Monitoring the impact of, and response, to open access

2021 update

18 March 2021

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About this publication

In February 2020, we published our first report ('the 2020 report') setting out a series of indicators intended to monitor the impact of, and response to, open access and commercial operations together with the barriers that such operators face. This document ('the 2021 update') represents an update to our first publication, published one year on, based on data analysis relating to the 2019/20 financial year and a series of stakeholder meetings held in January 2021.

Our aspiration remains that our monitoring will feed into our consideration of the assumptions underlining our decision making and support engagement with stakeholders. Monitoring can also provide an indicator of how well the market is functioning from a competition and regulatory compliance perspective.

The 2020 report was intended to form both a baseline for comparison with future years' information and a starting point for a monitoring framework that could evolve over time in the light of feedback from market participants. The key elements of our monitoring approach were, firstly, *data analysis* - analysing information relating to service quality and pricing (fares/revenues); and, secondly, *what operators are saying* – collecting stakeholder insights.

Starting in March 2020, the Covid-19 pandemic has had profound implications for GB rail's passenger numbers and for the business models of all train operators. In particular, both Grand Central and Hull Trains suspended services altogether during periods of lock-down. We recognise that this report is therefore more limited than we might have hoped prior to the pandemic. Nonetheless, we still consider that it is worth publishing the data we have, particularly where it is directly comparable with that in our previous report.

The data analysis in this report, unless stated otherwise, relates to the 2019/20 financial year. The service quality analysis presented in the 2020 report were in the main based on 2018-19, meaning that in this report we have been able to provide a comparable update, (the Covid-19 Crisis roughly coinciding with the start of the 2020-21 financial year). The pricing analysis in our 2020 report drew on data which extended into summer/autumn 2019. We have therefore not provided an update on this area in this update. Going forward, we will need to consider the comparability of future years' data releases with figures from during and before the Covid-19 Crisis.

During the remainder of 2021 and beyond, we intend to continue to monitor these markets, in a proportionate and pragmatic fashion that takes into account the changing landscape. Stakeholder input into this process will be key, and, as such, we welcome all comments and suggestions from interested parties, at competition@orr.gov.uk.

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.

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:

- Open access operators (OAOs) and franchised train operating companies (TOCs)[1] 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.

2.3 We report on these quality metrics for the two operational OAOs, Grand Central and Hull Trains, and also London North Eastern Railway (LNER), which competes on the East Coast Main Line (ECML) with the open access operators[2]. We also identified a ‘control group’ of TOCs who do not face direct competition from OAOs,

[1] Franchised operators are train operators that operate under the terms of franchises let by governments. Non-franchised operators (open access operators) hold licences to provide supplementary services on chosen routes.

[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).

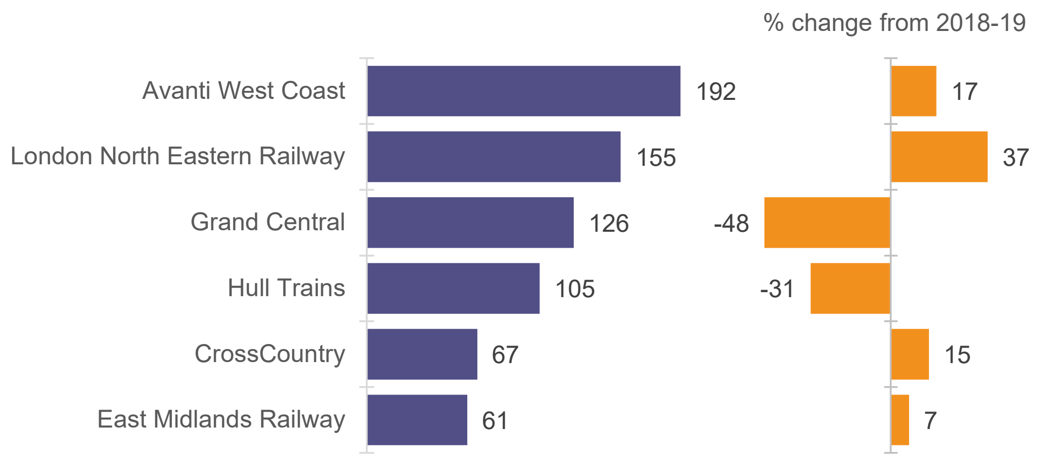
including within this group Avanti West Coast (formerly Virgin Trains West Coast[3]), Cross Country and East Midlands Railway[4].

