiting friends and relatives is recovering more quickly than business or commuting traffic.

The disruption caused by the pandemic has posed a fiscal challenge for all businesses and funders within the rail industry. We note the significant investment, estimated to be in excess of [£14 billion](#), made by the Government to keep formerly franchised rail services operating throughout the pandemic. We have adjusted our approach to monitoring to best capture the challenges related to these impacts on rail services.

About this publication

In March 2021, we published our second report monitoring the impact of, and response to, open access operators on the GB rail network ([the 2021 report](#)). This document serves as a further monitoring report, based on data analysis mostly relating to the financial year 01 April 2020 to 31 March 2021 and a series of stakeholder meetings held in December 2021 and January 2022. It also contains an economic appraisal of historical open access operator entry which we commissioned consultancy firm Systra to conduct.

In this report we review the current position of open access competition on the GB rail network. The objective of this work is to assess and develop the evidence base relating to open access passenger services as part of ongoing, and routine monitoring of rail markets. We note the challenge which the railway industry has faced owing to the ongoing impacts of coronavirus and the likely permanent resultant changes to work and travel patterns. Since they are not subject to the same level of financial support as their competitors operating under contract to the Government, open access operators have faced particularly acute challenges, having had to act nimbly to oscillating demand and adjust their service provision accordingly.

We recognise the direct impact of open access rail services on funders, and we apply the 'not primarily abstractive test' in assessing applications for new open access services. In PR18, we introduced an Infrastructure Cost Charge (ICC) for open access operators, requiring operators providing new open access services to contribute towards Network Rail's recovery of fixed costs where they are able to do so. Currently just one open access operator (Lumo) is liable to pay this charge, on a phased-in basis.

Open access operators generally abstract revenue from the other operators which they compete against and thus have an impact on the funds available to the Secretary of State. We take account of the ICC within the ‘not primarily abstractive’ (NPA) test which we use to assess open access applications by subtracting the ICC from revenue abstracted according to this equation: $NPA\ ratio = \frac{revenue\ generated}{revenue\ abstracted - ICC}$. We are currently consulting on proposals for how the ICC should be set in CP7. Our access policy retains the NPA ratio threshold of 0.3 as it currently features in our overall analysis of access applications

For aspirant entrants, elements of the ongoing structural changes to the GB rail industry may present new opportunities. Perspective operators identify that the reduction in rail services could create new capacity on parts of the network which may enable market entry. Furthermore, changes in the rolling stock market, in part caused by the renewal of intercity fleets, has resulted in increased availability of rolling stock, as well as generating greater opportunity for follow-on orders of brand-new rolling-stock.

This monitoring report (and its appendix) is intended to provide transparency of our findings from our monitoring of the open access market. It is not a statement of ORR’s policy about how we will carry out our role in regulating access to the network. We emphasise that we would consider any future applications for new or expanded open access services in line with our established policies and guidance, and in line with our full range of statutory duties, on a case-by-case basis.

Unless otherwise stated, the data analysis in the main part of this report relates to the 2020/21 financial year. Owing to the continued impact of the pandemic on rail demand, much of the data is not directly comparable with previous years.

Summary

Monitoring activity

In the 2021 report we reported on a series of quantitative measures intended to monitor the impact of, and response to, on-rail competition from open access. This 2022 update by necessity reports against fewer of these measures owing to the impact of the pandemic and the non-availability of passenger survey evidence. In this update we present such evidence as has been available to us on a like-for-like basis (Chapter 1), together with some wider descriptive and quantitative evidence regarding developments including the October 2021 entry of Lumo in Chapter 2.

What operators are saying

In Chapter 3 of this update, we summarise the key messages coming out of stakeholder dialogue which we carried out during December 2021 and January 2022. We focused, consistent with the 2021 report, on the views of stakeholders regarding the principal barriers to entry and expansion for commercial operators. The key issues raised by stakeholders were:

- Rail reform – open access operators raised concerns both about the need for certainty on this area and around specific areas of reform which could impact their businesses.
- Revenue recovery – the pandemic has had a very significant impact on commercial rail services, although respondents were overall of the view that it has not, materially, undermined the case for new open access applications.
- Access to the network; and
- Access to rolling stock.

Economic appraisal of open access entry

This report is accompanied by an appendix which contains an independent consultancy report which was conducted by Systra in late 2021 (the Systra report). We commissioned the Systra report to provide, particularly in the absence of recent passenger survey evidence, a summary of the historic impacts of open access operator entry. Systra's analysis found that open access has historically driven net benefits on all the route types that it analysed and it has, in aggregate, driven net benefits under a range of modelling assumptions.

We intend to continue to monitor the market for open access in a proportionate way, which effectively considers the fast-evolving landscape. We value stakeholder input into this process and we therefore welcome all comments and suggestions from interested parties. These can be submitted by email to competition@orr.gov.uk.

1. 2022 monitoring activity

Introduction

- 1.1 In the first section of this report, monitoring the market, we use a range of data to consider open access operator performance, relative to their contracted counterparts. We provide some further qualitative analysis about more recent developments relating to open access operators. Finally, we outline then results of our stakeholder engagement process from a series of meetings which took place December 2021 and January 2022.

