



Monitoring the impact of, and response to, open access

Publication Date: February 2020

About this publication

In [March 2019](#) we set out our plans to monitor the impact of, and response to, open access. Open Access Operators (“**OAOs**”) offer commercially-operated passenger services which operate on the network alongside franchised train operating companies (“**TOCs**”). While franchised TOCs are contracted by government to run particular services (following an open and competitive bidding process), OAOs independently decide which services they would like to run. All potential railway operators seeking to run trains on the network, including OAOs and franchised TOCs, must seek ORR’s approval of a track access agreement with Network Rail.

OAOs are an important source of ‘on-rail’ competition. There are two OAOs currently active on the network: Hull Trains and Grand Central (with the latter due to expand its services to other parts of the network from spring 2020). ORR has also granted access to FirstGroup to run services on the East Coast Mainline (“**ECML**”) from 2021.

We have begun gathering and collating data and information from a variety of sources to better understand the impact that open access has on market performance and passenger outcomes, and the challenges that OAOs face in entering and succeeding in the market.

This is the first report on our monitoring work and constitutes our baseline. We will continue to gather and collate data on these metrics over time, and compare outcomes with the baseline to identify any changes and trends. The sample of operators that we present evidence on will evolve as existing OAOs expand their services and new OAOs commence operations on the network.

The outputs of our monitoring will, over time, feed into our consideration of open access applications and the assumptions underlining our decision making tools, as well as acting as an indicator of how well the market is functioning from a competition and regulatory compliance perspective.

We continue to keep our monitoring framework under review, both in terms of the metrics that we monitor, and our approach. We welcome comments and suggestions from interested parties; please email Beth Tasker at beth.tasker@orr.gov.uk.

1. Introduction

- 1.1. The metrics we are monitoring to assess market performance and passenger outcomes include a number of quality metrics (complaints, delay compensation, passenger satisfaction, punctuality and age of rolling stock), and data on fares and revenue.
- 1.2. As we have not been able to control for some factors that could affect these results, information within this publication should be interpreted with caution. Such factors include: differences in journey purpose; the level of infrastructure investment; and, local economic factors. As noted above, the data presented in this report represents a baseline, and we will build on this evidence base over time.

2. Quality

- 2.1. We are interested in what impact ‘on-rail’ competition has on passenger outcomes – or ‘quality of service’. We have monitored outcomes as between:
 - OAOs and franchised TOCs operating on the same route(s); and/or
 - Franchised TOCs on routes that face competition from OAOs and franchised TOCs on routes without open access competition.
- 2.2. The outcomes we monitor as a proxy for quality are: complaints; delay compensation claims; passenger satisfaction scores; and punctuality. We also report on the average age of each operator’s rolling stock. It should be noted that quality is only one part of the picture; sometimes operators may focus on price competition over quality. Conversely, prices could be higher on more competitive routes because operators compete on other aspects of their offering such as quality, innovation and passenger choice. We look at revenue per passenger journey as a proxy for prices in the next section.
- 2.3. We report on these quality metrics for the two operational OAOs: Grand Central and Hull Trains; and London North Eastern Railway (“**LNER**”)¹, which competes on the ECML with Grand Central and Hull Trains.² We also chose to look at outcomes for West Coast Trains Limited (“**Virgin Trains West Coast**”)³ Cross Country and East

¹ LNER, which is owned by the Department for Transport, took over the InterCity East Coast franchise from Virgin Trains East Coast in June 2018

² Grand Central, Hull Trains and LNER compete on the ECML for services between London and Doncaster (all three operators); London and Sunderland (LNER and Grand Central); and London and Hull (LNER and Hull Trains)

