



Department
for Transport

Competition for the Market: Experience of Franchising in Great Britain



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UK Department for Transport

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Today's Presentation

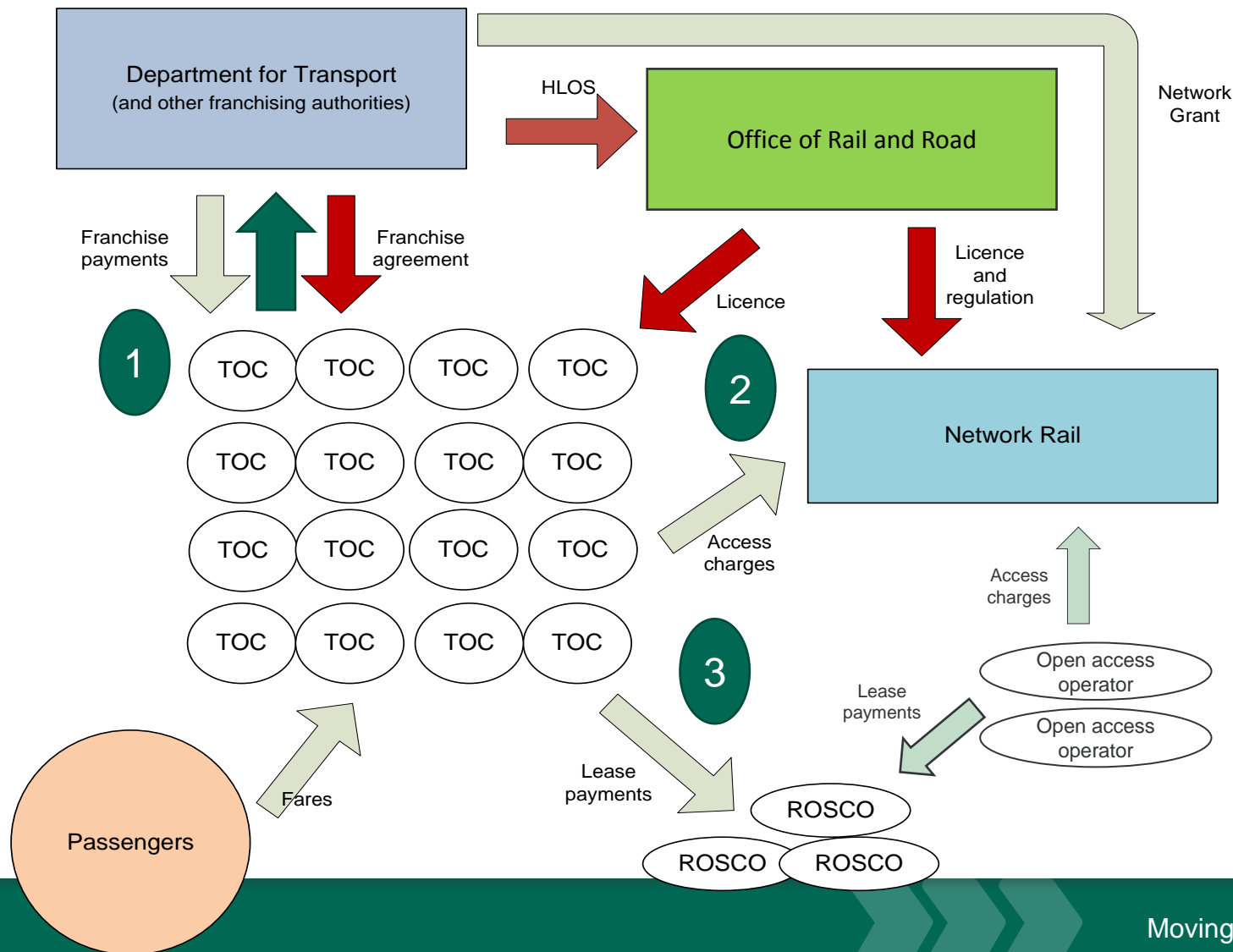
**What has GB
franchising
delivered?**

**What have
we learnt?**

Where next?



