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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

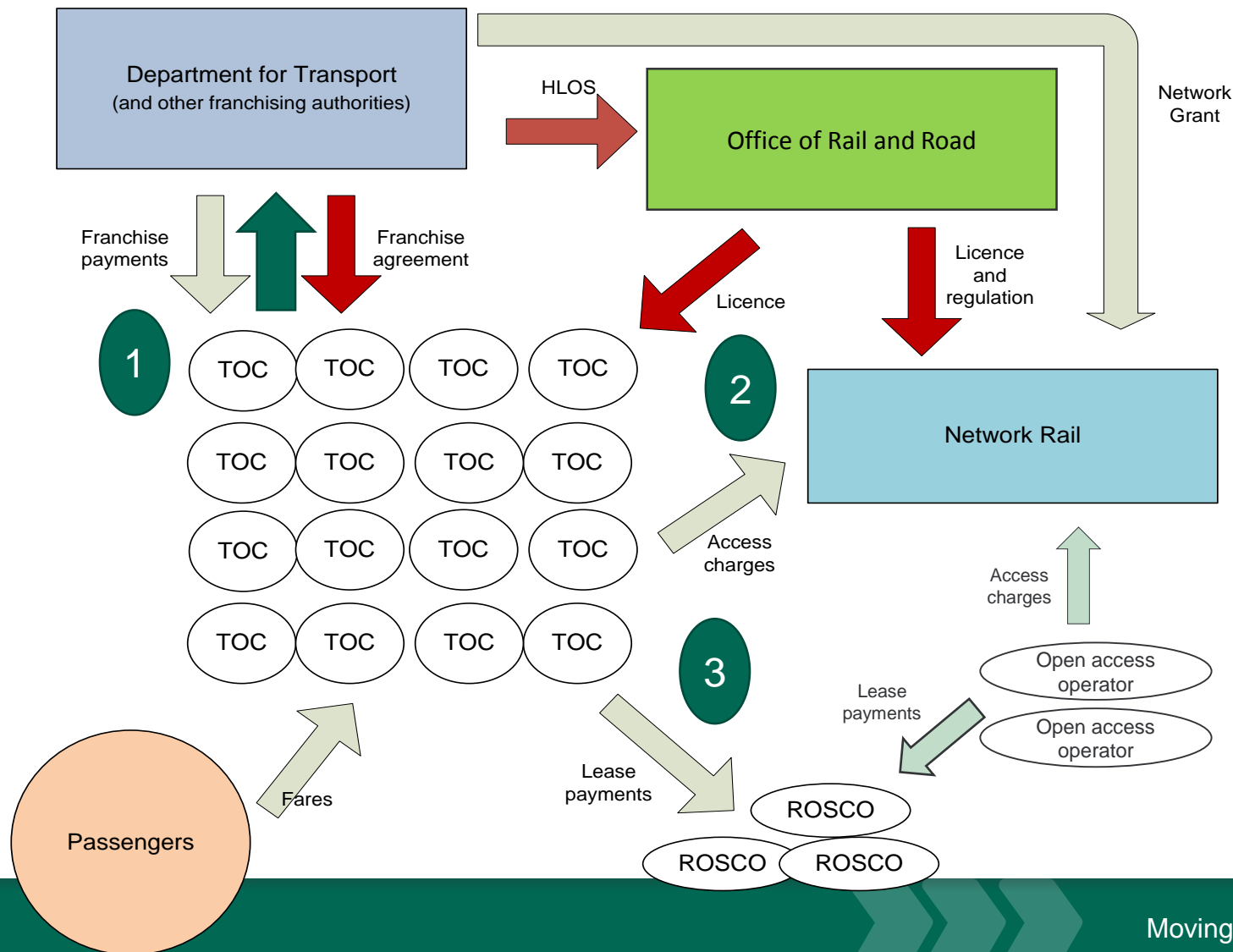
**What has GB  
franchising  
delivered?**