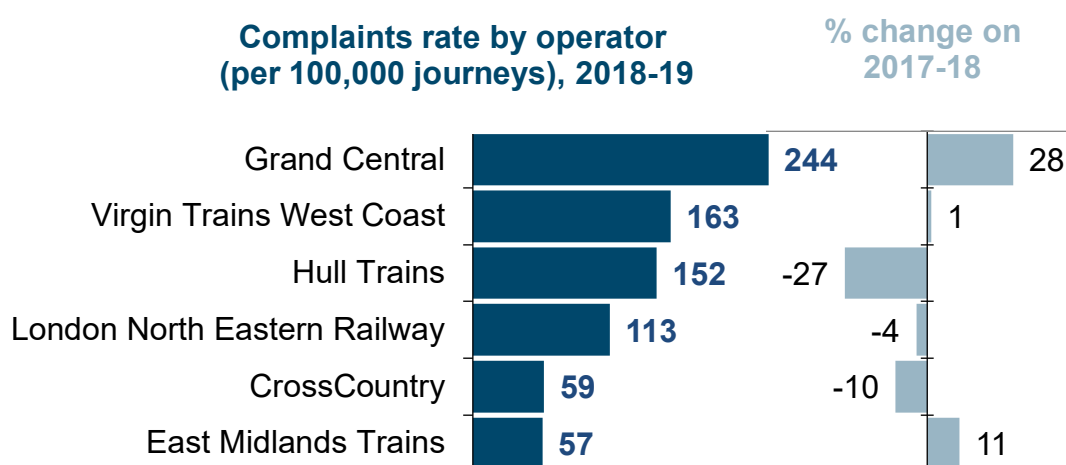
³ Virgin Trains West Coast (owned by Virgin and Stagecoach) operated the InterCity West Coast franchise from March 1997 to December 2019. The principal TOC on the West Coast Mainline is now Avanti West Coast (owned by Trenitalia and FirstGroup), which started running services in December 2019

Midlands Trains.⁴ These are, in effect, our ‘controls’ since none of these TOCs face competition from OAOs. Virgin Trains West Coast and Cross Country have both been chosen as comparators because both operate (or operated) long distance services and may be expected to have similar passenger profiles to those travelling on the ECML. For example, evidence suggests that long distance travel is more likely to be undertaken by those travelling for leisure. We have also chosen to look at East Midlands Trains, which, until recently, ran a mixture of long distance inter-city services between London and cities in the East Midlands (which may be comparable to those services on the ECML), and local short- and medium-distance services.

Complaints

2.4. ORR collects passenger complaint data directly from TOCs each period. We report on the complaints rate by train operator below for 2018-19.

Figure 1: Complaints rate by train operator, 2018-19



Source: Train operating companies’ complaints data supplied to ORR. Available on [ORR’s data portal](#)

2.5. Since complaints are affected by a number of factors, including the length of journey (long-distance operators tend to receive more correspondence about their services) and exogenous events, we cannot draw any conclusions from complaints data in isolation.

2.6. We also report on the top five complaint categories for each ECML operator below in Table 1. These categories suggest that complaints figures are mostly driven by issues directly concerning the trains operated, and the facilities available on them.

⁴ East Midlands Trains (owned by Stagecoach Group) ran the East Midlands franchise from November 2007 to August 2019. East Midlands Railway (owned by Abellio) took over the franchise from August 2019

Table 1: Top 5 complaint categories by percentage on the East Coast Mainline, 2018-19

Grand Central	Hull Trains	LNER
1. Upkeep/repair of train (23%)	1. Punctuality/reliability (36%)	1. Facilities on board (34%)
2. Punctuality/reliability (19%)	2. Upkeep/repair of train (19%)	2. Ticket-buying facilities – other (12%)
3. Sufficient room for passengers to sit/stand (17%)	3. Facilities on board (7%)	3. Sufficient room for passengers to sit/stand (8%)
4. Facilities on board (11%)	4. Sufficient room for all passengers to sit/stand (6%)	4. The helpfulness and attitude of staff on train (8%)
5. Unhappy at type/level of compensation (5%)	5. The helpfulness and attitude of staff on train (4%)	5. Ticketing and refunds policy (6%)