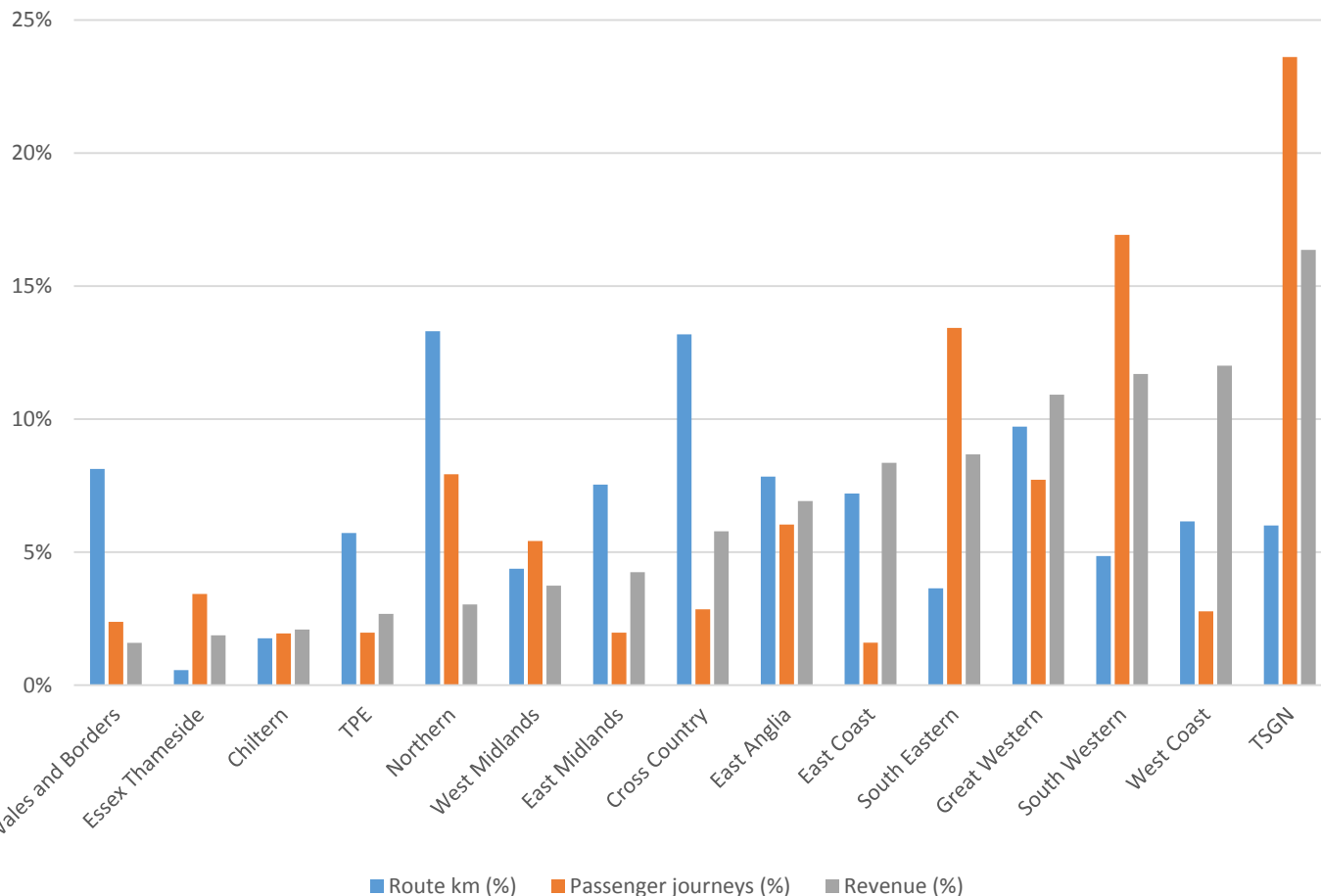
Background: 1) How Does Franchising Fit in the GB Rail System?





Background: 2) How is Franchising organised in GB?