**What have  
we learnt?**

**Where next?**



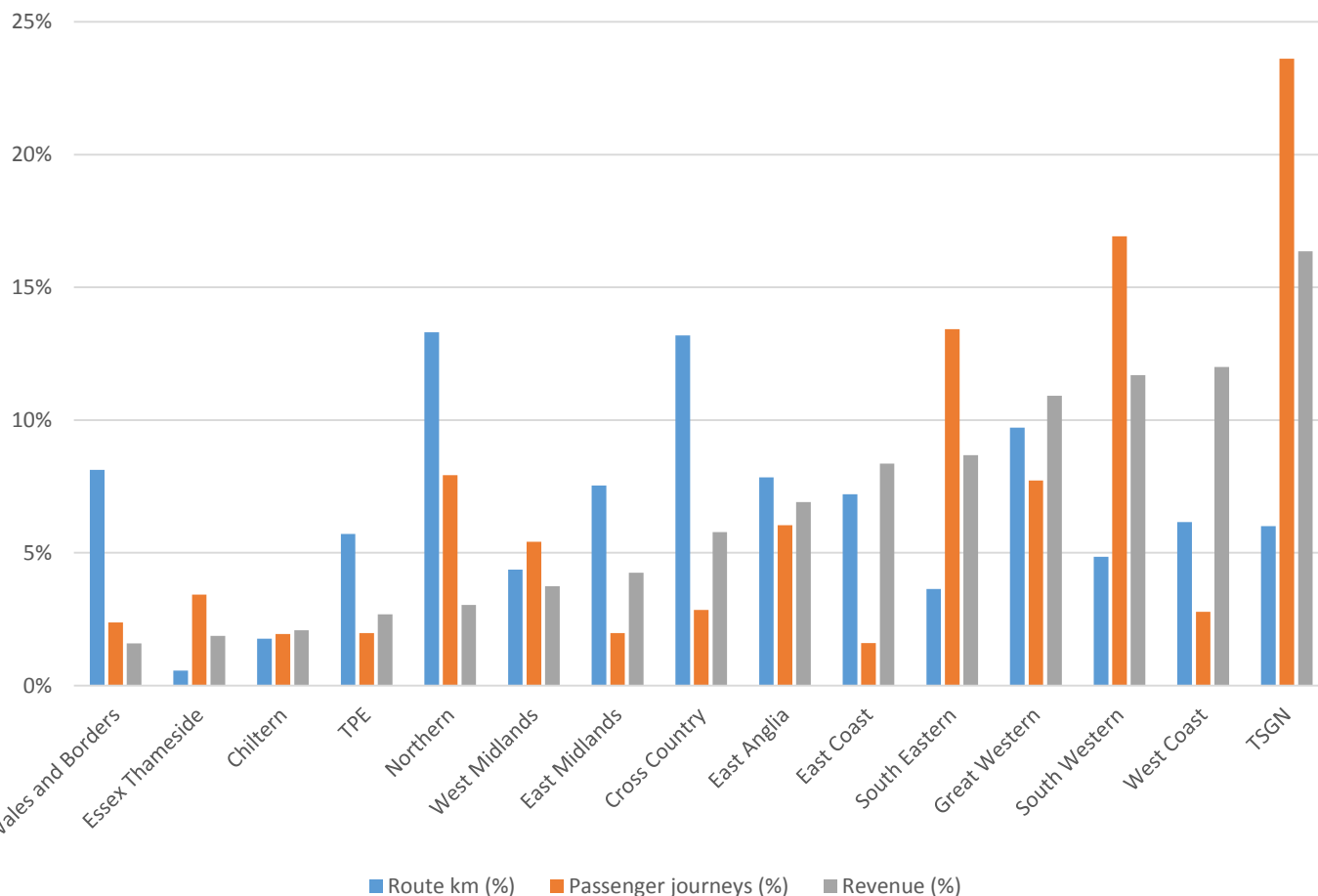
# Background: 1) How Does Franchising Fit in the GB Rail System?