2.4 Avanti 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 Railway 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

2.5 ORR collects passenger complaint data directly from TOCs each period. We report on the complaints rate by train operator below for 2019-20.

Figure 1: Complaints per 100,000 passenger journeys, 2019-20



Source: Train operating companies' complaints data supplied to ORR. Available on ORR's data portal.

2.6 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.

[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.

[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.

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

Table 1: Top 5 complaint categories on the East Coast Mainline, 2019-20

	Grand Central	Hull Trains	LNER
1	Sufficient room for passengers to sit/stand (**27%**)	Sufficient room for passengers to sit/stand (**17%**)	Facilities on board (**43%**)
2	Upkeep/repair of train (**14%**)	Facilities on board (**16%**)	The helpfulness and attitude of staff on train (**7%**)
3	Facilities on board (**13%**)	Punctuality/reliability (**15%**)	Ticket buying facilities - other (**6%**)
4	Punctuality/reliability (**11%**)	Upkeep/repair of train (**10%**)	Other - miscellaneous (**5%**)
5	Ticket buying facilities - other (**7%**)	Other - miscellaneous (**7%**)	Ticketing and refunds policy (**5%**)

Source: Train operating companies' complaints data supplied to ORR. Available on ORR's data portal.

Delay compensation

2.8 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 in figure 2 below.

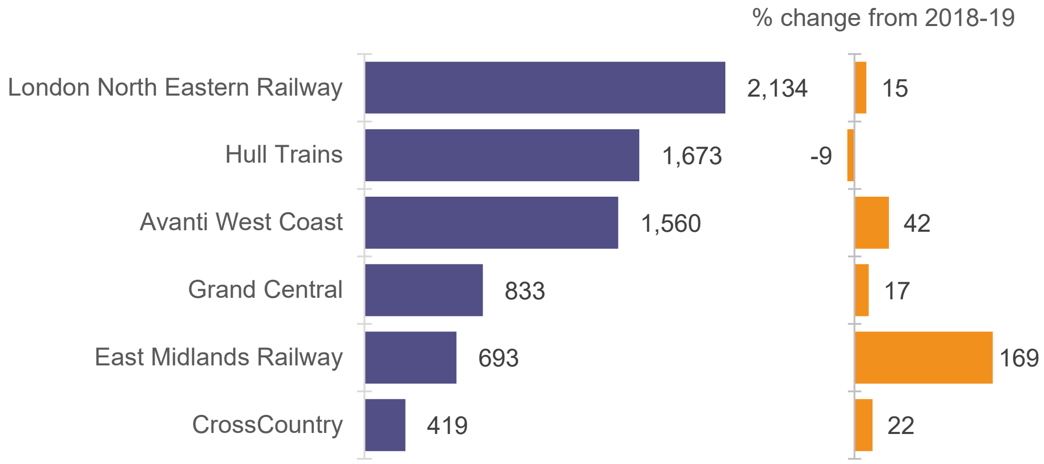
2.9 We note that comparison of delay compensation claim volumes between train operators should always be treated with caution due to the application of different thresholds to claim compensation, and differences in operator punctuality and

[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 do not present it here. This can be found here.

service types – which carry a different mix of passengers, some of which will be more or less time-sensitive[7].

Figure 2: Delay compensation claims closed per 100,000 journeys, 2019-20



Source: Train operating companies' delay compensation data supplied to ORR. Available on ORR's data portal.

