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Arriva in northern rail services plan

By Mark Odell, Transport Correspondent

Deutsche Bahn, the German state-owned rail operator, is seeking to start passenger services on the West Coast mainline that would put it in competition with incumbent Virgin Rail.

Arriva, DB's international arm, is waiting for the UK rail regulator to rule on an application that could see it start services from London to more than a dozen stations in northern England, including Blackpool, Halifax and Huddersfield, which do not have direct services to the capital.

Almost all passenger rail services in the UK are let as franchises by the government but a small proportion are provided by so-called open access operators. Unlike the franchise operators, these are fully commercial operations that pay no premiums to government and receive no subsidies and compete with the incumbent under licence.

At present there are only two such operators, both operating on the East Coast mainline, Grand Central, owned by Arriva, and First Hull Trains, owned by FirstGroup.

Capacity constraints on parts of the network and the fact that many regional services are unprofitable, requiring government subsidy to the franchise operator, limit the opportunities for open access operators.

Bob Holland, Arriva's UK managing director, said that, if the application was successful, it could lead to the introduction of 10 to 17 new trains to run services. Such a large commitment, costed at about £18m per train, would depend on getting a licence longer than the standard 10 years to justify the investment.

The Office of Rail Regulation is expected to rule on the application by the end of the year, although it is also considering a rival application from incumbent Virgin Rail, a joint venture between Sir Richard Branson's Virgin Group and Stagecoach, to add its own direct services to Blackpool.

Ultimately, the government would have to decide whether to award Arriva a licence after considering the rail regulators findings and Mr Holland said recent signs were not encouraging following the West Coast mainline fiasco, which saw Virgin Rail retain its position as the operator of the country's busiest intercity franchise.

“We are trying our best but the shambles over the West Coast franchise has set us back,” he said.

A recent report by think-tank the Centre for Policy Studies found that on the East Coast mainline where the franchise operator faces competition, it has led to increased usage, higher revenues for the operators, lower fares and higher customer satisfaction.

The study “Rail’s second chance” found that average fares at stations with competition on the East Coast mainline rose 11 per cent between 2007 and 2012 compared with 17 per cent at those stations without a rival offering services. Similarly, the number of journeys jumped 42 per cent, versus 27 per cent, and revenue increased 57 per cent, compared with 48 per cent. The two open access operators also top the customer satisfaction surveys.