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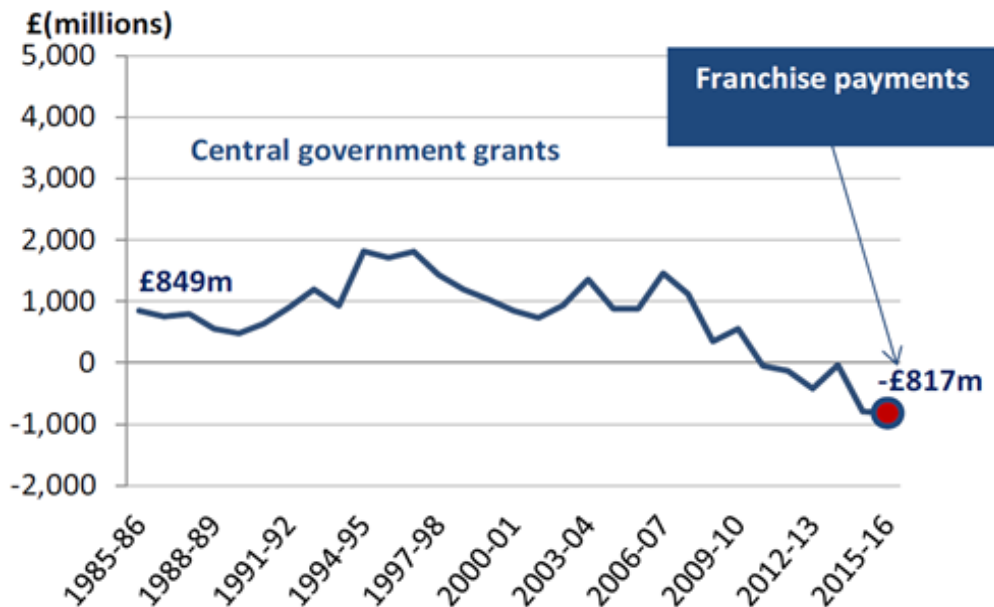
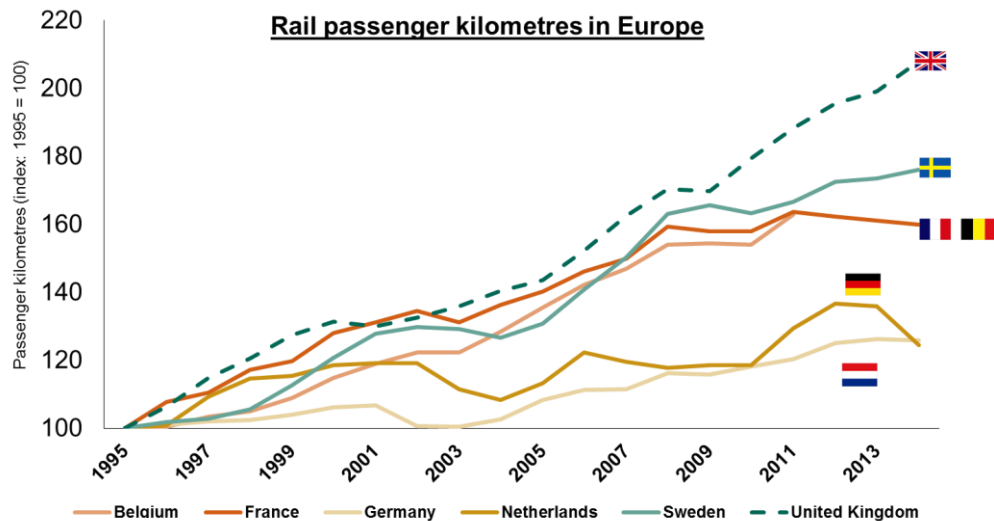
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# Franchising has Played a Key Role in the GB Rail Success Story