Data analysis

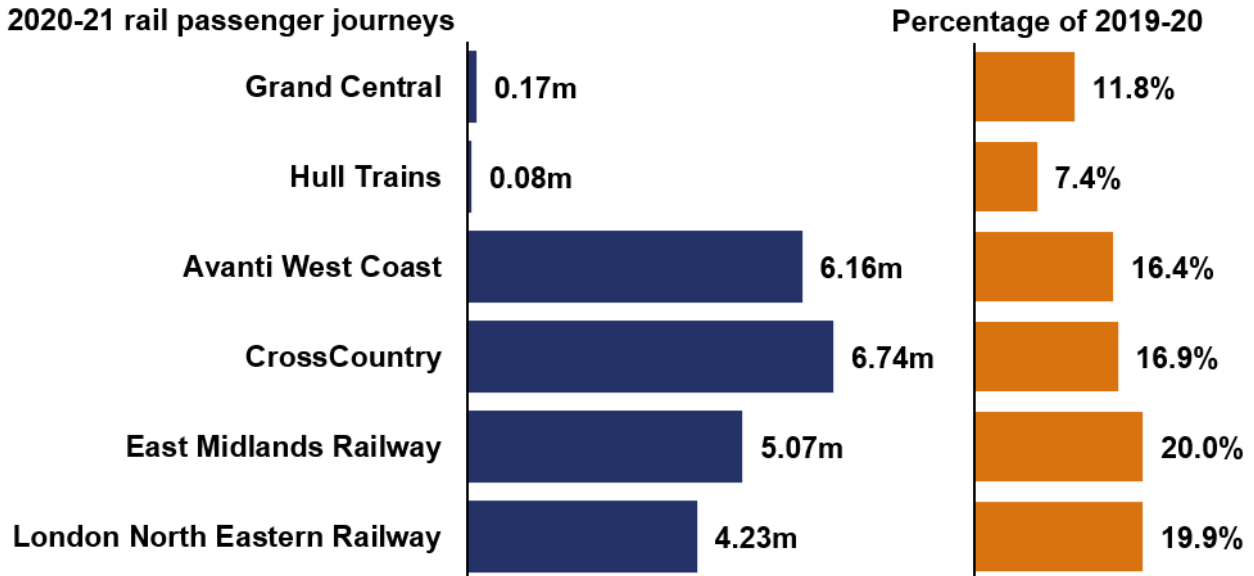
- 1.2 In this section, we consider the limited data which is available and remains useful despite the continued impact of the pandemic. We remain interested in the impact that open access operators have had on customer metrics. The statistics presented in this section are more limited than in previous monitoring reports, owing to the lack of availability of the National Rail Passenger Survey, which owing to the impact of the pandemic, was suspended in March 2020.

Industry recovery

- 1.3 We publish statistics on the number of passenger journeys made for each operator. The number of passenger journeys by each operator, compared with the previous year (pre-pandemic) are shown below in Figure 1.1. Our data analysis in this section focuses on the financial year 1 April 2020 to 31 March 2021, as it reflects the last full year where data is available
- 1.4 We note that all operators observed a very significant fall in demand, with 1 April 2020 to 31 March 2021 figures being at best one-fifth of the previous financial year. We note also that the effects of the pandemic were beginning to be felt towards the end of the previous financial year, and any recovery indicated below may be modestly overstated.
- 1.5 Open access operators (Grand Central and Hull Trains) saw a relatively slower rate of recovery compared to their contracted competitors, although they recorded a higher percentage of journeys compared to two years ago in the latest quarterly data up to end of December 2021. This may in part be reflective of their contrasting operating model, with open access operators having a greater

immediate financial incentive to be disciplined with their capacity deployment as they seek to minimise losses.

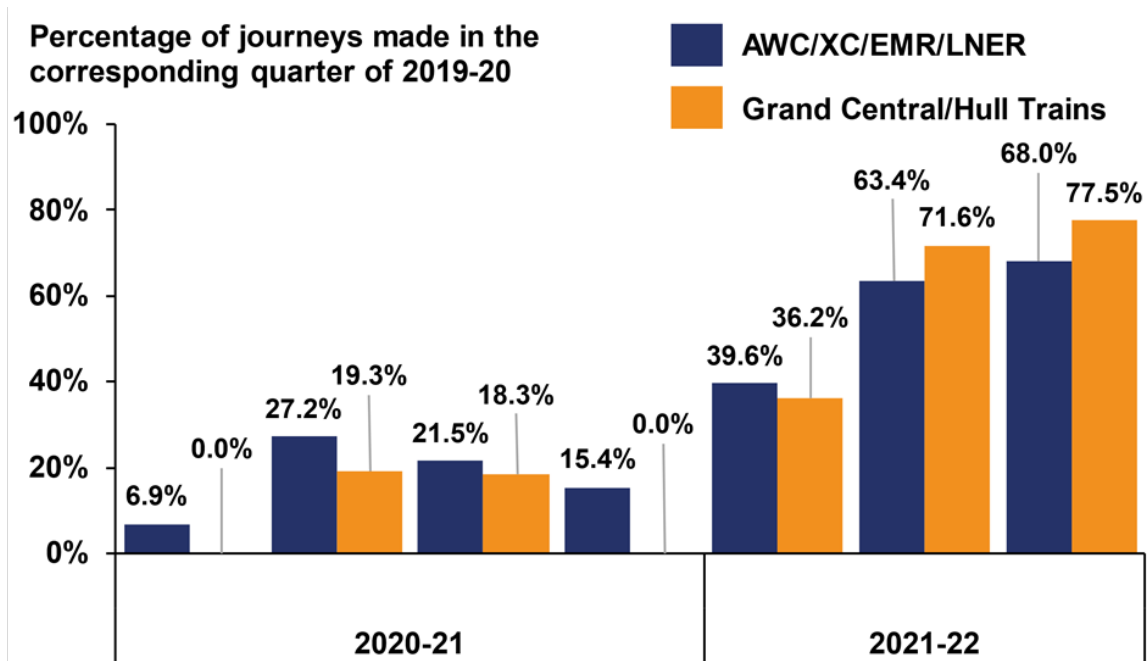
Figure 1.1 Rail passenger journeys by operator, 1 April 2020 to 31 March 2021, and as a percentage of previous year



