



THE LORD BRADSHAW

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Anna Walker
Chairman
Office of Rail Regulation
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2nd July 2013

Dear Anna

Consultation on options for change in open access

Competition policy should take a view about all transport services, franchised rail, open access rail and competition from all other modes such as air, express coach services and the motor car. As the railway serves both passenger and freight, demand for both of which is growing rapidly and will continue to grow, it is essential to look very widely in our decisions and not to pretend the market is narrow or easy to define. It is a characteristic of railways that the operations of any one operator may impinge on another's activity (unlike air or express coach services).

What the open access operators (OAO) have done successfully is to provide services to towns and cities off the main line network (that is probably a large factor in their popularity). Where these services call at other stations on the main line they are able to offer lower fares which will account for some of their popularity in these places. This is because the access charges which OAOs pay are lower than those levied on franchised operators and they have access to the money in the ORCATs pool. I know you hope to address this issue in the current charges review. You also should take into account the type of traction used, because of the environmental impact and of the seats offered per train path occupied.

The number of open access operators able to bid depends on the availability of suitable rolling stock. The present scarcity will turn to one of plenty, once the new InterCity Express trains arrive on the Great Western and subsequently, as intended by the DfT, on the East Coast Main Line. You have to have ready a serious and robust decision making process by then. The HSTs presently in use, the locomotives and rolling stock on the ECML can be refurbished and the owners, the ROSCOs, want them used.

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Obviously, any train operator, passenger and freight must occupy paths efficiently without detriment to others. If freight is going to grow, which I think is likely, you must ensure space exists for that to happen, if necessary by means of infrastructure improvements or opening diversionary routes. Also, I think most passengers would agree that the maintenance of connections at junction stations is a very important issue, not strangely brought out by Passenger Focus or by asking people whether the train was on time rather than was the whole of the journey satisfactory.

Your comments about the Fourth Railway Package of the European Community paint a very optimistic picture of what is actually happening in Europe. The British rail freight market is open and competitive. Those of France and Germany are not and this accounts, among other things, for the very poor performance of the Channel Tunnel in respect of freight carryings. There are many difficulties in the way of extending international services more widely. I would counsel caution before you implement any expansion of competition in the passenger field which bases your decision on a comparison with what happens in Europe where services operated under Passenger Service Obligations are protected from on rail competition.

I have previously written (19th June 2013) about Network Rail and their management of the timetable. The more punctuality targets are tightened, the more defensive their timetabling process is likely to become. Network Rail must guard against every request to occupy a space in the timetable being granted against other commitments they have made for the future. They do have to balance demands from many passenger and freight companies and their own ability to undertake maintenance of the network. Partnership working will help. I am by no means sure it will work with aggressive new entrants (seeing only their own narrow interests) pushing their way in. We have of course to recognise the threat to the bids which franchise operators will make in light of the likelihood of open access operation and the consequences of this for the taxpayer. It is very difficult to mix competition for the market with competition in the market.

Yours sincerely
Bill

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