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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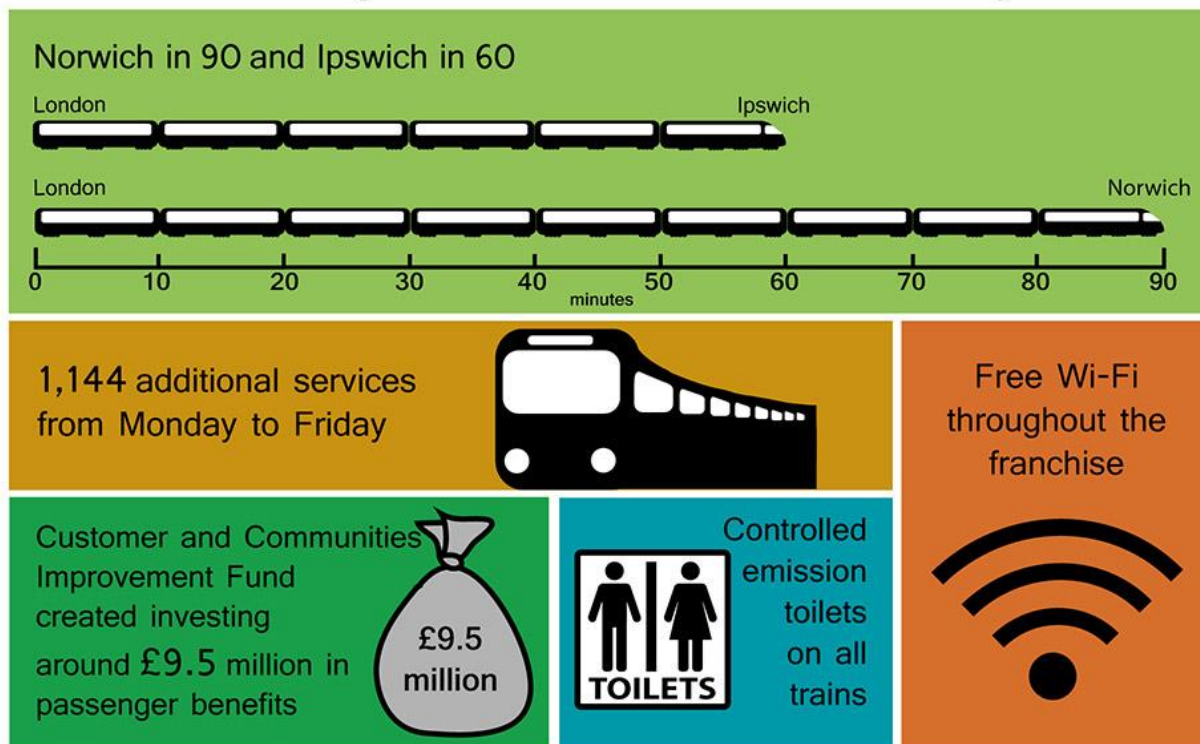
## A Case Study – East Anglia

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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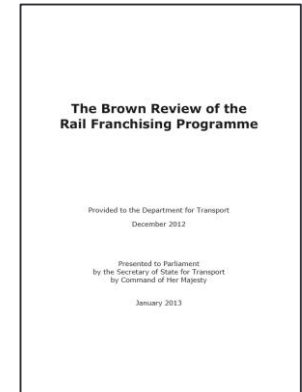
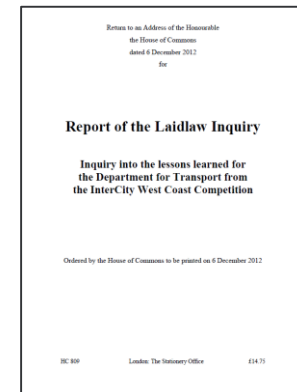