15 franchises of varying size and characteristics



Standard contract term is 7 to 10 years with a 1 year extension

Most franchise operators on revenue risk

Annual revenue ranging from c£.100m to £1bn

Mix of operators serving commuter, regional and interurban markets

Source: ORR



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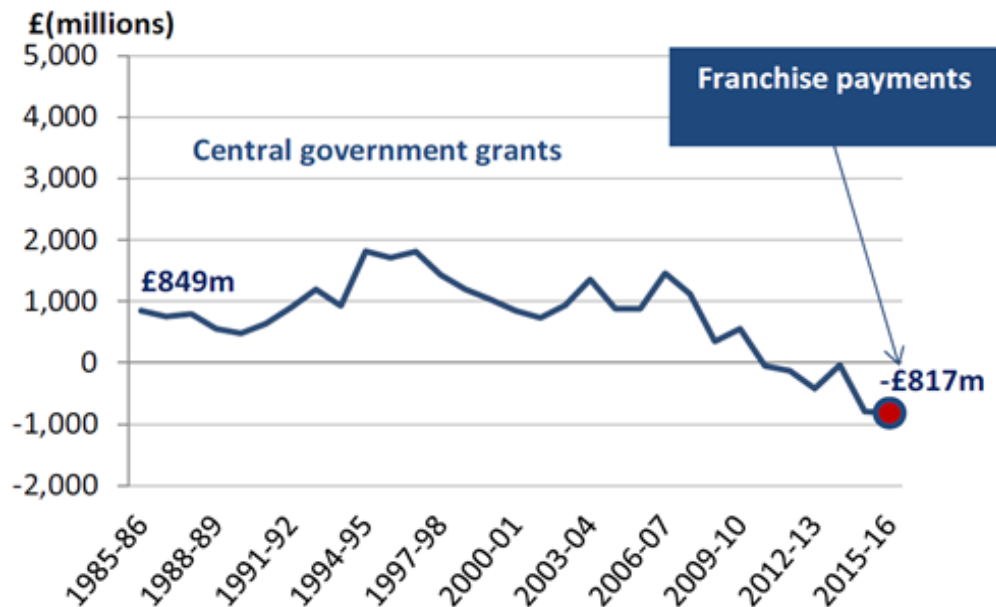
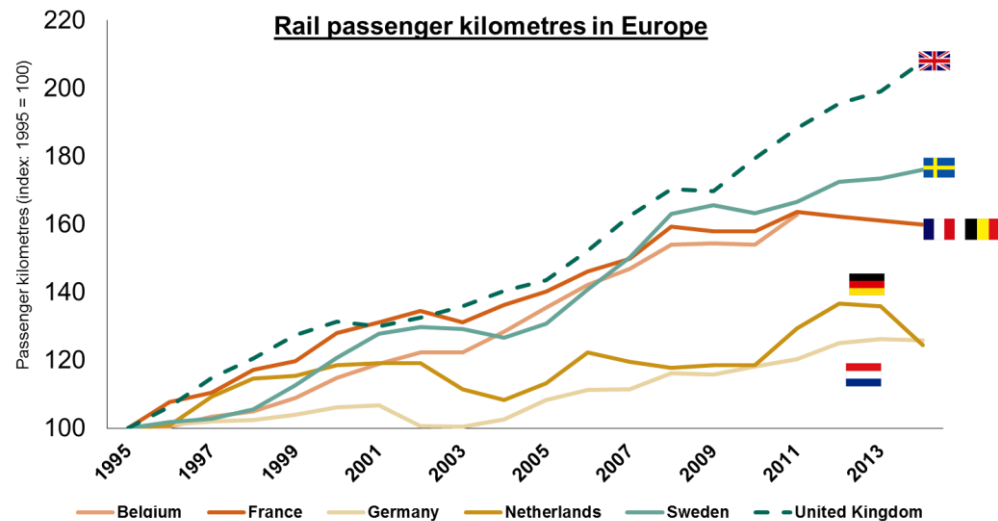
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Franchising has Played a Key Role in the GB Rail Success Story

Since privatisation in 1995 the number of passenger journeys and kilometres travelled have **more than doubled**

The UK has **one of the safest railways** in Europe

Reliability has improved and **customer satisfaction is at high levels.**



Increasing **returns to the taxpayer** enables investment across the network.

