

COMMENT: MAKING SPACE FOR OPEN ACCESS

The success of Hull Trains shows that open-access operators can play a crucial role in developing competition in a more liberalised railway, argues Mike Jones

Market liberalisation is a theme running throughout Europe as a vehicle to re-invigorate slow growing economies and stale industry sectors. Market liberalisation brings competition and, with it, product innovation and different marketing ideas. It attracts new customers by providing better products at competitive prices with a wider market reach.

In the world of railways, liberalisation has been hard-going. The bunker mentality of many railway administrations in Europe, and active resistance to the modernising packages developed by the European Commission, has meant that few have been able to approach the growth in passenger and freight traffic that has taken place in the UK.

Although it is a decade since the completion of rail privatisation, the argument still rages about the structure adopted. Integrationists still attract a decent hearing, particularly from those whose memory of the state-owned organisation is based on a rosy nostalgia for centrally-controlled activity where there was only one solution to a given problem.

Harsh, maybe – but it cannot be ignored that, prior to UK privatisation, both passenger and freight traffic was in steady decline as the product on offer appealed to an ever-narrower share of the available market. For freight, it was the high capacity, point-to-point trainload available throughout the year – or nothing else. Similarly, for express passenger trains, it was a route that justified a 500-seater train that was served, with the added spice that there should be no

change in traction. Integrated transport needs were met by larger and larger car parks.

The way the former BR freight divisions were privatised, as a 'trade sale' with assets, meant that these interests immediately became liberalised, open-access operators. They were free to compete in the market and, although dominated by EWS, which at the time had a rail market share of more than 90 per cent, there was no restriction on new operators entering the market.

This happened quite quickly with Direct Rail Services conveying nuclear flask traffic, which had been the subject of shamelessly high pricing based on there being no alternative transport method; and National Power, which was able to run bulk coal trains for a fraction of the cost that had been paid previously for BR merry-go-round operations.

More significantly, Freightliner later used its expertise to enter the bulk, heavy-haul market. Another new entrant, GB Railfreight, offered more assured service for infrastructure service trains, which for many a day had been treated as third-class traffic to be moved when convenient – with a hugely disruptive result for the management of engineering possessions. Subsequently, both Direct Rail Services and GB Railfreight have expanded their traffic portfolios to include intermodal traffic.

Each of the freight operators has poured money into product improvement, albeit with the backing of the highly successful rolling stock leasing companies which, after a slow start, have become the cornerstone of investment funding for both

passenger and freight rolling stock. The locomotive fleet has been replaced almost completely and new rolling stock, particularly bulk hoppers, have maximised the payload/length ratio.

Freight product innovation has been slower to emerge, probably because of the immediate and large productivity gains created by replacing elderly traction with a rugged North American product. But there remains the need to produce more modern traction with, in particular, improved fuel consumption and great power for high operating speeds on gradients.

One bright spot is the freight multiple unit. This offers the solution of a competitive trainload form of operation in smaller payloads. The first train of this type is to be introduced by a road haulier, JST services, for the movement of forestry products in Scotland – with the support of a freight facilities grant.

The franchising policy adopted for passenger operations was not privatisation at all, as train operators were effectively sub-contractors to the Office of Passenger Rail Franchising, a government agency. One of the basic characteristics of the track authority model adopted at privatisation had been to separate out the cost of infrastructure use so that operators could buy paths they judged could be used for competitive, subsidy-free services.

As the Government owned the franchises, it didn't take long for an attitude to develop that the value of these enterprises should be maximised by turning them into monopolies and preventing open-access operators from running trains – even where there was a clear demand. Sadly, the Independent Rail Regulator allowed his arm to be twisted and introduced moderation of competition, making profitable open-access services impossible to develop.

When the moderation of competition policy was relaxed,

Hull Trains was able to gain regulatory approval to run services between the East Riding and London. Until now, this operation has been the only new open-access service, although similar regulatory principles apply to Heathrow Express, which is not a franchised operation.

Hull Trains has shown the benefits of open-access. It has been profitable, with rising demand requiring the current provision of six weekday services – remember this was a route from which InterCity largely withdrew. It has brought widespread economic benefits to the community it serves,

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enabling local agencies to effectively promote regeneration.

The company has generated local employment as all train crew, on-board hospitality, management and administrative staff are based at Hull. It has transformed the market presence of rail in the East Riding, leading to better staffing at Hull station, rail traffic growth, and improved signalling.

Hull Trains has consistently achieved high standards of operational performance. All services have on-board hospitality staff, with the first-class product offering at-seat complimentary hot meals. Incidentally, this product has been so successful that additional first-class seating is being provided. All trains carry buffet cars that are fully staffed throughout the journey and at weekends.

Sadly, during the time of the SRA the philosophy of maximising



Hull Trains is still the only open access operator 10 years after rail privatisation.

franchise value – and, one suspects, prejudices against free market operations – made life difficult for Hull Trains, which faced opposition to expansion and the removal of rolling stock hired from the Anglia franchise. Undeterred, it procured its own fleet of 100 mph diesel trains, which have now been replaced by 125 mph, class 222 Pioneer units.

The change brought about by the abolition of the SRA has yet to be measured but the stronger push for liberalisation of railways coming from the European Commission,

and the growing realisation that monopoly franchises bring the potential for abuse of market position – particularly with regard to pricing policy – is changing the landscape for future passenger open-access operations.

This trend was emphasised in the recent decision by the Office of Rail Regulation to grant access rights to Grand Central Railway to provide services between Sunderland and London. The north-east of England is another part of the country to have been denied effective train services,

hindering economic development.

The same can be said of the North Wales and Shropshire corridor, where towns such as Wrexham, Shrewsbury, and Telford have no direct service to London. An open-access service is now proposed by Renaissance Trains on this route.

Renaissance was the original promoter of Hull Trains. I would be the first to acknowledge the hard work and dedication, firstly by GB Railways, and now by First Group, that has contributed to its success and provided the right atmosphere for the company to flourish.

Renaissance has now teamed up with Laing Rail to promote WSMR (Wrexham, Shropshire, and Marylebone Railway) and although a pitch for train paths has yet to be confirmed, the promoters have received ecstatic support from a wide range of stakeholders with both a national and local focus.

Once again, the highest levels of service will be sought, with all trains having on-board hospitality staff

and catering. The journey time between Marylebone and Shrewsbury is expected to be just over two and a half hours, with the extension to Wrexham taking a further 45 minutes.

Sub-contracting the operation of passenger services in the form of franchises was evolved more than a decade ago and, with a few notable exceptions, product improvement and innovation has been limited. There are signs in the latest franchise awards that prospects for product improvement are better, but there is always the risk of government action to reduce costs, which can only bring worse service delivery in its wake.

The independence of the open-access operator brings a quite different ethos: it must deliver a high-quality product at competitive prices, and bring a strong focus to the market served.

The author is a director of Renaissance Trains and a former senior director of British Rail.

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