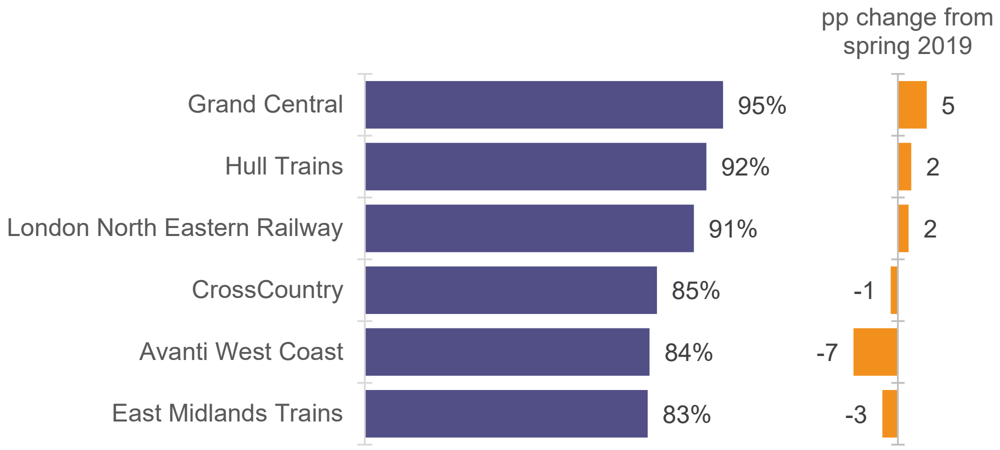
Passenger satisfaction

2.10 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] The spring 2020 release can be found here. See section 7.1 (methodology) for details on how this information is collected and sampled. The spring 2020 survey was affected by the coronavirus disease 2019 pandemic. The sample size is 75% of that of the spring 2019 wave, although sample sizes are still robust at TOC level. More details can be found on pg.4 on the Main Report.

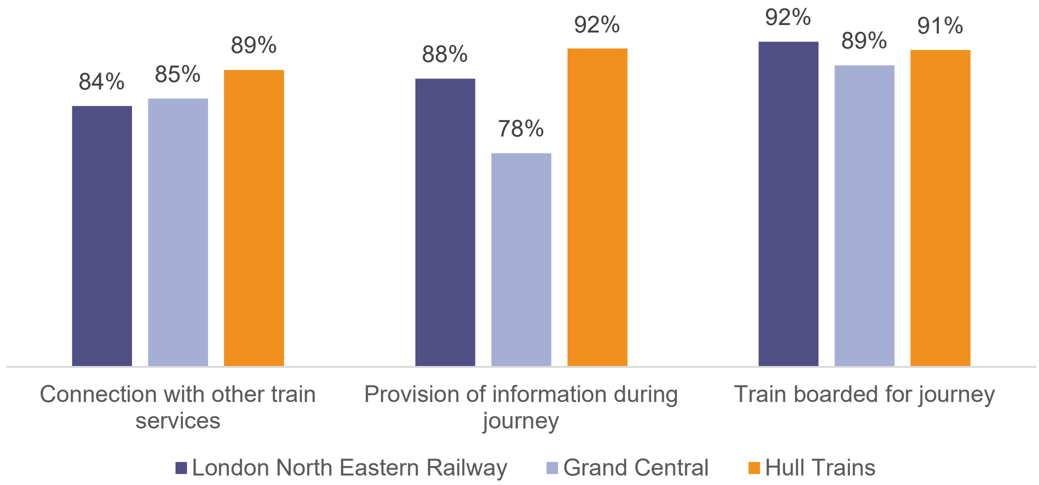
Figure 3: Overall journey satisfaction, National Rail Passenger Survey, spring 2020



Source: National Rail Passenger Survey, Transport Focus. Main report available here.