Innovation from franchise competitions has led to new journey opportunities and improvements in service quality **whilst protecting socially important services.**

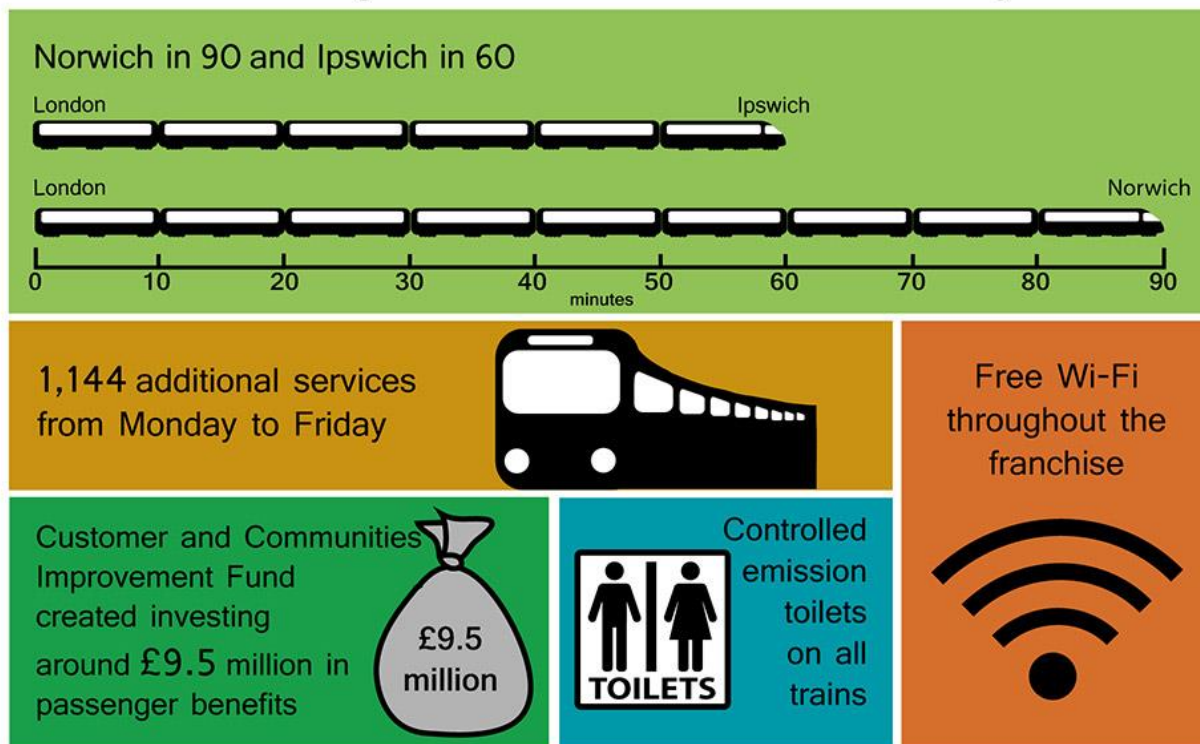


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A Case Study – East Anglia

In August 2016, DfT awarded the East Anglia franchise to Abellio East Anglia. This followed a two year procurement process with a competition of three bidders. The train company will oversee a £1.4 billion investment in 1,040 new carriages and deliver significant passenger benefits.

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East Anglia franchise: what it will mean to you