Source: Train Operating Companies' complaints data

Delay compensation

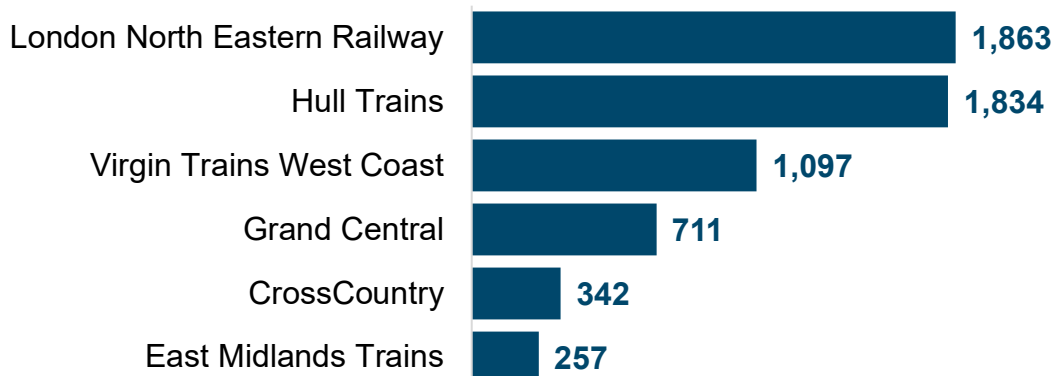
2.7. ORR collects data each period on the volume of compensation claims relating to journeys which are delayed or cancelled (“**delay compensation**”)⁵ that are received and closed (within given time limits) from each TOC and OAO.⁶ The number of delay compensation claims closed, per 100,000 passenger journeys, is presented below.

⁵ There are different delay compensation schemes. The most popular delay compensation scheme (used by most franchised train operators) is ‘Delay Repay’ which offers compensation for journeys delayed by 15 minutes or more (DR 15), or 30 minutes or more (DR30). The level of compensation offered typically depends on the length of the delay. A small number of operators (which includes Hull Trains and Grand Central) run other schemes which are different to Delay Repay. Often these schemes have different timeframes to be eligible, and compensation can vary between each schemes. Compensation may not be available if the delay is caused by an event outside the operator’s control

⁶ The Department for Transport (“**DfT**”) also collects and publishes annual data on the value of compensation claims. Data is only published for franchised TOCs so we don’t present it here https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/841792/rail-passenger-compensation.pdf

Figure 2: Delay compensation claims on the East Coast Mainline, 2018-19

Delay compensation claims closed rate by operator (per 100,000 journeys), 2018-19



Source: Train Operating Companies' data supplied to ORR

Note: Delay compensation claims made by passengers on rail services in Great Britain in 2018-19. Our methodology notes can be found [here](#)

2.8. We note that comparison of delay compensation claim volumes between train operators should always be treated with caution due to the application of different thresholds to claim compensation, and differences in operator punctuality and service types – which carry a different mix of passengers, some of which will be more or less time-sensitive.⁷

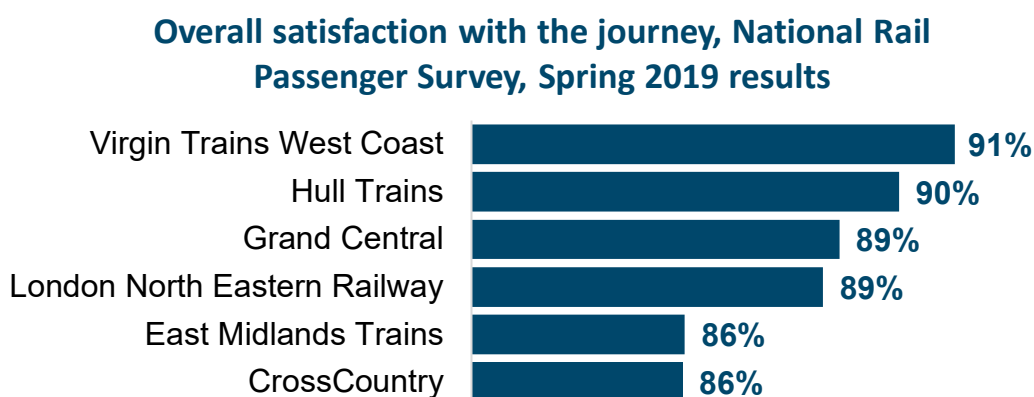
Passenger satisfaction

2.9. Transport Focus collects information from passengers twice a year to produce its National Rail Passenger Survey.⁸ This provides a network-wide picture of passengers' satisfaction with rail travel. Overall passenger satisfaction with their journey is reported in Figure 3 below.