2.11 We have also analysed passenger satisfaction scores of the key elements of an operator's offerings 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 2018, spring 2019, autumn 2019 and spring 2020. Despite this, some sample sizes (provided in tables directly below each chart) are small. Where this is the case, the results should be treated with caution. In choosing which routes to report on in this 2021 update we selected routes where, other things being equal, there were large sample sizes and comparable head-to-head competition between operators; and where we had reported on a route in the 2020 report.

Figure 4: Satisfaction with elements of an operator's offering, Doncaster to London, autumn 2018 to spring 2020

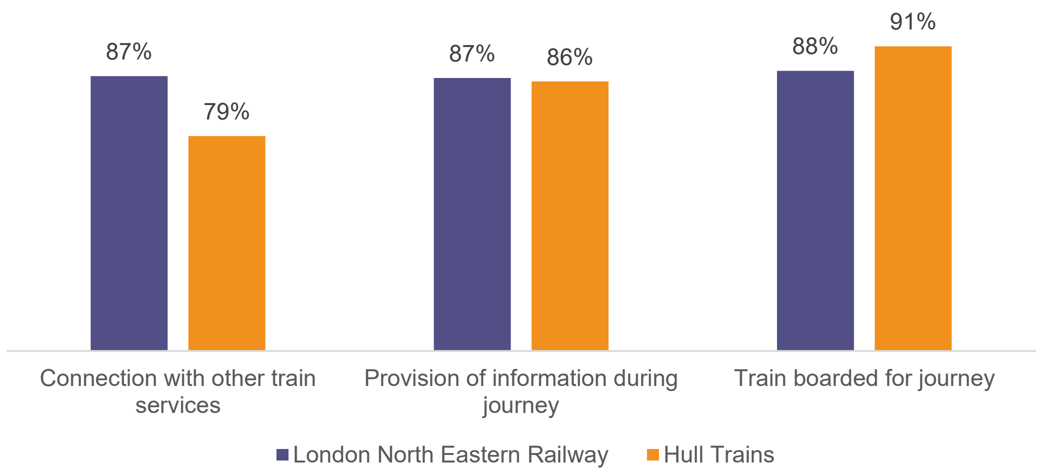


Source: Combined autumn 2018, spring 2019, autumn 2019 and spring 2020 National Rail Passenger Survey results, Transport Focus. Main report available here.

Table 2: Sample sizes for figure 4

	LNER	Grand Central	Hull Trains
Connection with other train services	69	147	196
Provision of information during journey	89	226	306
Train boarded for journey	93	245	324

Figure 5: Satisfaction with elements of an operator's offering, Grantham to London, autumn 2018 to spring 2020

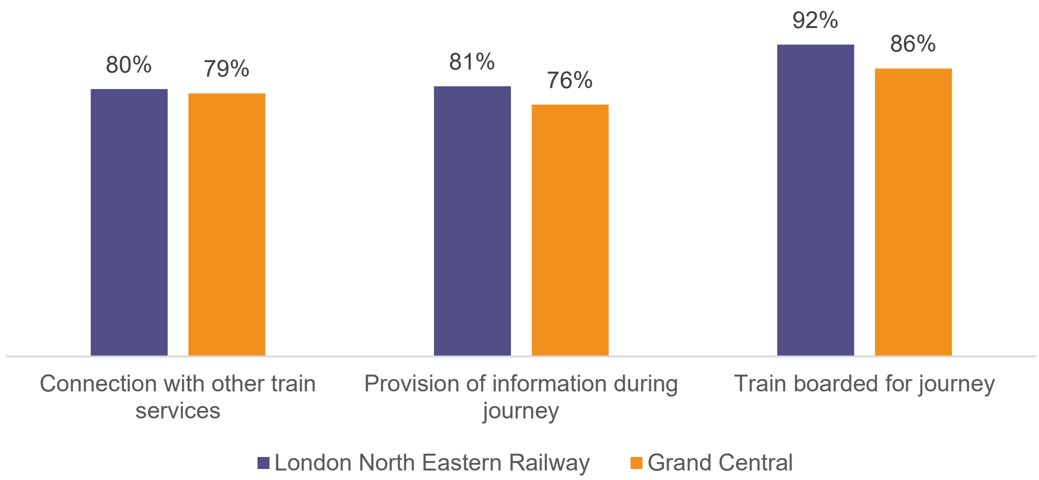


Source: Combined autumn 2018, spring 2019, autumn 2019 and spring 2020 National Rail Passenger Survey results, Transport Focus. Main report available here.