greateranglia





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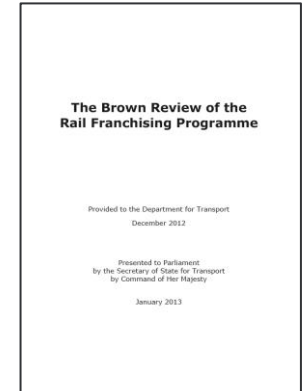
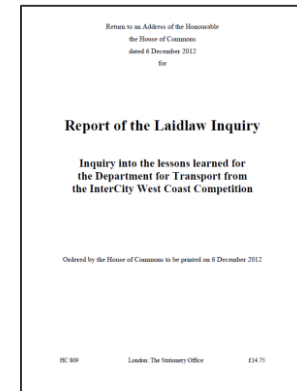
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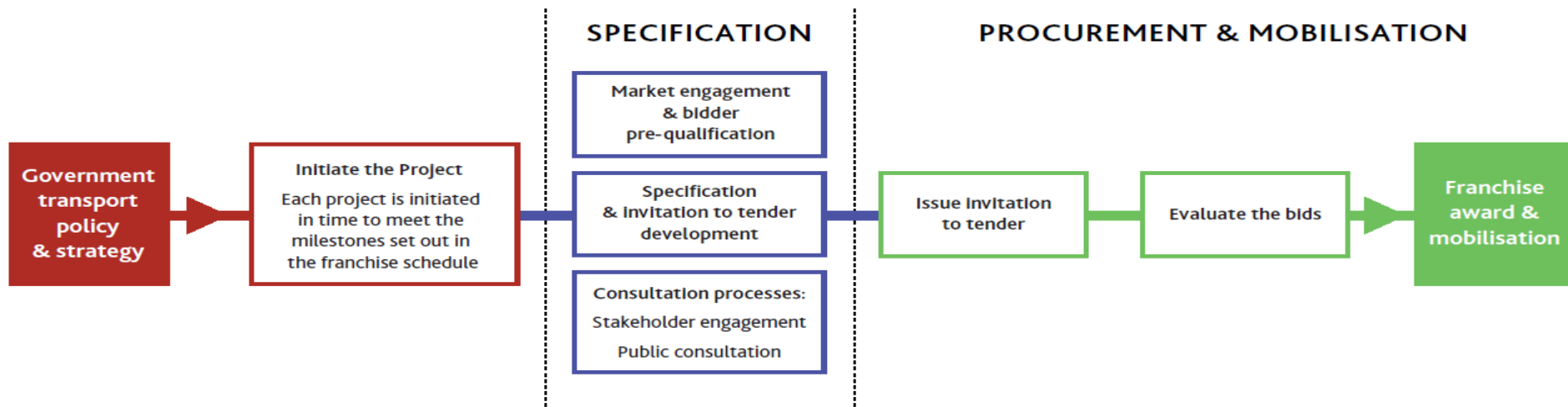
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Lesson 1: Franchising needs to be underpinned by robust procurement

Problem: 2012 West Coast franchise competition collapse



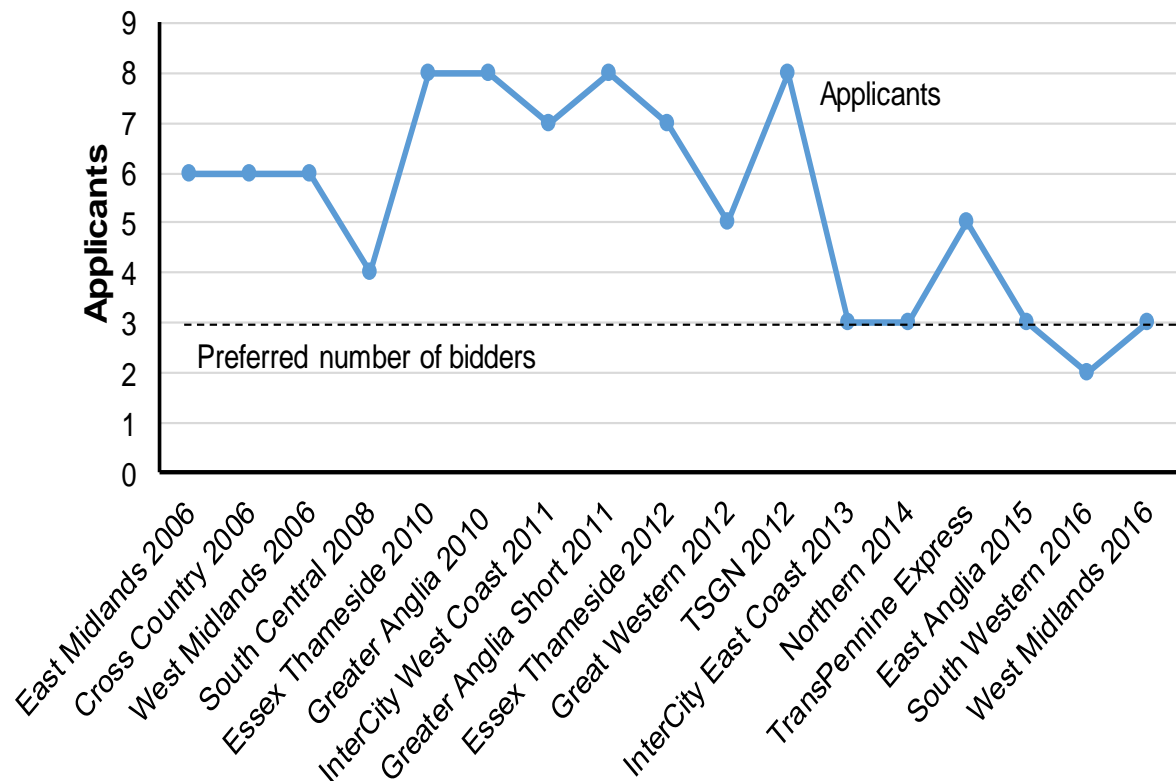
Solution: New rigorous procurement process has delivered six successful competitions