⁷ Findings from Department for Transport research (March 2018) on '[Rail Delays and Compensation](#)' found that the claim rate is strongly correlated to the price paid for the ticket, and to the length of the delay

⁸ <https://www.transportfocus.org.uk/research-publications/research/national-passenger-survey-introduction/>. See 'methodology' (section 7.1) for details on how this information is collected and sampled

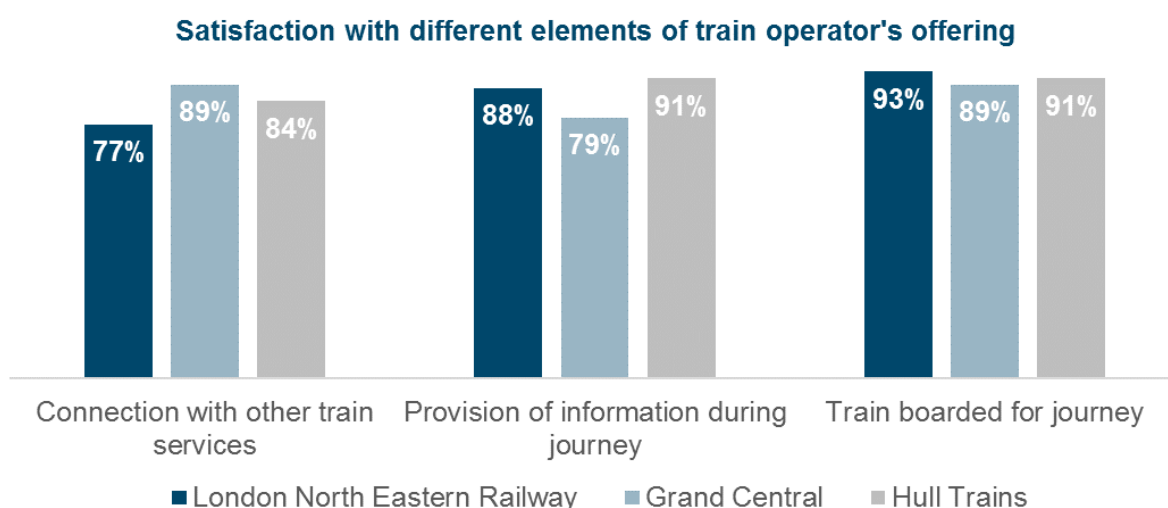
Figure 3: Overall passenger satisfaction with journey, spring 2019



Source: National Rail Passenger Survey, Transport Focus

2.10. ORR has also analysed some key satisfaction metrics on a route-level basis. This is likely to provide a more accurate picture of the drivers of the overall journey satisfaction scores, removing opinions about stations, for example, which are not operator-specific. To do this, we have aggregated the results of the four most recent survey tranches available at the time of writing: autumn 2017, spring 2018, autumn 2018, and spring 2019. Despite this, some sample sizes (which are stated below each chart) are small. Where this is the case, the results should be treated with caution.⁹

Figure 4: Passenger satisfaction on Doncaster to London flow, autumn 2017 to spring 2019

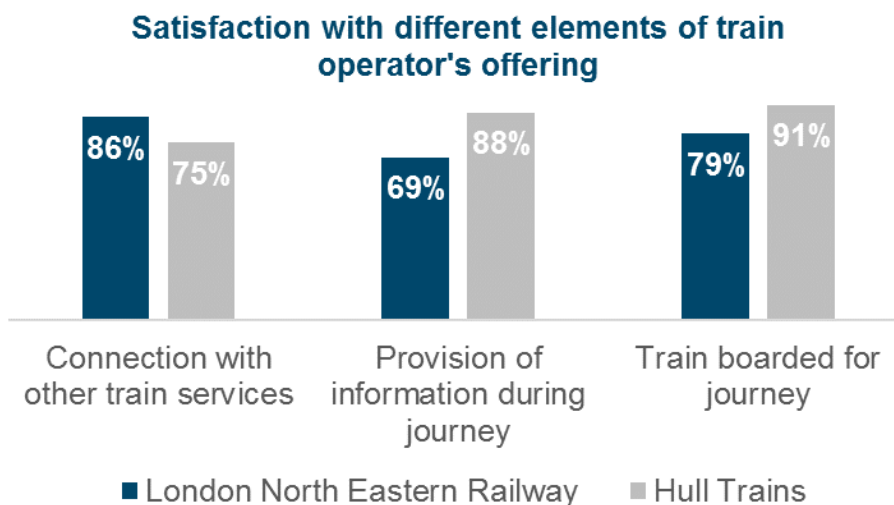


Source: Transport Focus National Rail Passenger Survey

Notes: Combined results for autumn 2017, spring 2018, autumn 2018 and spring 2019 surveys. Sample sizes for each satisfaction measure respectively; LNER: 1489, 2033, 2089; Grand Central: 255, 444, 477; Hull Trains: 493, 773, 827