Source: LENNON ticketing data. Available on ORR's data portal in [Passenger rail usage statistics](#).

1.6 The financial year 1 April 2020 to 31 March 2021 saw a significant fall in rail passenger journeys across all operators which sets the data in this section in context. Open access operators (Grand Central and Hull Trains) experienced particularly pronounced falls in passenger journeys during this period.

Figure 1.2 Rail passenger journeys by operator groupings, 1 April 2019 to 31 December 2022, quarterly data



Source: LENNON ticketing data. Available on ORR’s data portal in [Passenger rail usage statistics](#).

Complaints

1.7 ORR collects data on passenger complaints directly from train operating companies (TOCs) in each rail period. We report on the top five complaint categories for each East Coast Main Line (ECML) operator below in Table 1.1 below. We note a significant rise across the board in the proportion of complaints about ticketing and refunds policies as customers facing pandemic-induced disruption to their travel plans sought refunds.

Table 1.1 Top five complaint categories for operators on the East Coast Main Line, 1 April 2020 to 31 March 2021

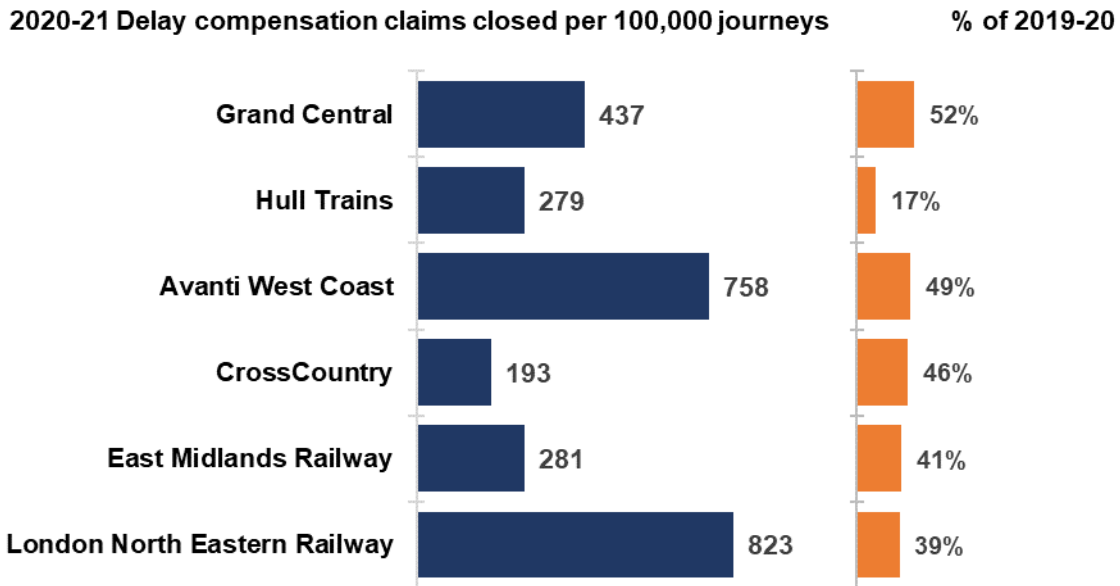
	Grand Central	Hull Trains	LNER
1	Punctuality/reliability (i.e. the train arriving/departing on time) (14%)	Ticketing and refunds policy (18%)	Facilities on board (24%)
2	Ticketing and refunds policy (13%)	Facilities on board (14%)	Ticketing and refunds policy (17%)
3	Ticket buying facilities - other (12%)	Complaints handling response time (11%)	The helpfulness and attitude of staff on the train (9%)
4	Sufficient room for all passengers to sit / stand (8%)	Other miscellaneous (11%)	Personal security on board (7%)
5	Facilities on board (7%)	Compensation claims process (8%)	Ticket buying facilities - other (7%)

Source: Train operating companies' complaints data supplied to ORR. Available on ORR's data portal [in Passenger rail service complaints statistics](#)

Delay compensation

- 1.8 ORR collects data in each rail period on the volume on compensation claims. These relate to journeys which are delayed or cancelled (and are eligible for delay compensation) that are received and closed (within given time limits) for each passenger train operator. The number of delay compensation claims closed, per 100,000 passenger journeys is presented in figure 1.3 below.
- 1.9 We highlight that comparison of delay compensation claim volumes between operators should be taken with caution due to the application of varying compensation eligibility thresholds. LNER, Lumo and Hull Trains provide delay repay when delays of 30 minutes or more in duration are incurred, whilst Grand Central provides compensation for delays greater than 60 minutes in duration.
- 1.10 We note that Hull Trains performed particularly well relative to other operators, and peers Grand Central and LNER on the East Coast Main Line, who all experienced a very significant reduction in the claim rate for delay compensation. This indicates a relatively stronger reduction in eligible delays incurred.