Lesson 2: Ensuring a commercially sustainable franchise market – Part 1

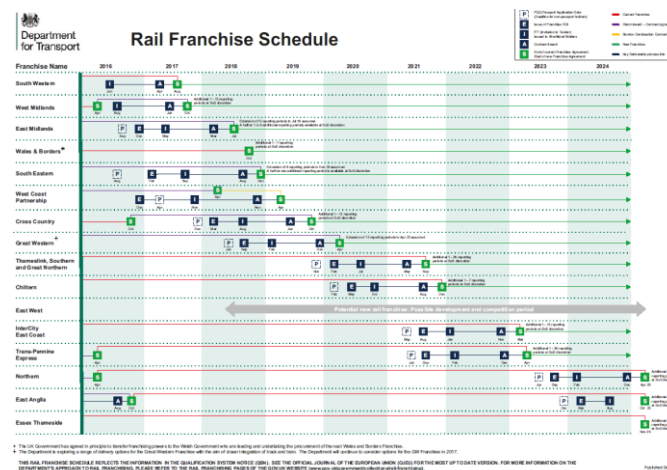
Problem: Potential decline in bidding interest



Source: DfT

Solutions:

- Reducing bid costs
- Active engagement
- Clear franchise schedule





Lesson 2: Ensuring a commercially sustainable franchise market – Part 2

Problem:

Securing commercially sustainable contracts for the franchise term

Risk that competitions lead to overly ambitious contracts.



Solutions:

- Transferring an appropriate amount of risk
- Rigorous evaluation
- Bids backed by significant capital





Lesson 3: Competition has had a positive influence but too much can undermine sustainability

Problem:

Risk that open access can undermine benefits of franchise competitions.

But supportive of new open access services to places underserved by franchises.



Solutions:

- Where necessary, protections for franchisees
- Rigorous assessment of track access applications
- Open Access pays a fair share of access charges



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Where next for Franchising in Great Britain?

DfT is continually looking to refine and improve the franchise model and adapt for new circumstances – e.g. West Coast Partnership.

Joining up track and train

- Closer working between Network Rail and train companies
- Joint operational teams with financial and regulatory incentives
- Paving the way for introduction of new technology such as digital signalling



Delivering Excellent Passenger Service

- Rollout of an option for smart ticketing by the end of 2018
- New service quality and performance regimes
- Rollout of new passenger compensation arrangements





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Questions?