⁹ We have excluded East Midlands Trains from this analysis because sample sizes for the metrics we selected to look at were too low to be considered

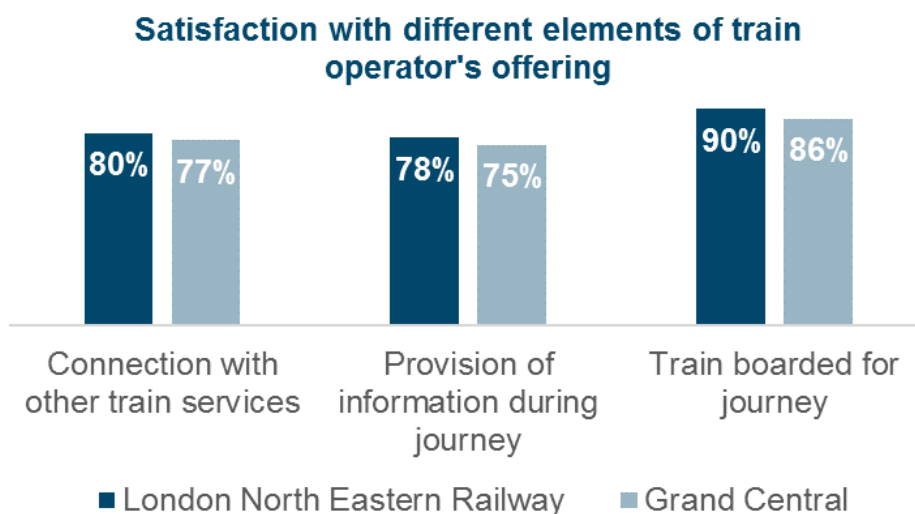
Figure 5: Passenger satisfaction on Grantham to London flow, autumn 2017 to spring 2019



Source: Transport Focus National Rail Passenger Survey

Notes: Combined results for autumn 2017, spring 2018, autumn 2018 and spring 2019 surveys. Sample sizes for each satisfaction measure respectively; LNER: 67, 117, 120; Hull Trains: 126, 236, 255

Figure 6: Passenger satisfaction on York to London flow, autumn 2017 to spring 2019



Source: Transport Focus National Rail Passenger Survey

Notes: Combined results for autumn 2017, spring 2018, autumn 2018 and spring 2019 surveys. Sample sizes for each satisfaction measure respectively; LNER: 140, 280, 297; Grand Central: 182, 411, 457

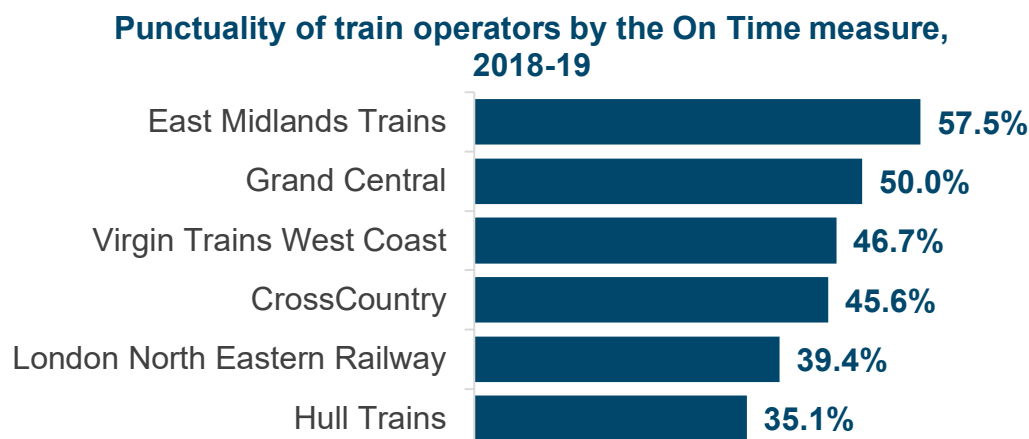
Punctuality

2.11. Network Rail collects data on passenger rail performance. This data is presented in figures 7 and 8 below.

2.12. The rail industry has developed a new set of punctuality and reliability performance measures for Control Period 6 (April 2019 to March 2024) to improve rail performance and increase customer satisfaction. The train punctuality at recorded station stops (“On

Time) score measures the punctuality of trains at each recorded station stop and is presented as the percentage of recorded station stops arrived at early or less than one minute after the scheduled time. This differs from the previously used Public Performance Measure (“**PPM**”) which measured the punctuality of trains at their final destination only. A higher On Time score indicates better punctuality.

