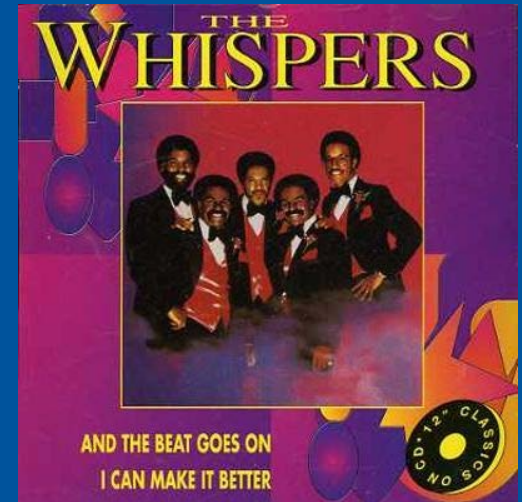


And the Beat Goes on. The continued trials and tribulation of passenger rail franchising in Great Britain



John Preston and Charles Bickel,
University of Southampton.



Context

1993 Railways Act.

Introduction of off-the-track competition in the form of franchising.

2001 TRB Paper

2007 Thredbo #10. The Good, the Bad and the Ugly

2015 Thredo #14. Déjà Vu All Over Again.

2017 Thredbo #15. The Wheel Keeps on Turning.

Is the end of franchising nigh?



The Five Phases of Franchising

Phase	Dates	Responsible Authority	Achievements	Assessment
1	1996 – 2000	OPRAF	25 franchises let	Initial success
2	2001 – 2004	SRA	9 franchises re-let, 1 failure, 13 renegotiated.	Cost over-runs post Hatfield.
3	2005 – 2012	DfT – Cap and Collar	12 franchises re-let. 2 failures	Revenue short-falls.
4	2012 – 2013	DfT – SLF	1 cancellation	Shortcomings in evaluation
5	2014 – 2019?	DfT – Horses for courses	11 franchises re-let by mid-2019. 6 more by 2022.	13 Direct awards.



Key Trends by Franchising Phase

(% change)

Franchise Phase	Dates	Demand (Pass Km)	Real receipts per pass km	Supply (Train Km)	Real unit Costs	Real support
1	95/96-00/01	+31	-5	+21	+20	-38
2	01/02-04/05	+7	+4	+7	+18	+185
3	05/06-11/12	+34	+3	+11	+2	0
4/5	12/13-17/18	+16	-3	+2	+5	+3
TOTAL		+118	-1	+47	+52	+81

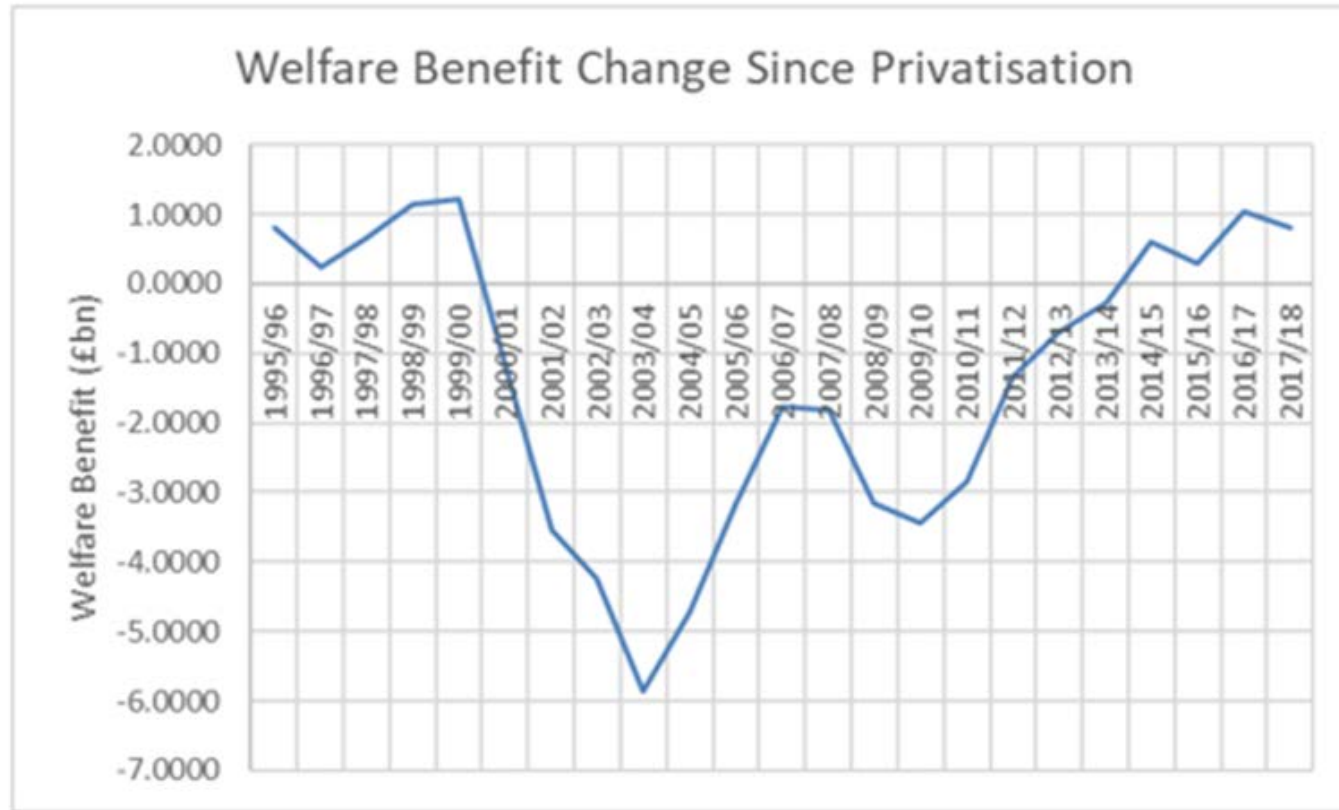


Changes in Welfare by Franchising Phase (PV £B 2017/18 prices)

	Overall (ΔW)	Change in Infrastructure Costs	Net Effect (Per year in brackets)
1995/6 – 2000/1	+2.66	+1.42	+4.08 (+0.7)
2001/2 – 2004/5	-13.66	+12.44	-1.22 (-0.3)
2005/6 – 2011/12	-10.88	+17.50	+6.62 (+0.9)
2012/13 – 2017/18	+0.80	+12.88	+13.67 (+2.3)
Total	-21.08	+44.23	+23.15 (+1.0)



Changes in Welfare by Franchising Phase (PV £B 2017/18 prices)



A Tale of Two TOCs?

	Train Km (million)	Pass Km (million)	Pass Rev (£ million)	Subsidy per Pass Km (pence)	PPM (%)	Satisfaction
EC 2009	20.0	4695.1	577.6	-3.9	86.9	87.0
EC 2015	22.0	5297.7	667.3	-5.0	88.6	91.0
Change	+10.0%	+12.8%	+15.5%	-1.1	+1.7	+4.0
SWT 2009	39.5	5345.7	672.8	-0.8	93.1	84.0
SWT 2015	39.5	6222.0	1008.6	-6.0	90.1	81.0
Change	0	+16.4%	+49.9%	-5.2	-3.0	-3.0



Discussion

Problems of zombie franchises, declining bidder pool and litigious disputes.

Distinguish between commercial and social franchises. Consider nationalising the former, at least temporarily. Gross cost contracts for the latter. Negotiated contracts for extensions but not renewals.

Williams Review believes the franchising model is outdated and may propose a new industry structure and commercial model.



What would this Workshop advise?