Figure 1.3 Delay compensation claims closed per 100,000 journeys by operator, 1 April 2020 to 31 March 2021, and as a percentage of previous year

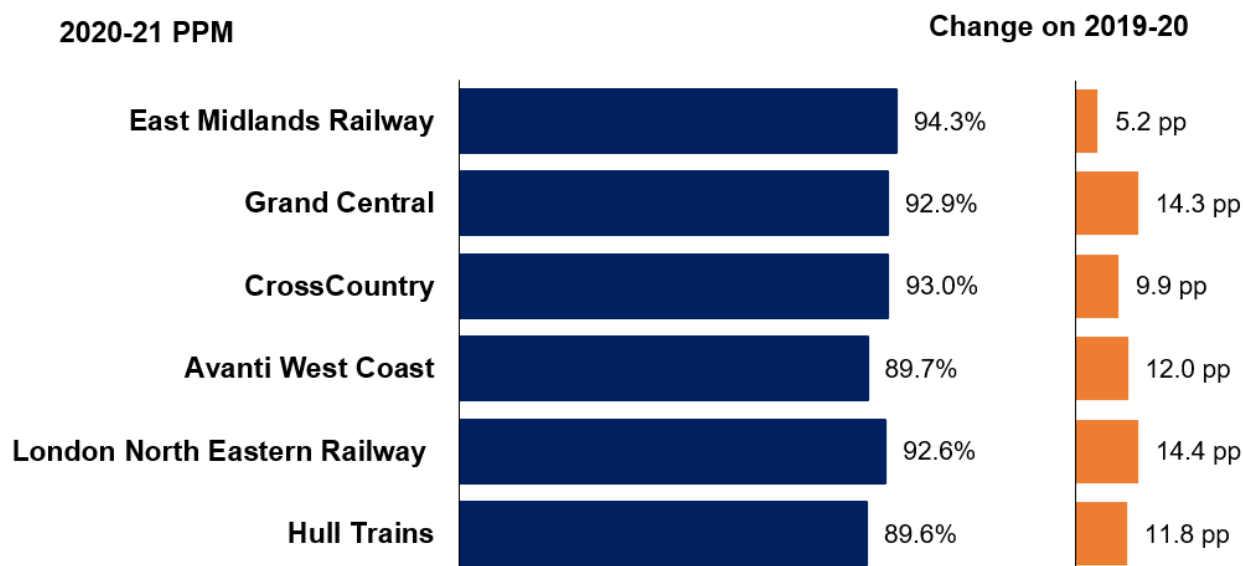


Source: TOC delay compensation data supplied to ORR. Available on ORR's data portal in [Delay compensation claims statistics](#).

Punctuality and reliability

- 1.11 Network Rail produces data on passenger rail performance. Data is not directly comparable with previous years, as the lower overall number of services on the network has resulted in a general improvement in punctuality and reliability.
- 1.12 We report below on the Public Performance Measure (PPM), which for long distance services, reports the proportion of trains arriving at their final destination early or less than ten minutes after the scheduled time.

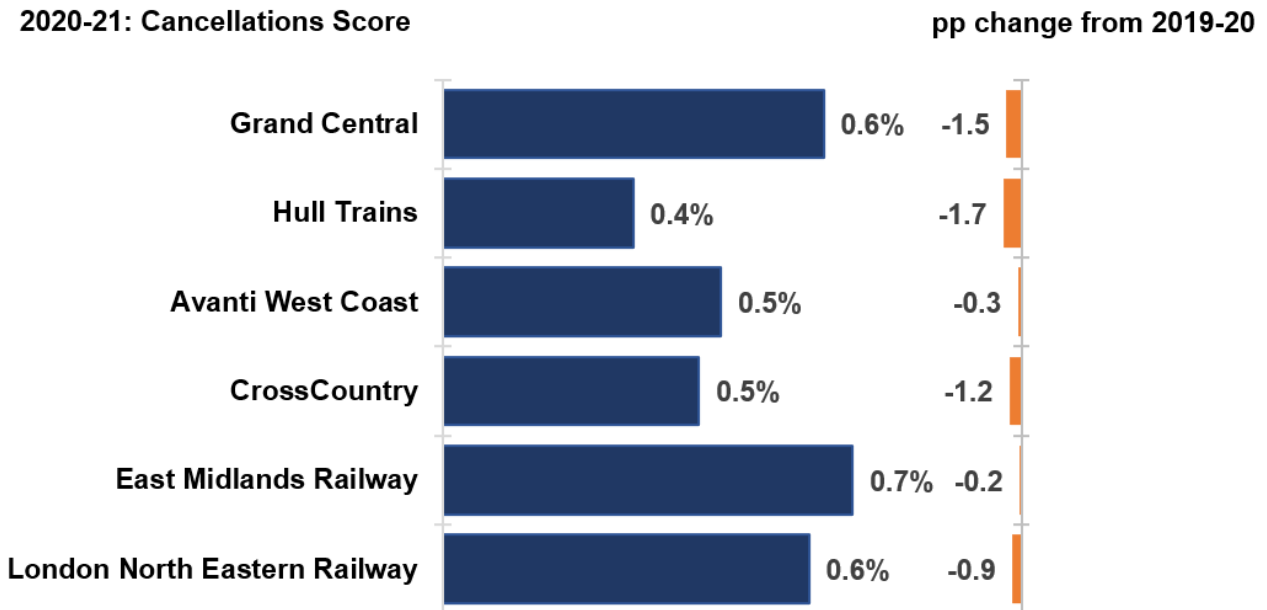
Figure 1.4 PPM by operator, 1 April 2020 to 31 March 2021, and change on previous year