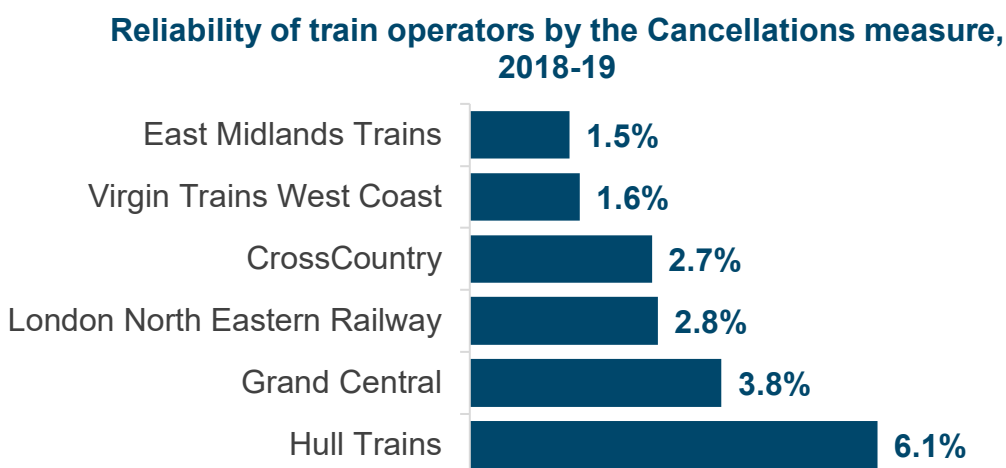
Figure 7: Performance by train operator, 2018-19



Source: Network Rail data supplied to ORR

2.13. The train Cancellations measure is a weighted score which counts full cancellations as one and part cancellations as half, and is presented as a percentage of all planned trains. A lower Cancellations score indicates better punctuality.

Figure 8: Reliability of train operators on the East Coast Mainline, 2018-19



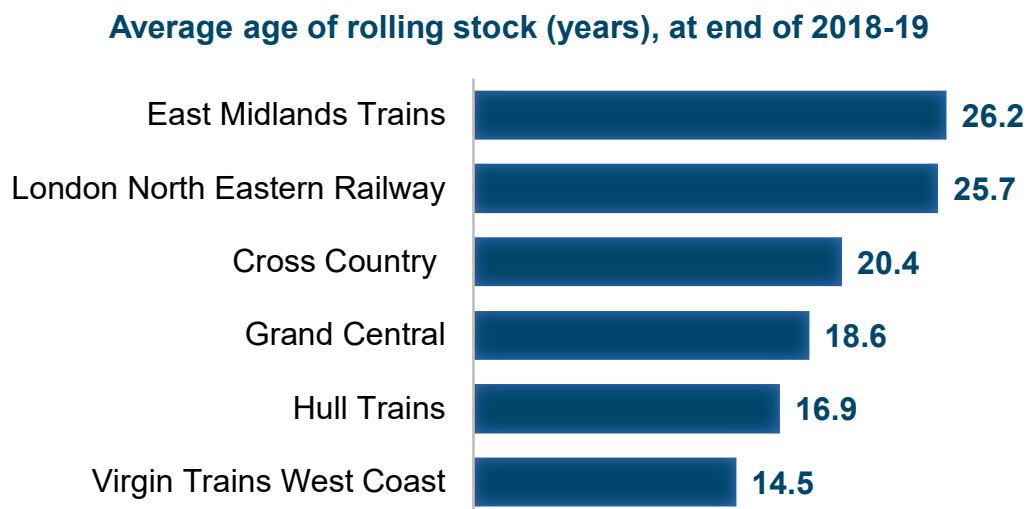
Source: Network Rail data supplied to ORR

Age of rolling stock

2.14. Age of rolling stock can be considered another differentiator of service quality. However, while new rolling stock may be more efficient and technologically advanced,

existing trains can be refurbished during their lifetime to improve comfort for passengers, so its effect on satisfaction is not necessarily clear.