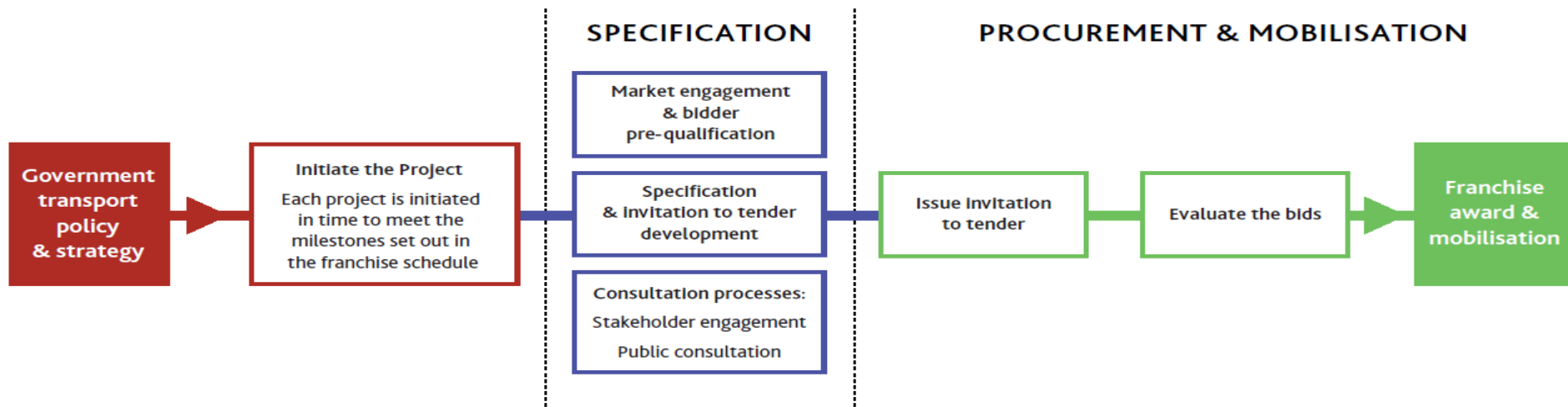
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# Lesson 1: Franchising needs to be underpinned by robust procurement

Problem: 2012 West Coast franchise competition collapse



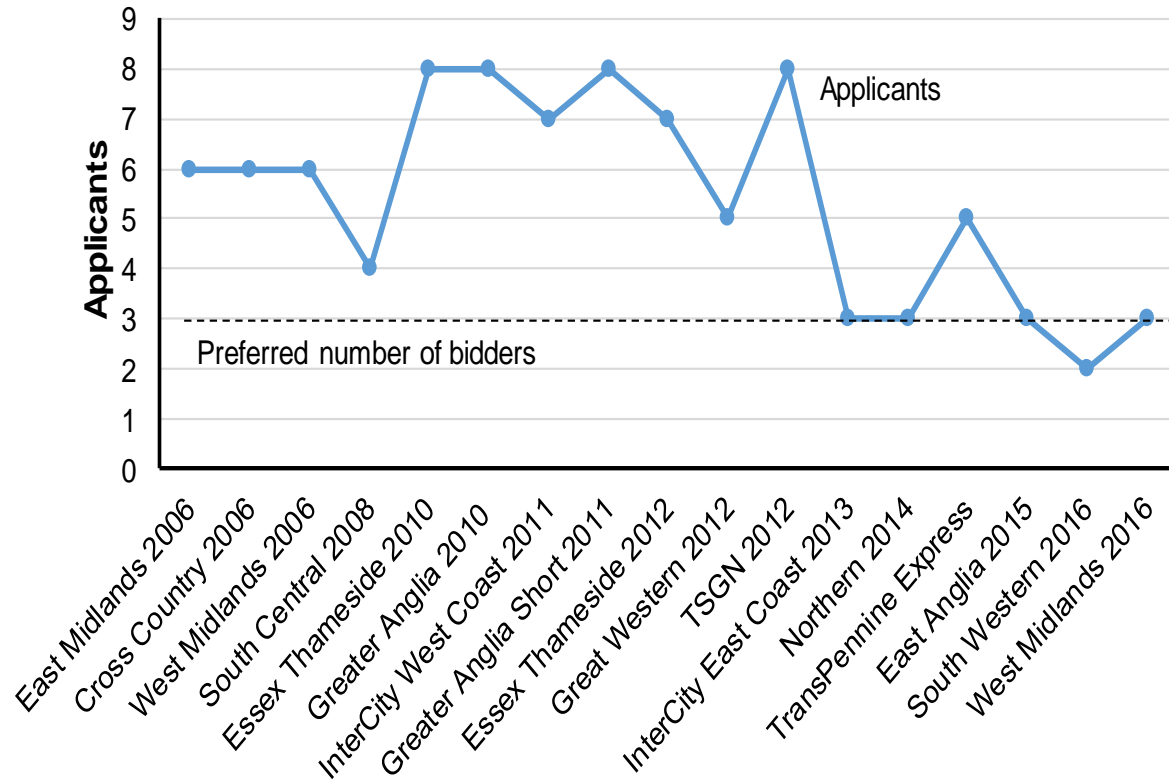
Solution: New rigorous procurement process has delivered six successful competitions