Table 3: Sample sizes for figure 5

	LNER	Hull Trains
Connection with other train services	56	119
Provision of information during journey	107	219
Train boarded for journey	112	248

Figure 6: Satisfaction with elements of an operator's offering, York to London, autumn 2018 to spring 2020



Source: Combined autumn 2018, spring 2019, autumn 2019 and spring 2020 National Rail Passenger Survey results, Transport Focus. Main report available here.

Table 4: Sample sizes for figure 6

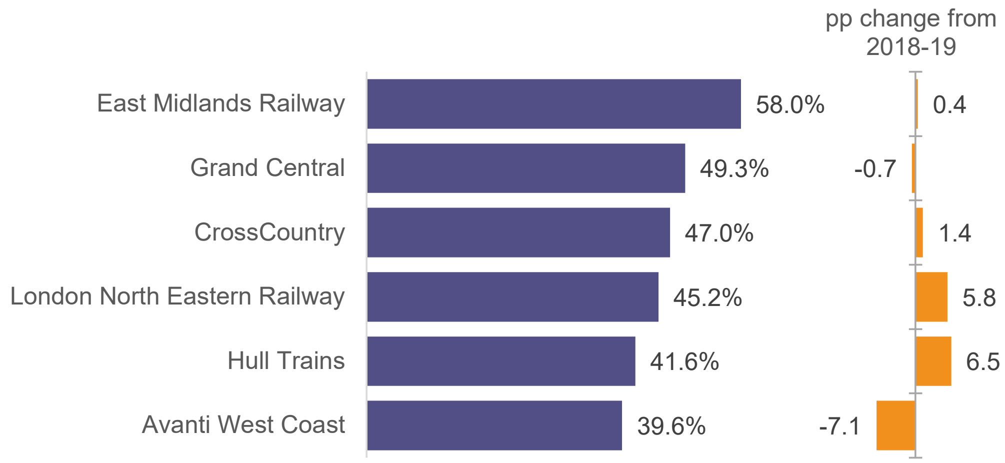
	LNER	Grand Central
Connection with other train services	124	124
Provision of information during journey	255	250
Train boarded for journey	263	286

Punctuality

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

2.13 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 Public Performance Measure ("PPM") cited in the 2020 report, which measures the punctuality of trains, within 5 or 10 minutes of the scheduled time (dependent on the service), at their final destination only. A higher On Time score indicates better punctuality.