Figure 9: Average age of operators' rolling stock (years), 2018-19



Source: Rail Safety & Standards Board and Department for Transport. Available on ORR's [data portal](#)

3. Fares and Revenue

- 3.1. We have started to collect raw price data for selected services on some of the routes mentioned above. We intend to report on this in our next open access monitoring publication.
- 3.2. We have also collated evidence on revenue per passenger journey and ticket types since 2003-04 for a number of flows on which franchised operators face competition from OAOs, and some comparator flows, on which a franchised operator operates in the absence of competition from open access. The flows we considered are set out in Table 2. The comparator flows were chosen on the basis that they were of similar length to their corresponding flow with open access competition, and are likely to carry passengers with a similar profile and journey purpose. We have looked at historic data on fares and revenue in order to assess the impact of entry and expansion of OAOs over time.

Table 2: Flows selected for revenue and ticket type analysis

Flow with OA competition	Operators present	Comparator Flow	Operators present
Doncaster to London	LNER, Hull Trains, Grand Central	Chesterfield to London	East Midlands Trains
Grantham to London	LNER, Hull Trains	Leicester to London	East Midlands Trains
Bradford to London	LNER, Grand Central	Leeds to London	LNER

- 3.3. When we looked at data on revenue per passenger journey we found that, on all three selected flows with open access competition, average yearly revenue per journey was between 13 and 40% lower than on their corresponding flows without open access competition (that is, the ‘comparator’ flows).
- 3.4. For two of the flows with on-rail competition from OAOs we can see the effect of entry by Grand Central within the time period we analysed. We found that the incumbent operators’ revenue per passenger journey grew at a much slower rate in each year following the commencement of open access services, compared to the preceding years.
- 3.5. However, revenue growth across all operations on the ECML (for the three operators combined) over the last 5 years is in line with observed revenue growth of the operators running our control routes (East Midlands Railway, Cross Country, and Virgin Trains West Coast). Revenue growth has been marginally higher on the ECML when compared to East Midlands Trains and Cross Country, and marginally lower than Virgin Trains West Coast.
- 3.6. Further, the data indicates that the proportion of inter-available tickets¹⁰ issued fell significantly following the introduction of open access services on each of the flows for which we could observe entry by an OAO. The proportion of inter-available tickets is also lower on average since 2003-04 for all three of the flows with open access competition when compared to their corresponding comparator flow. Since dedicated fares tend to be lower than inter-available fares, an increase in the proportion of dedicated fares issued may act to constrain the fare set by the lead operator (in the case of inter-available fares).

¹⁰ Inter-available fares are set by the lead operator for a journey. Other operators are required to honour these inter-available fares, but they can also choose to set ‘dedicated’ fares for travel only on their own trains, generally at a lower price than the inter-available fare. The lead operator can also set dedicated fares in certain circumstances

4. What operators are saying

- 4.1. On 10 September 2019, ORR hosted a roundtable event with representatives from all active and aspirant OAOs in Great Britain.¹¹ This marked our inaugural roundtable discussion aimed at providing OAOs the opportunity to raise important issues with ORR on topics such as the application process, access to rolling stock and service facilities, and timetabling.
- 4.2. As set out in our March update document, we intend to hold roundtables at roughly six-month intervals. We will be guided by OAOs as to whether this is the appropriate frequency with which to hold meetings, and this will be kept under review.
- 4.3. We also noted previously that where particular issues are raised, we may engage with relevant stakeholders, including Network Rail and the Department for Transport, to obtain further evidence and/or to discuss possible actions that may be taken.
- 4.4. We summarise below the concerns raised by OAOs at our September roundtable, which cut across a number of themes. These views were collected as part of our monitoring activities and we do not comment on the issues raised in this document. Where we deem that further work is required to address a particular concern(s), we will consider appropriate next steps. We welcome further information and evidence from affected stakeholders on any of the issues covered.