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

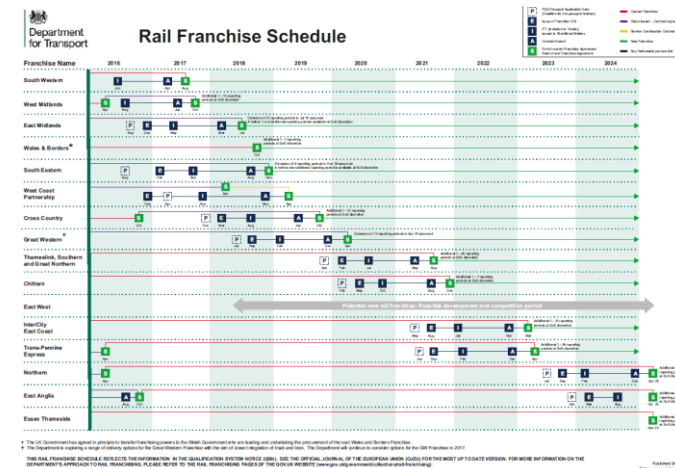
Problem: Potential decline in bidding interest



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:

Supportive of new open access services to deliver passenger benefits to places underserved by franchises.

But risk that open access can undermine benefits of franchise competitions and impact on Government's ability to invest in the network.



### Solutions:

- Open Access pays a fair share of access charges – level playing field
- Rigorous assessment of track access applications by regulator
- Where necessary, protections for franchisees



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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 2018
- New service quality and performance regimes
- Rollout of new passenger compensation arrangements





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## Questions?



