

# TravelWatch NORTHWEST

Portland St Manchester: Tel 07807 768124  
 Email: [admin@travelwatch-northwest.org.uk](mailto:admin@travelwatch-northwest.org.uk)  
 Website: [www.travelwatch-northwest.org.uk](http://www.travelwatch-northwest.org.uk)  
 Correspondence address – 11 Harvelin  
 Park, Todmorden, OL14 6HX

*promoting quality public transport.....*

House of Commons Transport Committee  
 7 Millbank  
 London SW1P 3JA

25<sup>th</sup> January 2013

Dear Sir,

## **THE BROWN REVIEW OF THE RAIL FRANCHISING PROGRAMME**

TravelWatch NorthWest is an independent Community Interest Company representing all public transport users in NW England. We are pleased to give our views as follows to this inquiry.

Our key view is that there is a need for a truly independent review of the whole franchising philosophy. Such a review should take a properly researched and considered view of whether the benefits of private enterprise within the tightly controlled franchising regime outweigh all of the costs of the fragmented rail industry that was set up by the 1993 Railways Act. Is there sufficient scope for private initiative to counter the economies of scale that a more homogeneous organisation would bring? Indeed could such initiatives have been equally achieved under a unified national company whether public or privately or publicly run?

The Committee is aware (HOCTC Rail 2020 report) of an increase in government support for the passenger railway compared with pre privatisation, despite passenger growth of 92% since privatisation. Cited reasons are increases in passenger train operating costs, extra cost associated with servicing Network Rail's debt for new capital projects and additional rolling stock charges.

However it can be postulated that a tangled and expensive web of contractual and legal agreements is necessary to run such a fragmented system. One of the witnesses to the Committee's Rail 2020 Inquiry put the view that the fragmented structure of the industry, as it was privatised, was not effective and the escalation of costs that has occurred in the industry since then has been a direct result of that structure. Accordingly we believe that it would be useful to look at the costs associated per se with the fragmented structure of the railway and its privately operated franchises.

For example the costs of franchising and the fragmented structuring has brought costs that might otherwise have been avoided and monies utilised for passenger benefits. Some examples are given below –

- Profits for each constituent railway organisation/ company
- Delay attribution costs
- Legal/ contractual costs
- Rolling stock leasing costs – do we need ROSCOs?
- Costs of regulation
- Branding & rebranding of rolling stock
- Rebranding of stations, staff uniforms, timetables
- Cost of the franchise bidding procedure
- Franchises create barriers of various kinds between TOCs for the passenger - not least in the attitude of TOCs to other TOCs connecting services, covering for cancelled services, ticketing, etc.

Against this background we give comments identified with headings and selected paragraph numbers from the Brown report.

## **1. Executive Summary**

### ***Key Recommendations***

We comment on these under the following chapter headings.

## **2. The Evolution and Objectives of Franchising**

We agree with the need to mitigate against external risk and overoptimistic revenue forecasting.

Referring to paragraph 2.16 the growth in passenger numbers could well have happened without franchising. It is difficult to draw a direct correlation. From a regional point of view there has been very little investment in rolling stock for Northern's services which is a major supplier of passenger services in the North West. Indeed passenger growth has been in spite of the Northern franchise being let on a "no growth" contract. It is probably fair to say that local rail passengers in the NW have seen little positive change since privatisation, with no new trains and higher than inflation fares increases.

## **3. The Principles of Franchising**

We have general agreement with this section especially giving greater weight to the needs and expectations of passengers. On a specific point (paragraph 3.5) we agree with the implied criticism of the potential for state owned overseas railways to dominate the scene. It seems fallacious that our private railway could be monopolised in this way.

#### **4. Structuring Franchises**

West Coast and Chiltern have been successful long franchises. So perhaps 15 year franchises with review clauses every 5 years would be a solution.

On management contracts (paragraphs 4.40 – 4.43) we are not convinced by the arguments against them. For example we do not accept that a concessioning authority should necessarily have the capability to market services, sell tickets and collect revenue. Concessions could help to eradicate some of the factors giving rise to increased costs (e.g. rebranding, etc). An advantage would also be standard/similar levels of service provision across the same type of operator – e.g. - catering by InterCity operators.

We are disappointed that there seems to be very little consideration in the report of the concession alternative to franchising.

#### **5. Franchise Procurement**

We are in broad agreement with the recommendation to devolve further English franchises (or concessions) to local authorities. This would enable more local input and facilitate a closer response to local needs. However there must be safeguards for smaller Transport Authorities within larger franchise areas, for example if the Metropolitan ITAs become the major players in procuring the Northern franchise/ concession.

We particularly agree also that the awarding of bids should not be purely on price but should take account of passenger needs and deliverability. The use of NPS scores is a pertinent means of achieving this and we agree that sample sizes should be more disaggregated to include measures of performance at service group level at least.

#### **6. Franchise Management**

Clearly there has to be proper franchise management to deal with any unanticipated changes to the contract. Such change mechanisms, where passenger services and facilities are affected, should include proper consultation procedures with independent passenger representative bodies to ensure passenger interests are protected as far as possible. If devolution of franchising to local/regional authorities becomes a reality passenger bodies should be strengthened to deal with passenger issues more effectively at regional level.

#### **7. Delivering Franchising**

Recent events have shown that the organisation for delivering franchises has to be redefined and strengthened. Where it should be located is a debatable point. In many respects there are close ties between franchising and the regulation of the industry. Perhaps this is the time to simplify the whole regulatory process with the industry having one regulator (ORR) to award franchises and regulate the performance of the whole industry across the

board. We are not convinced with the argument that the skill sets required for franchising are very different to those of ORR. Managing franchises and ensuring franchisees carry out their obligations seems very much in line with the licensing enforcement and passenger protection role that ORR has. A lot of blurring of roles and duplication (& thereby cost!) could be avoided if franchising (or concessioning) was under the ORRs organisation.

This would not preclude the need for a strategic body to plan rail's future and this body must be closely related to government for obvious funding reasons. There has to be an element of control over passenger services to give maximum network and passenger benefits and a system of granting concessions rather than franchises may be more appropriate in this context.

Thank you for the opportunity to respond

Yours faithfully

*John A Moorhouse*

John Moorhouse  
Company Secretary