Source: Network Rail performance data supplied to ORR. Available on ORR's data portal in [Passenger rail performance statistics](#).

- 1.13 The data shows a largely consistent trend across the board of high, and in all cases significantly improved performance on the network. No notable difference between the punctuality of contracted and open access operators is observed.
- 1.14 A further measure produced by Network Rail considers train cancellations. This measures the number of trains that are cancelled as a percentage of trains planned. It is a score that weights full cancellations as one and part cancellations as a half. A lower cancellations score indicates better reliability.
- 1.15 We find that, consistent with the general improvement in PPM, there has been an overall reduction in the proportion of services classified as cancellations. The reduction in the number of services on the network has resulted in improved operational resilience. We note that Grand Central and Hull Trains witnessed a greater percentage point reduction in cancellations than their contracted peers, but this needs to be considered in the context of planned reduction in service levels which were inconsistent across different types of operators. Across the rail network there has been a wide disparity between contracted operators in the level of cancellations experienced owing to the pandemic.

Figure 1.5 Cancellations attributable to operator, by operator, 1 April 2020 to 31 March 2021, and change on previous year

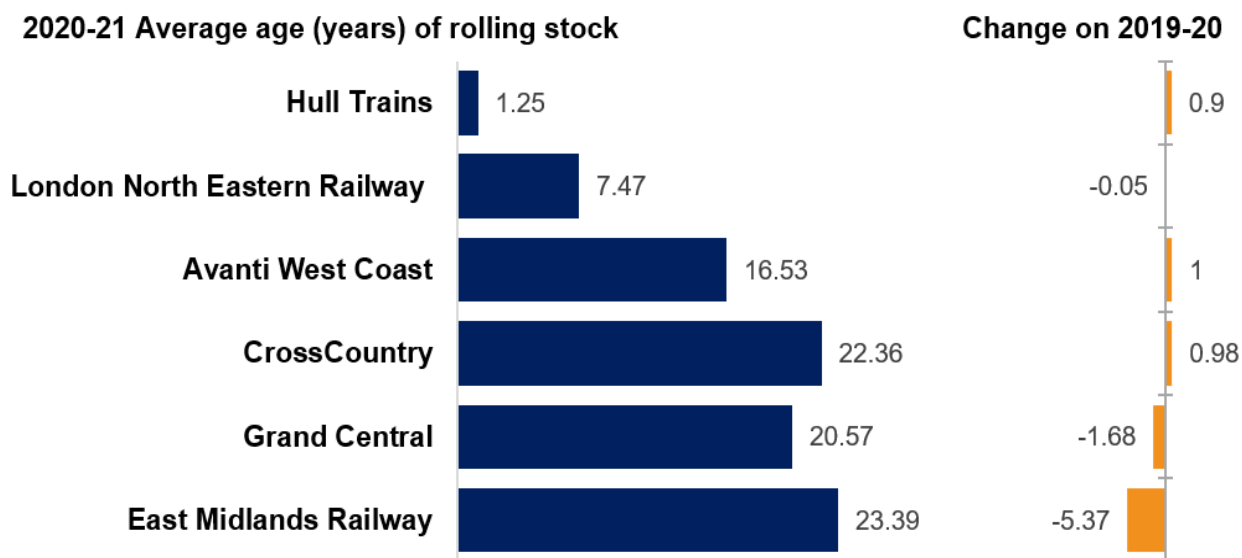


Source: Network Rail performance data supplied to ORR. Available on ORR's data portal in [Passenger rail performance statistics](#).

Rolling stock age

- 1.16 Age of rolling stock is another differentiator of service quality, however it is an imprecise measure. For example, rolling stock age is not a perfect indicator of reliability, as demonstrated by the disruption caused by [the emergence of cracking](#) in some new generation Hitachi Class 800, 801 and 802 trains (referred to collectively as Class 80X).
- 1.17 The data below shows how the continued introduction of new trains is resulting a fall in average fleet age for some operators. Notably the introduction of new Class 80X trains by Hull Trains and the removal of some older trains by LNER has caused the rate of increase of average rolling stock age to slow.
- 1.18 The reduction in the average age of Grand Central's fleet can be accounted for by the removal of older Mark 4 rolling stock yet refurbished rolling stock intended to be used on a new service between London Euston and Blackpool North. This service was not launched owing to pandemic.