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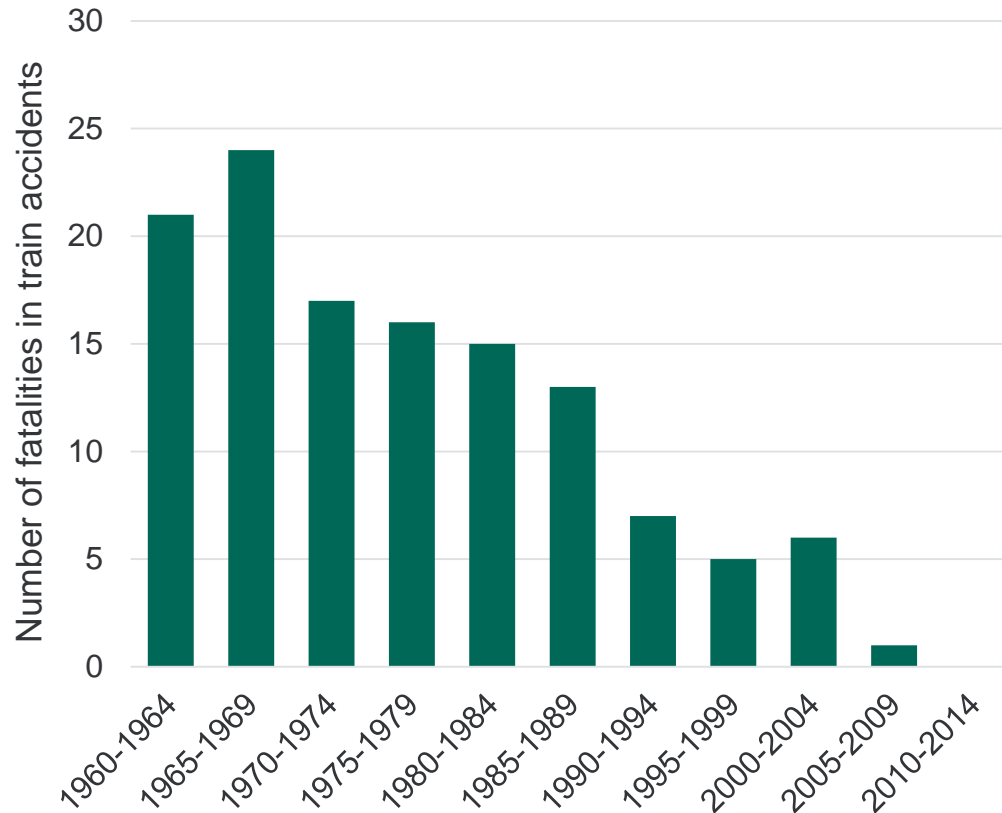
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EXTRA SLIDES