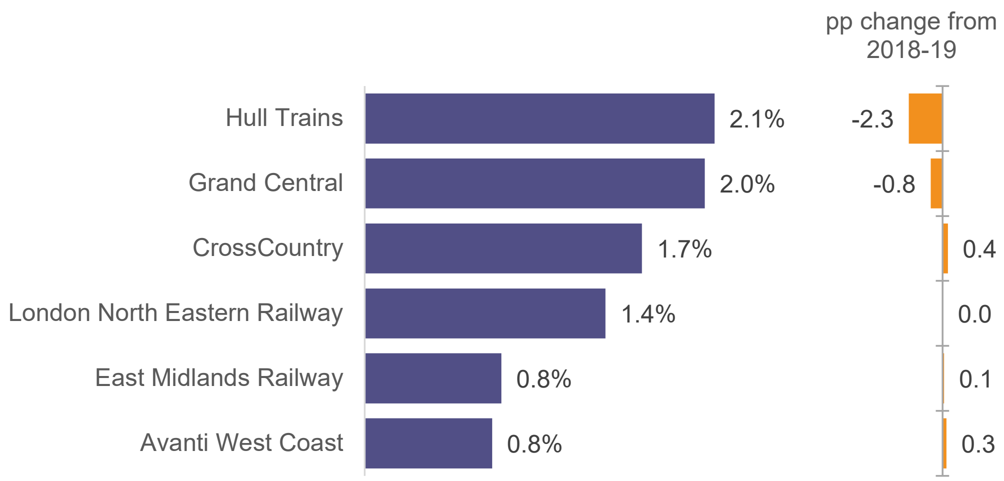
Figure 7: On Time, 2019-20



Source: Network Rail performance data supplied to ORR. Available on [ORR's data portal](#).

2.14 The train Cancellations measure is a weighted score that 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: Cancellations score, 2019-20

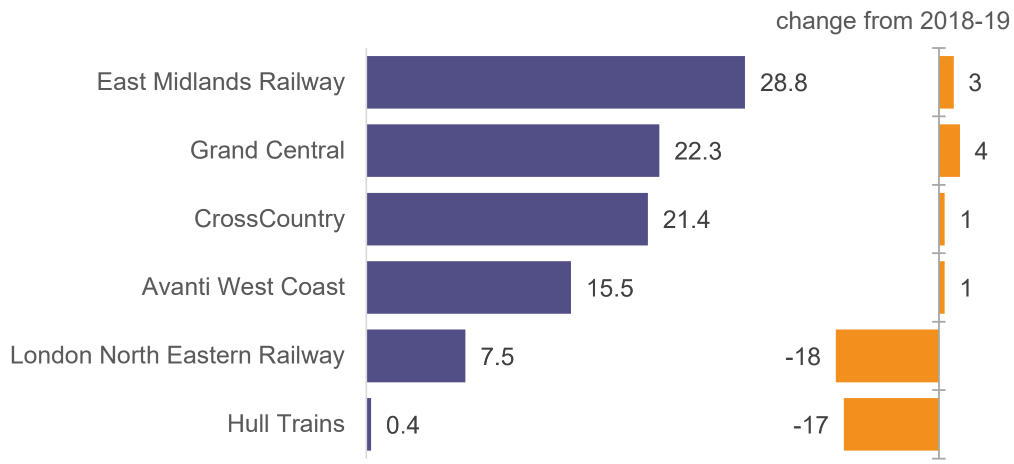


Source: Network Rail performance data supplied to ORR. Available on [ORR's data portal](#).

Rolling stock age

2.15 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 (in years) of operators' rolling stock, 2019-20



Source: Rail Safety and Standards Board. Available on ORR's data portal.

Fares and revenue

3.1 In the 2020 report we:

- Announced that we had started to collect raw price data for selected services on key routes served by OAOs, which we intended to continue to collect with a view to reporting back on at our next update; and

- Presented the results of a preliminary analysis of historical data on fares and revenue which we had carried out to assess the impact of entry and expansion of OAOs over time; and

3.2 Our intention at the timing of writing the 2020 report was that analysis in this area would progress over the course of the 2020-21 financial year, enabling us to publish the results of a fuller analysis in due course.

3.3 The impact of the Covid-19 crisis has been such that we have considered it necessary to change these plans. Starting in March 2020, the Covid-19 pandemic has had profound implications for GB rail's passenger numbers and for the business models of both franchised and open access operators. Grand Central and Hull Trains took the step of suspending services altogether during periods of lockdown. Rail passenger journeys in the first quarter of 2020-21 were at 8.1% of the level seen in the first quarter of 2019-20[9]. In the light of these changes:

[9] Please see ORR's passenger rail usage publication (here) for further detail.