Figure 1.6 Average age of rolling stock by operator as of 31 March 2021, and change on previous year



Source: Rail Safety and Standards Board. Available on ORR's data portal in [Rail infrastructure and assets statistics](#).

Conclusion

- 1.19 From the available data metrics, we observe a general improvement in performance across all operators, in a large part owing to the reduction in passenger services on the rail network.
- 1.20 Customer metrics relating to delay compensation claims closed, or data on complaints categories provides little meaningful differentiation between open access and contracted operators. The data indicates that the rate of passenger recovery for open access operators has been initially slower than their contracted counterparts. This may in part be owing to contrasting incentives owing to differences in the level of government support available between different types of operators.
- 1.21 Investment in new rolling stock and associated cascades of fleets has resulted in a reduction in the average age of rolling stock used on the network. Open access operators as well as their contracted counterparts have been able to procure brand new rolling stock through the Intercity Express programme. This point is further underlined by the subsequent entry of Lumo in October 2021, with a fleet of new Hitachi Class 803 trains.

1.22 Overall, the available data provides a mixed picture – and the absence of data from the National Rail Passenger Survey, where historically, open access operators have performed relatively strongly, means there is no clear trend of greater customer satisfaction of open access operators which can be measured. We note that open access operator presence may have led to increased, privately funded investment in rolling stock, benefitting consumers.

2. Key developments in open access

Pre-existing operators – Grand Central & Hull Trains

- 2.1 Significant developments have been observed since the publication of our last monitoring report in March 2021. Both Grand Central and Hull Trains recommenced their services, having both suspended their services three times during the COVID-19 pandemic. A new open access operator, Lumo commenced services on the East Coast Mainline in October 2021.
- 2.2 Despite the significant commercial challenges which their services have faced, operators have continued to invest significantly in their businesses. Hull Trains has completed the entry into service of its brand-new fleet of Class 802 'Paragon' bi-mode fleet of trains, replacing diesel multiple units.
- 2.3 We note the continuing challenge which the pandemic presents to open access operators who have not received the same financial support from the Government available to competing contracted operators. Open access operators have needed to carefully control their capacity to meet commercial realities. Grand Central abandoned its plans for a new service on the West Coast Main Line to Blackpool, owing to the '[economic uncertainty](#) and changed travel plans caused by COVID-19.'

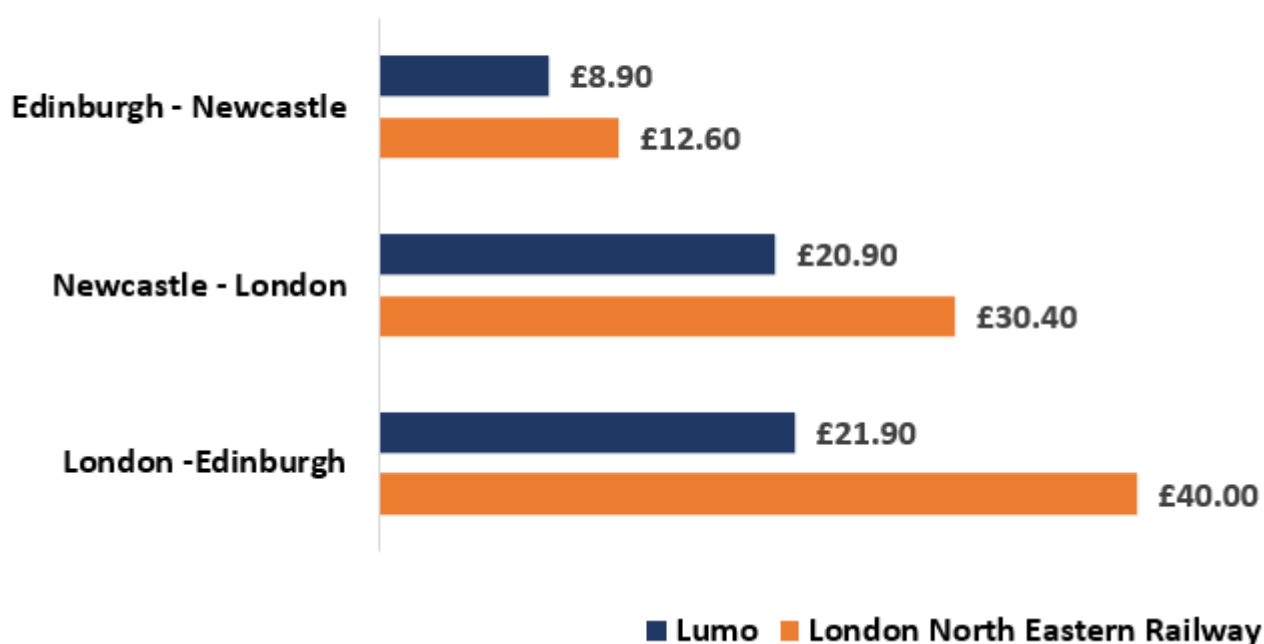
A new operator - Lumo

- 2.4 A significant development in the last period, was the introduction of services from a new open access operator, Lumo, owned by First Group, on the East Coast Mainline on 25 October 2021. Lumo commenced operations with an initial four trains a day between London Kings Cross and Edinburgh with stops in Stevenage, Newcastle and Morpeth.
- 2.5 ORR [granted additional access rights](#) to First Group in May 2016. A fleet of new build Class 803 trains was ordered for the operation. This represented the first time a new long distance open access operator has successfully launched with brand new trains.
- 2.6 Lumo has positioned itself as a low-cost operator offering significantly lower fares than competing operators. We present a summary of the lowest available in standard class single fare across both operators on a Wednesday in March 2022, 28 days ahead of the departure date. This comparison intends to provide only a