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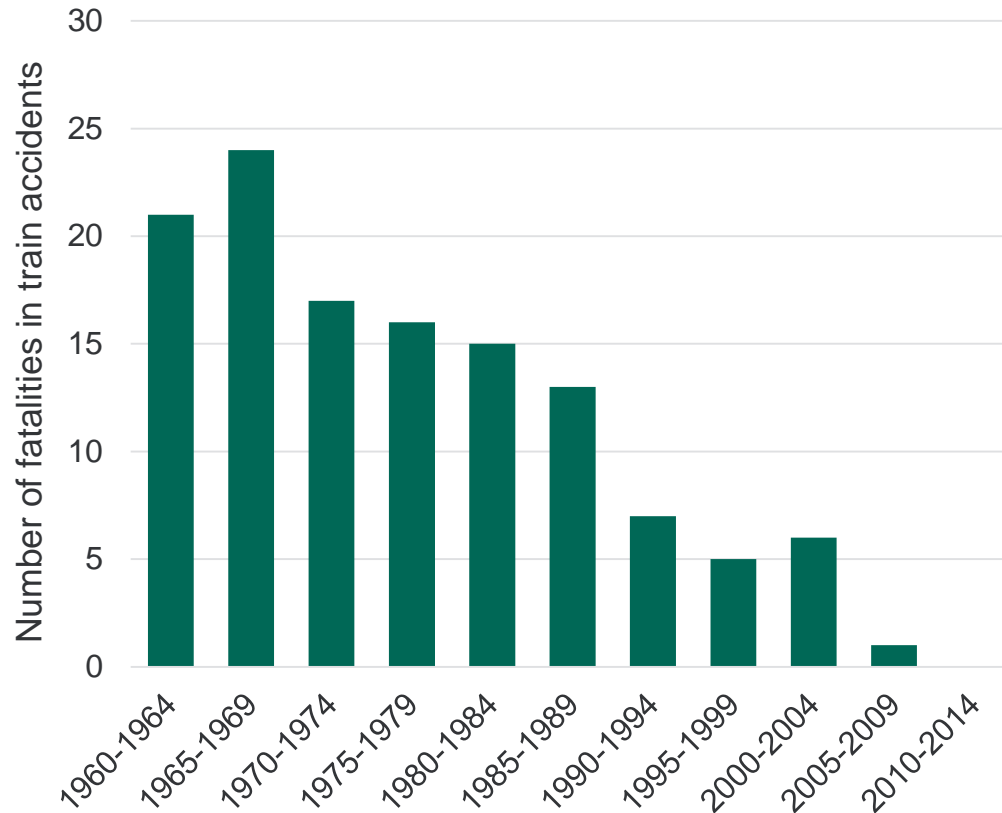
## EXTRA SLIDES