- We decided, early in the 2020-21 financial year, to pause collection of raw price data; and

- It would not have been useful for us to update our analysis of historical data, which in the 2020 report drew on data running up to mid-October 2019, i.e. until the end of 2019-20's rail period 7. This meant that there would only have been six new rail periods' worth of data available for us to analyse before the impact of the Covid-19 crisis. Such new analysis would not have been capable of providing any significant new insights on that summarised in the 2020 report.

3.4 The analysis of pricing data remains, however, an important way to understand the impact of open access and is something that we are committed to resuming when we have an opportunity. We welcome all stakeholder views on approaches to this that we might take going forwards.

What operators are saying

4.1 Throughout January and February 2021 we held a series of meetings with existing and aspirant open access and commercial operators. Meetings were held remotely. In these discussions we asked market participants about: their views on the metrics published in this report; their views on developments in the market; and, consistent with our previous report, their views on barriers to entry and expansion for commercial operators.

4.2 Broadly, operators were supportive of our continued work monitoring the market, and made useful suggestions about the metrics being used to do so. Operators agreed with our decision to suspend the collection of pricing data given the impact of COVID. We considered any suggestions carefully against our objectives of ensuring effective year to year comparability, and accuracy, as well as the limitation of data availability. We made adjustments where we considered it appropriate to do so. Other suggestions were noted and will be considered for future publications.

4.3 We summarise the key themes arising from our discussions, below. The purpose of doing so, consistent with the rest of this report, is to record and publish information communicated to us. We have not provided any ORR commentary or analysis on the views expressed to us and publication of these comments does not constitute ORR endorsement of the points raised.

COVID-19

4.4 OAOs told us that since the onset of the pandemic, the commercial environment had been extremely challenging. They encouraged a thorough lessons learned exercise to be undertaken, notably on decision making processes and how to respond to extreme fluctuations in passenger needs.

4.5 Open access stakeholders emphasised the importance of building back in a positive way – notably through pursuing the goals of decarbonisation through use of rail.

4.6 Operators, whilst emphasising the need to prioritise public health and passenger safety, could see an important role for open access/commercial operators. They argued that there was scope for such businesses to take a clear commercial communications angle to encourage the re-growth of leisure travel. One respondent told us that it might be easier for open access operators to make their rolling stock more COVID-secure, (through the use of UV and other technology), given their small fleet sizes.

Funding

4.7 One open access stakeholder informed us that opportunities for funding commercial operators had improved, citing the example of Innovate UK.

Capacity

4.8 Network Rail's capacity analysis capability continued to be cited by open access stakeholders as an important barrier to entry – notably given the impact it had on being able to make a successful access application. Open access stakeholders cited delay and accuracy issues making the process for applying for access to ORR more difficult. Open access stakeholders also expressed concern about the potential for more declarations of congested infrastructure, and the adverse impact this could have on open access/commercial operators.

4.9 Some open access stakeholders expressed a level of concern about the increasingly close relationship between the infrastructure manager, and the downstream passenger rail franchise operation. They noted the potential impact government rail reform would have on this dynamic. They questioned whether this increased integration would mean Network Rail were properly incentivised to be independent and fair in their role in analysing capacity for the purposes of access applications.

4.10 One respondent noted that HS2 could have a positive impact on increasing capacity on the network.

Rolling stock

4.11 There were mixed views on whether the availability of rolling stock continued to present a major barrier for launching an open access/commercial operation.

4.12 Some open access stakeholders highlighted the increasing cascade of used, but still usable rolling stock resulting from the drive for new stock to be deployed on the network. Certain fleets could be used to support new open access propositions. Others, however, highlighted that rolling stock availability (and investment cost) continued to be a major barrier to entering the market as a commercial operator. They stated that the rolling stock cascading from franchises was of insufficient quality and the timing of its availability (before it was scrapped) was rarely viable to coincide with launching a new service.

Driver recruitment

4.13 One respondent raised driver recruitment as a barrier to launching a new open access service. They said driver numbers were still low, and the fall out of COVID-19 and the furloughing of staff was likely to exacerbate this issue.

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