snapshot and is not directly comparable with overall fare levels on other operators. These lowest fares are offered at different times of the day and for services with different calling patterns. They represent, therefore, an example of the nature of price competition on key flows. Considering lead in fares, we observe that Lumo continues to compete on price, offering lead in fares of at least a third cheaper than LNER.

Figure 2.1 Lowest one-way fare available by operator, Wednesday in March 2022, captured 28 days ahead of departure

Lumo / LNER Price Comparison



Source: Data collected by ORR from lner.co.uk

- 2.7 Lumo has introduced several service innovations. It is the first long-distance operator to offer only standard class on its services, with its trains being configured in a higher seating density configuration, with seats predominately arranged in an airline-style configuration. Lumo has also introduced a new seat to the GB rail network, which offers a fixed recline and winged headrests.
- 2.8 Lumo says that they aim with this business model to compete with low-cost airlines and other forms of transportation – such as long-distance coach services and aims to attract more customers to the railway.
- 2.9 This higher seating density supports the low-fare business model highlighted above. Onboard food and beverage services are offered in partnership with station

retail outlets, allowing customers to pre-order food, including hot meals for direct delivery by onboard staff to their seat.

- 2.10 Further innovations have been made in operating methods. Lumo is the first train operator to exclusively use Driver Only Operation (DOO) of train doors on long-distance services. Staffing levels onboard are lower than for some other long-distance operators, with a team of two 'Customer Experience Ambassadors' conducting all onboard duties, including catering and ticket checks.
- 2.11 The entry of Lumo in the market is a significant development in the GB rail market. The launch attracted considerable press attention, and early indications suggest an initial positive reception. The new operator has demonstrated a number of innovations to the rail market and has delivered significant privately funded investment for the benefit of rail users. The decision by First Group to proceed with the launch, despite the uncertainty around the pandemic, appears to demonstrate continued confidence in the open access business model.

3. What operators are saying

- 3.1 Throughout December 2021 and January 2022, we held a series of online meetings with existing and aspirant open access operators, as well as an operator under contract to the Government, but subject to significant on-rail competition. In these discussions we asked market participants about their views on developments in the market; and, consistent with our previous report, their views on barriers to entry and expansion for open access operators.
- 3.2 We summarise the key themes arising from our discussions below. The purpose of doing so, consistent with the rest of this report, is to record and publish relevant information relating to the state of open access competition on the GB rail network. The publication of these comments does not constitute ORR endorsement of the points raised.

Rail reform

- 3.3 In May 2021, the Government published the White Paper, setting out its proposals for reform and restructuring of the rail industry in Great Britain. The White Paper stated a commitment, both for the maintenance of existing of open access services, as well as for the exploration for new services where spare capacity continues to exist on the network.
- 3.4 Strong concerns were raised by all open access operators about the need for greater clarity on the detailed implementation of the reform agenda, which may otherwise present a barrier to launching and/or expanding an open access operation. Specifically, we heard concerns from operators, with particular emphasis on:
- The nature of new access and licencing arrangements;
 - Practical considerations around governance of Great British Rail (GBR) and how the interests and rights of open access operators will remain protected given GBR's integrated role as both manager of the infrastructure to which open access operators require access and as grantor of contracts for public service passenger operators; and
 - The position of open access operators in the market post reform.
- 3.5 Operators also highlighted the need for more details about future arrangements to support business planning and securing the support of shareholders. Further, in

such an uncertain environment, it was highlighted how it was more difficult to justify longer term investment decisions to improve service efficiency and quality.

Pandemic recovery

- 3.6 The significant variation in demand throughout the pandemic has posed very considerable challenges to the businesses of all operators, not least open access operators. Both contracted and open access operators report on the very significant impact on revenue performance, with the pandemic requiring open access operators to reduce and, in some cases, suspend services entirely.
- 3.7 All operators confirmed that they were observing a significant change in the profile in demand, with commuting and long-distance business travel remaining below pre-pandemic levels. Whilst they report that leisure demand has recovered more strongly, this segment of the market was recognised to command lower yields, resulting in an inevitable impact on financial performance.
- 3.8 Despite the significant increased uncertainty, aspirant operators had assessed the impact of the pandemic on their business plans, but the general view was that it had not materially undermined the business case for the new services being pursued by them.
- 3.9 Aspirant operators did however note ongoing proposals to review the open access Infrastructure Cost Charge as part of ORR's PR23 charges review, highlighting its potential implications for the viability of new services, especially for those providing intra-regional connectivity and therefore, not serving London.