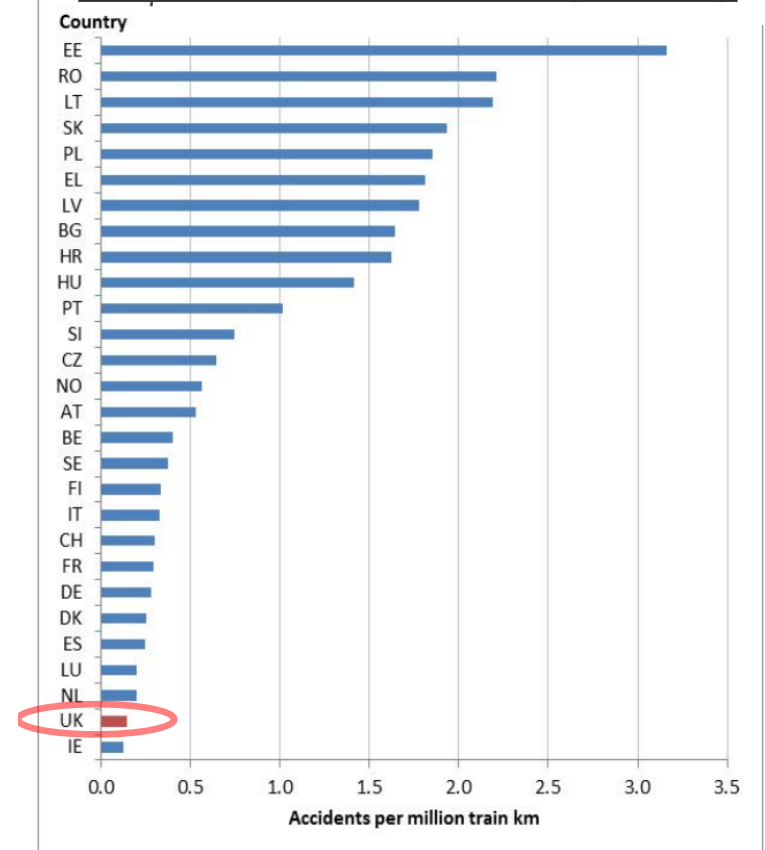


The UK has one of the safest railways in Europe

Train accidents with fatalities in Great Britain



Number of train accidents by country

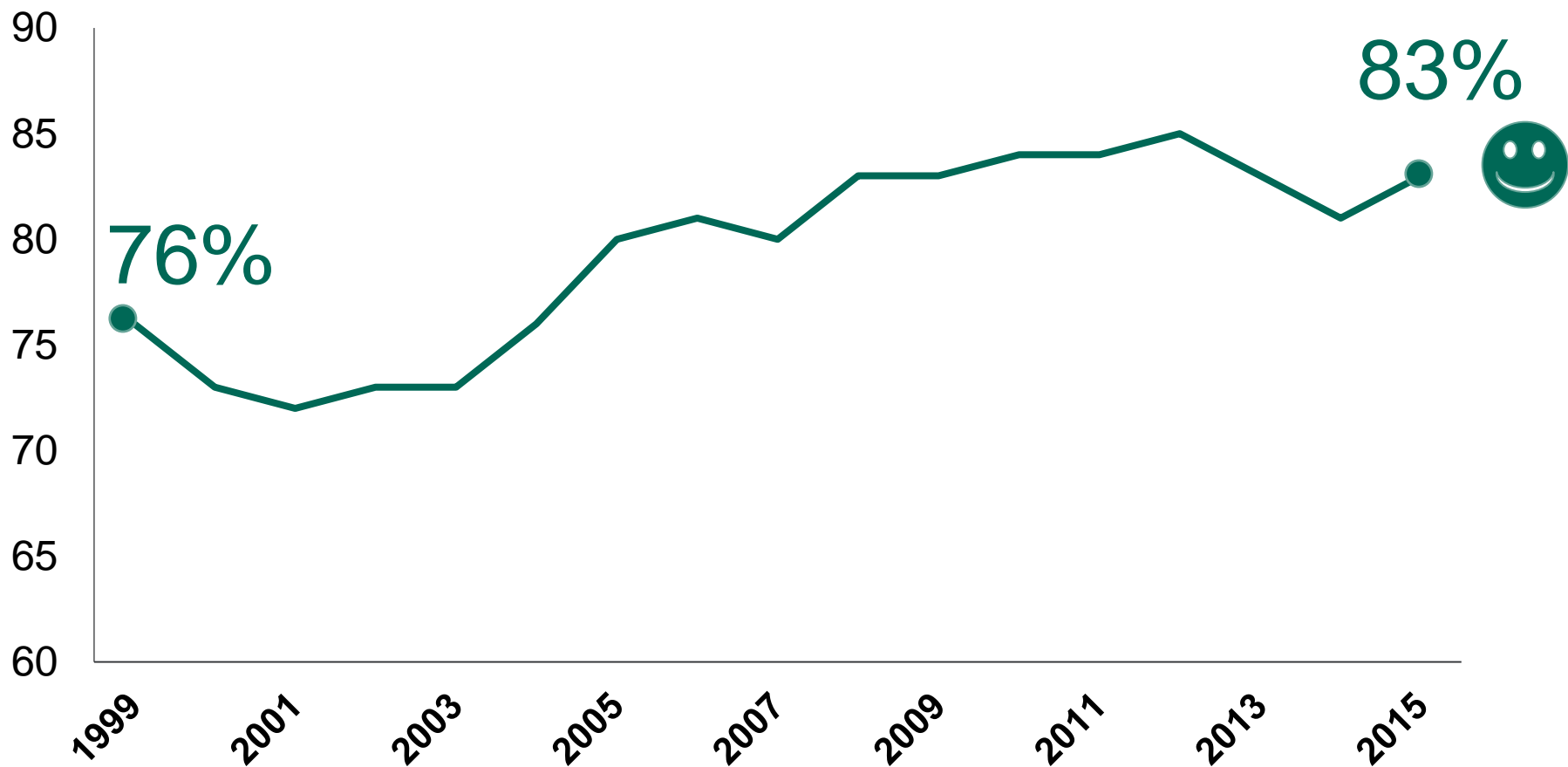


Sources: ORR; European Railways Agency



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Passenger satisfaction has risen in recent years



Source: Transport Focus – National Rail Passenger Survey (autumn waves)