Application process

- 4.5. OAOs raised a number of practical issues in relation to the track access application process. A lack of transparency surrounding Network Rail and ORR processes was highlighted by a number of OAOs, who felt that this constrained their ability to plan effectively. One OAO noted that Network Rail provides conflicting advice with regards access applications, and does not always follow its published guidance. OAOs consider this has been exacerbated by Network Rail's new route structure, which they noted has created disconnect between Network Rail's central operations and regional routes operations, particularly in relation to timetabling responsibilities.
- 4.6. In relation to ORR processes, OAOs told us that when multiple, overlapping, applications are under consideration, ORR has the power to prioritise applications, but the process for doing this is not necessarily clear. OAOs also noted that where competing applications are being assessed, the applicants involved should be provided more information about each proposal so that these could be taken into consideration through the process. OAOs also noted that the disclosure of plans and timetables should be the same for all applicants irrespective of whether they are an OAO or a franchised TOC. This, OAOs told us, has not always happened in practice. Some

¹¹ With the exception of Virgin Trains Ltd who were unable to attend

OAOs also considered that engagement between ORR and Network Rail often takes a long time, giving franchised TOCs longer to react to open access applications.

- 4.7. OAOs also noted that there is a discrepancy in the type of analysis that is required when OAOs and franchised TOCs apply for access, creating an unlevel playing field. OAOs highlighted performance analysis and power supply assessments as example of analysis that are required of them, but not of TOCs. On a practical level, OAOs noted that TOCs can, and do, expand their services without applying for access rights in the appropriate way, leaving DfT and ORR very little time to consider changes to the timetable.

Rolling stock

- 4.8. OAOs raised a number of concerns in relation to rolling stock procurement. Firstly, OAOs told us that Network Rail's process for getting rolling stock route-cleared is arduous. Secondly, we were told that Network Rail does not keep an up-to-date log of its asset base, meaning there is a lot of uncertainty and duplication of processes.
- 4.9. Any delays can affect an OAO's ability to secure rolling stock at all. We were told that uncertainty over whether access will be granted – which can be a result of the way in which ORR's processes are applied, as well as Network Rail's – can lead to ROSCOs scrapping rolling stock before an agreement is reached due to the high costs incurred in storing off-lease trains. OAOs also told us that delays can allow franchised operators to step in and procure rolling stock that OAOs planned to use, before it is secured by them. This is exacerbated by the fact that, according to OAOs, franchised operators have better knowledge of timetable and future plans across different operators.
- 4.10. Another issue that OAOs told ORR they face is the requirement to provide large deposits to ROSCOs. OAOs noted that these are only demanded from OAOs and not from franchised TOCs, which acts as a significant barrier to entry.
- 4.11. Nevertheless, a few OAOs did note that some ROSCOs are now more willing than they have been in the past to lease existing rolling stock since supply has increased (partly as a result of a large number of new trains being introduced to the network). However, OAOs noted that this causes other issues: since the supply of space at depots has not kept pace with the increase in GB's rolling stock fleet, ROSCOs do not have the ability to store and maintain trains before they are re-leased. We were told that trains deteriorate quickly when not stored under optimal conditions, shortening the life span of rolling stock that could be used by OAOs and leading to a greater number of rolling stock being scrapped mid-life.

Other

- 4.12. OAOs raised concerns in relation to the franchising system which they perceive is designed by DfT to fill all possible gaps in the timetable. OAOs told ORR that franchised TOCs run high frequency train services to squeeze out any potential competition. OAOs also noted that industry has lost its focus on medium- to long-term planning, which means that OAOs do not necessarily know what they are bidding into since franchised operators might decide to apply for the same access rights at short notice. It was also suggested that OAOs that are affiliated with a franchise owning group have greater knowledge of the timetable and future plans, giving them an advantage in being able to plan more easily.
- 4.13. OAOs also raised a number of issues around Network Rail's conduct and incentive structure. Firstly, OAOs noted that they are often not invited to meetings where important issues are discussed, such as enhancements. This has led to decisions being made that negatively affect OAOs, for example, in relation to third-party investment. Secondly, OAOs raised concerns in relation to Network Rail's incentive structure which rewards performance. As such, OAOs believe that Network Rail staff are incentivised to reduce or maintain traffic levels in order to minimise performance issues, which squeezes out potential capacity for OAOs.



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