Access to the network

- 3.10 An open access operator highlighted challenges within existing processes which prevented them from flexing their timetable to reflect at times rapid changes in consumer demand, in part extenuated by demand-side impacts of the pandemic.
- 3.11 On the contrary, positive feedback was received regarding the responsiveness of Network Rail in supporting the development of new proposals, representing, in the eyes of one aspirant operator, significant improvement.
- 3.12 An incumbent operator highlighted the specific challenges and complexities of coordinating the timetable on the East Coast Main Line, where awarded paths to open access operators could be seen to impede the most efficient use of scarce capacity. An Event Steering Group led by Network Rail planned to address this

and optimise capacity in May 2022. However, this process has been subject to delays.

- 3.13 Operators also highlighted that while considerable operational expertise lies within Network Rail's devolved timetable development process, there may be a lack understanding of the commercial implications of changes within the infrastructure manager. Operators reported this as posing significant difficulties in ensuring business critical commercial requirements are fully met.

Access to rolling stock

- 3.14 All operators highlighted the challenges associated with gaining access to suitable rolling stock and the barrier to entry and expansion which this presents.
- 3.15 Recent investment by government in new rolling stock has been recognised to increase the supply of used rolling stock available and opportunities for follow-on orders of new rolling stock. However, the rapid degradation of rolling stock withdrawn from service and the high costs of maintaining stock in warm storage was recognised as posing a significant challenge in utilising second hand rolling stock.
- 3.16 An aspirant operator highlighted the significance of electrification in procuring new rolling stock. Operators recognised the role which open access services can play in support of the UK's decarbonisation goals. The lack of electrification on significant parts of the rail network was identified as a constraint on the types of rolling stock which can be considered for many new services.

Conclusion

- 3.17 Our engagement with operators demonstrated significant challenges for open access operators created by current market conditions. Existing open access operators have been relatively highly exposed to the fluctuations in demand, having had limited financial support from government relative to other operators. Open access operators, unlike their competitors, now face the added challenge of recouping significant pandemic related losses in a much-altered demand environment, with demand recovery being skewed towards lower yielding customers travelling for leisure.
- 3.18 Contracted operators highlighted a different set of challenges, including observing a significant loss of flexibility owing to presence of open access operators whose presence sometimes come into conflict with their own commercial demands.

Challenges remain in ensuring the right timetabling processes are put in place by Network Rail to strike the careful balance between optimising the capacity available whilst addressing conflicting commercial demands of operators.

- 3.19 Where services have been reduced, operators recognise that the pandemic and associated structural changes in demand may create new opportunities for open access operators to utilise spare network capacity (should this become available) to support open access entry and expansion.
- 3.20 Furthermore, our engagement with stakeholders has identified reform as a significant theme in the market for open access rail services. As of the date of publication, the full details of the rail reform proposals, including of any primary legislation have yet to emerge. Operators raised significant questions on how uncertainty around reform poses an additional challenge to business planning. Such uncertainty is a possible barrier to expansion for both existing and perspective operators.
- 3.21 Ahead of the publication of the Williams-Shapps Plan for Rail, our 2021 open access monitoring report did not consider the significance of rail reform for open access operators. This update highlights this as a significant theme which we will continue to monitor closely.

4. Economic appraisal of open access operator entry

- 4.1 The appendix accompanying this report contains a summary of a study, commissioned from the consulting firm Systra, into the economic impact of the open access operators into GB rail markets. The appraisal drew upon industry data sources to assess the historic impact of entry by Hull Trains and Grand Central.
- 4.2 The appendix is intended to provide transparency about the findings of the report, to inform future dialogue with the industry and stakeholders, and is intended to complement the forward-looking impact assessments which we conduct when considering applications from open access operators. It is not intended that this study will have any immediate implications for the existing approach to assessing track access applications. Applications for new or expanded open access services will continue to be considered in line with our established policies and guidance, and in line with our full range of statutory duties, on a case-by-case basis.
- 4.3 Systra's approach was to follow established analytical practice by estimating the benefits accruing from open access entry net of the costs that such entry generates. The key economic variables considered by Systra in their analysis included journey time savings; environmental impacts; impacts on road traffic; and taxation impacts; together with the impact on the economics of contracted services and hence on funders and taxpayers. The analysis was necessarily limited to the degree that it did not consider other, potentially harder to quantify, benefits and costs, including those associated with the co-ordination of services where additional operators are introduced into the rail network.
- 4.4 The Systra report concludes that net benefits have been accrued to the economy from the entry of the open access services in the markets that it considered. In reaching this conclusion, Systra notes that similar services could potentially have been introduced by other means. Systra's work highlights that owing to the differing relative levels of abstraction, the economic benefits are greatest for flows which were previously unserved (or poorly served) by franchise operators. The report notes that the communities served by open access operators include regions that are the focus of the Government's 'levelling-up' agenda, and that the provision of these services could be seen to support wider government objectives.

- 4.5 Differing levels of net benefit are reflected in the contrasting public sector Benefit Cost Ratios (BCR) which Systra calculated for different flows. Previously unserved or underserved flows produced higher BCR results than previously well served flows. It should however be noted that larger, well served flows, often support the economic viability of services to previously underserved destinations.



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