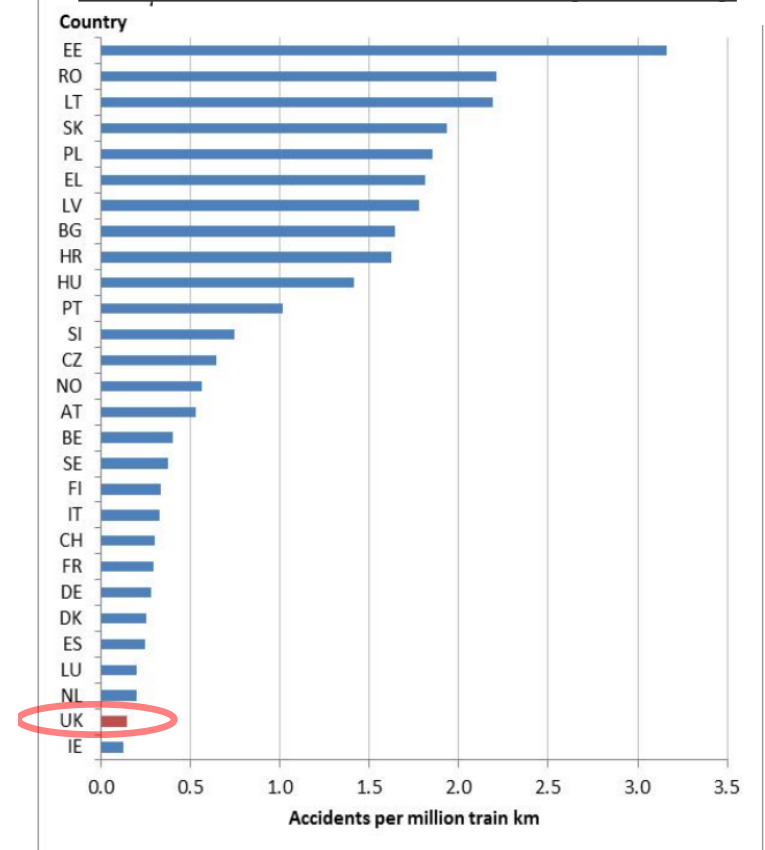


# The UK has one of the safest railways in Europe

Train accidents with fatalities in Great Britain



Number of train accidents by country

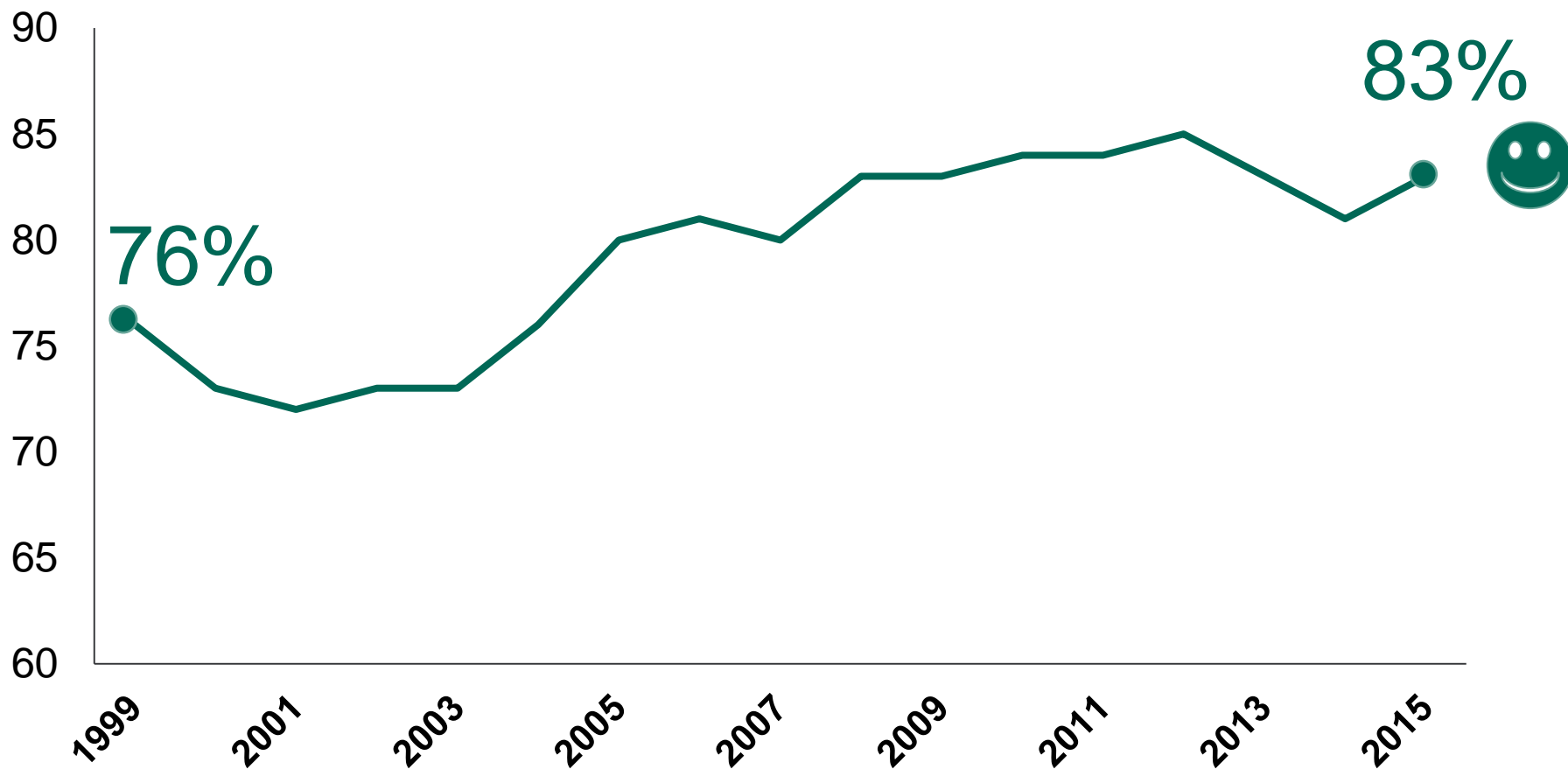


Sources: ORR; European Railways Agency



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# Passenger satisfaction has risen in recent years



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